



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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**31 MARCH 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 31 March 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"), 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 2013

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

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2013**

	<i>Note</i>	<b>31 Mar 2013</b> RM'000	31 Dec 2012 RM'000
<b>Assets</b>			
Cash and short-term funds	10	2,233,769	1,650,386
Financial Assets Held-for-Trading	11	406,079	182,509
Financial Investments Available-for-Sale	12	1,205,905	1,265,283
Financing and advances	13	8,461,645	8,483,879
Other assets	15	246,161	151,220
Statutory deposits with Bank Negara Malaysia	16	335,062	343,561
Equipment		27,137	27,839
Intangible assets		24	29
Deferred tax assets		41,466	41,473
Total Assets		<b>12,957,248</b>	<b>12,146,179</b>
<b>Liabilities</b>			
Deposits from customers	17	9,532,300	8,639,809
Deposits and placements from banks and other financial institutions	18	1,657,657	1,763,316
Bills and acceptances payable		9,815	15,426
Other liabilities	19	185,498	184,541
Provision for taxation		4,188	3,307
Multi-Currency Sukuk Programme	20	500,000	500,000
Total Liabilities		<b>11,889,458</b>	<b>11,106,399</b>
<b>Shareholder's Equity</b>			
Share capital		50,000	50,000
Reserves		1,017,790	989,780
Total Shareholder's Equity		<b>1,067,790</b>	<b>1,039,780</b>
Total Liabilities and Shareholder's Equity		<b>12,957,248</b>	<b>12,146,179</b>
Commitments and Contingencies	28	<b>8,673,995</b>	<b>7,668,612</b>

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

*The financial statements were approved for issue by the Board of Directors on 24 April 2013.*

**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 2013**

	<i>Note</i>	<b>31 Mar 2013</b>	31Mar 2012
		<b>RM'000</b>	RM'000
Income derived from investment of depositors' funds and others	21	<b>146,226</b>	157,825
Income derived from investment of shareholder's funds	22	<b>33,332</b>	26,629
Impairment losses on financing	23	<b>(32,102)</b>	(38,805)
<b>Total distributable income</b>		<b>147,456</b>	145,649
Income attributable to depositors	24	<b>(60,081)</b>	(60,898)
<b>Total net income</b>		<b>87,375</b>	84,751
Personnel expenses	25	<b>(8,062)</b>	(9,482)
Other overheads and expenditures	26	<b>(43,542)</b>	(37,983)
<b>Profit before taxation</b>		<b>35,771</b>	37,286
Taxation		<b>(8,889)</b>	(9,393)
<b>Profit for the period</b>		<b>26,882</b>	27,893
Other comprehensive income			
Fair value reserve			
Change in fair value		<b>1,333</b>	(339)
Income tax relating to components of other comprehensive income		<b>(333)</b>	85
Other comprehensive income for the period, net of tax		<b>1,000</b>	(254)
<b>Total comprehensive income for the period</b>		<b>27,882</b>	27,639
Profit attributable to the owner of the Bank		<b>26,882</b>	27,893
Total comprehensive income attributable to the owner of the Bank		<b>27,882</b>	27,639
Basic earnings per RM0.50 ordinary share		<b>26.9 sen</b>	27.9 sen

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013**

	←		Non-distributable		→		Distributable	Total
	Share capital	Share premium	Statutory reserve	Available-for-sale reserve	Capital contribution reserve	Profit equalisation reserve		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2012</b>								
Balance as at 1 January	50,000	610,000	50,000	148	695	-	190,825	901,668
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	-	-	27,893	27,893
<b>Other comprehensive income, net of income tax</b>								
Fair value reserve:								
Net change in fair value	-	-	-	(254)	-	-	-	(254)
Total other comprehensive income	-	-	-	(254)	-	-	-	(254)
Total comprehensive income for the period	-	-	-	(254)	-	-	27,893	27,639
<b>Transactions with ultimate holding company, recorded directly in equity</b>								
Share based payment transactions	-	-	-	-	46	-	-	46
<b>Other transactions, recorded directly in equity</b>								
Reclassification of profit equalisation reserve to equity	-	-	-	-	-	5,360	-	5,360
Balance at 31 March	50,000	610,000	50,000	(106)	741	5,360	218,718	934,713
<b>2013</b>								
Balance as at 1 January	50,000	610,000	50,000	534	1,161	-	328,085	1,039,780
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	-	-	26,882	26,882
<b>Other comprehensive income, net of income tax</b>								
Fair value reserve:								
Net change in fair value	-	-	-	1,000	-	-	-	1,000
Total other comprehensive income	-	-	-	1,000	-	-	-	1,000
Total comprehensive income for the period	-	-	-	1,000	-	-	26,882	27,882
<b>Transactions with ultimate holding company, recorded directly in equity</b>								
Share based payment transactions	-	-	-	-	128	-	-	128
Balance at 31 March	50,000	610,000	50,000	1,534	1,289	-	354,967	1,067,790

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 CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013**

	<b>31 Mar 2013</b>	<b>31 Mar 2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	35,771	37,286
Adjustments for non-operating and non-cash items	2,700	1,917
Operating profit before working capital changes	38,471	39,203
Changes in working capital:		
Net changes in operating assets	(287,778)	53,114
Net changes in operating liabilities	782,178	1,236,162
Taxation paid	(8,334)	(6,500)
<b>Net cash generated from operating activities</b>	<b>524,537</b>	<b>1,321,979</b>
<b>Net cash used in investing activities</b>	<b>58,846</b>	<b>(267,287)</b>
	<b>58,846</b>	<b>(267,287)</b>
<b>Net changes in cash and cash equivalents</b>	<b>583,383</b>	<b>1,054,692</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>1,650,386</b>	<b>1,536,792</b>
<b>Cash and cash equivalents at end of the period</b>	<b>2,233,769</b>	<b>2,591,484</b>
<b>Analysis of cash and cash equivalents</b>		
Cash and short-term funds	<b>2,233,769</b>	<b>2,591,484</b>

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**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS AT 31 MARCH 2013**

**1 General Information**

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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**

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

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Bank as at and 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 other significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2012, except for the adoption of the following MFRSs, amendments to MFRSs, and Issues Committee ('IC') Interpretations.

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

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

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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.

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 132, Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)
- Amendments to MFRS 10, MFRS 12 and MFRS 127, Investment Entities

### Effective for annual periods commencing on or after 1 January 2015

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

The Bank plans to apply the abovementioned accounting standards and amendments from the annual period beginning 1 January 2014 and January 2015 respectively.

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

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

### ***MFRS 9, Financial Instruments***

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

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

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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**

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

## **5 Unusual Items Due to Their Nature, Size or Incidence**

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There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Bank for the financial period ended 31 March 2013.

## **6 Changes in Estimates**

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



**7 Debt and Equity Securities**

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There were no other issuances, cancellations, repurchases, resale or repayment of other debt or equity securities during the financial period ended 31 March 2013.

**8 Dividend**

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No dividend was declared nor paid during the financial period ended 31 March 2013.

**9 Significant Events**

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

**10 Cash and Short-Term Funds**

	<b>31 Mar 2013</b>	31 Dec 2012
	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>146,431</b>	150,386
Money at call and interbank placements maturing within one month	<b>2,087,338</b>	1,500,000
	<b><u>2,233,769</u></b>	<u>1,650,386</u>

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

	<b>31 Mar 2013</b>	31 Dec 2012
	<b>RM'000</b>	RM'000
<b>At fair value</b>		
Money market instruments:		
Malaysian Government Islamic bonds	<b>222,454</b>	-
Malaysian Government treasury bills	<b>183,625</b>	182,509
	<b><u>406,079</u></b>	<u>182,509</u>

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

	<b>31 Mar 2013</b>	31 Dec 2012
	<b>RM'000</b>	RM'000
<b>At fair value</b>		
Money market instruments:		
Malaysian Government Islamic bonds	<b>1,167,067</b>	1,216,651
Negotiable instruments of deposit	<b>25,000</b>	25,001
Bankers' acceptances and Islamic accepted bills	<b>13,838</b>	23,631
	<b><u>1,205,905</u></b>	<u>1,265,283</u>

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

Maturing within one year	<b>264,181</b>	303,905
More than one year to three years	<b>411,610</b>	331,801
More than three years to five years	<b>45,457</b>	145,412
Over five years	<b>484,657</b>	484,165
	<b><u>1,205,905</u></b>	<u>1,265,283</u>

**13 Financing and Advances**

**(i) By type**

	<b>31 Mar 2013</b>	31 Dec 2012
	<b>RM'000</b>	RM'000
Cash line	68,827	62,737
Term financing		
House financing	2,243,752	2,096,318
Hire purchase receivables	295,617	296,641
Lease receivables	3,303	3,219
Other term financing	4,592,244	4,712,263
Trust receipts	42,050	49,217
Claims on customers under acceptance credits	776,714	864,548
Staff financing	42,971	41,073
Credit/ charge cards	433,576	442,771
Revolving credit	260,213	211,621
	<b>8,759,267</b>	8,780,408
Less: Unearned income	<b>(114,620)</b>	(121,297)
Gross Financing and Advances	<b>8,644,647</b>	8,659,111
Less: Allowance for impaired financing:		
- Collective allowances for impairment	<b>(149,329)</b>	(144,853)
- Individual allowances for impairment	<b>(33,673)</b>	(30,379)
Total net financing and advances	<b>8,461,645</b>	8,483,879

**(ii) By contract**

	<b>31 Mar 2013</b>	31 Dec 2012
	<b>RM'000</b>	RM'000
Bai Bithaman Ajil ( <i>deferred payment sale</i> )	367,173	386,505
Ijarah ( <i>lease</i> )	2,867	2,777
Ijarah Thumma Al-Bai (AITAB) ( <i>hire purchase</i> )	268,850	269,517
Murabahah ( <i>cost-plus</i> )	2,995,618	3,044,272
Musharakah ( <i>profit and loss sharing</i> )	3,491,138	3,255,938
Bai Al-Inah ( <i>sell and buy back</i> )	755,592	878,477
Bai Al-Dayn ( <i>sale of debt</i> )	263,990	259,995
Ujrah ( <i>fee-based</i> )	499,419	561,630
	<b>8,644,647</b>	8,659,111

**(iii) By type of customer**

	<b>31 Mar 2013</b>	31 Dec 2012
	<b>RM'000</b>	RM'000
Domestic business enterprises		
Small medium enterprises	1,612,357	1,712,652
Others	2,397,694	2,418,532
Government and statutory bodies	21,652	20,193
Individuals	4,158,589	4,037,832
Other domestic entities	1,667	1,648
Foreign entities	452,688	468,254
	<b>8,644,647</b>	8,659,111

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

**(iv) By profit rate sensitivity**

	<b>31 Mar 2013</b>	31 Dec 2012
	<b>RM'000</b>	RM'000
Fixed rate		
House financing	9,288	10,327
Hire purchase receivables	268,850	269,517
Other financing	2,167,457	2,360,678
Variable rate		
House financing	2,894,601	2,668,365
Other financing	3,304,451	3,350,224
	<b>8,644,647</b>	<b>8,659,111</b>

**(v) By maturity structure**

	<b>31 Mar 2013</b>	31 Dec 2012
	<b>RM'000</b>	RM'000
Maturing within one year	3,572,817	3,769,152
More than one year to three years	593,652	626,054
More than three years to five years	770,082	765,104
Over five years	3,708,096	3,498,801
	<b>8,644,647</b>	<b>8,659,111</b>

**(vi) By sector**

	<b>31 Mar 2013</b>	31 Dec 2012
	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry & fishing	375,101	542,637
Mining and quarrying	149,295	151,227
Manufacturing	1,152,025	1,253,426
Electricity, gas and water	100,092	100,845
Construction	338,581	255,241
Real estate	606,131	529,295
Wholesale & retail trade, restaurants & hotels	592,864	614,146
Transport, storage and communication	293,168	284,958
Finance, takaful and business services	228,142	229,244
Household - Retail	4,523,310	4,356,938
Others	285,938	341,154
	<b>8,644,647</b>	<b>8,659,111</b>

**(vii) By purpose**

	<b>31 Mar 2013</b>	31 Dec 2012
	<b>RM'000</b>	RM'000
Purchase of landed property:		
- Residential	2,086,405	1,966,090
- Non-residential	99,644	74,027
Purchase of transport vehicles	1,586	1,487
Purchase of fixed assets excluding land & building	46,085	49,562
Consumption credit	2,433,096	2,387,506
Construction	338,581	255,241
Working capital	3,527,964	3,754,209
Other purpose	111,286	170,989
	<b>8,644,647</b>	<b>8,659,111</b>

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

#### (viii) By geographical distribution

	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Northern Region	1,544,434	1,642,810
Southern Region	1,329,759	1,321,642
Central Region	5,210,363	5,082,757
Eastern Region	560,091	611,902
	<b>8,644,647</b>	<b>8,659,111</b>

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

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

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

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

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

#### (ix) Assets under Management

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

	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Term financing	607,338	632,121
Less: Individual allowance for impaired financing	-	-
Total net financing and advances	<b>607,338</b>	<b>632,121</b>

	Credit Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Commitments and Contingencies			
- at 31 Mar 2013	-	-	-
- at 31 Dec 2012	-	-	-

	Principal RM'000	Risk weighted RM'000
Total RWA for Credit Risk		
- at 31 Mar 2013	607,338	607,338
- at 31 Dec 2012	632,121	632,121

### 14 Impaired Financing

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

	31 Mar 2013 RM'000	31 Dec 2012 RM'000
At beginning of period/year	129,418	125,688
Classified as impaired during the period/year	61,687	230,701
Reclassified as performing	(23,775)	(23,715)
Amount recovered	(11,396)	(65,354)
Amount written off	(32,439)	(116,486)
Other movements	14,873	(21,416)
At end of period/year	<b>138,368</b>	<b>129,418</b>
Less: Individual allowance for impairment	(33,673)	(30,379)
Collective allowance for impairment (impaired portion)	(57,976)	(57,126)
Net impaired financing and advances	<b>46,719</b>	<b>41,913</b>

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

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

	31 Mar 2013 RM'000	31 Dec 2012 RM'000
<b>Collective allowance for impairment</b>		
At beginning of period/year	144,853	105,185
Made during the period/year	42,926	159,920
Amount released	(6,710)	(6,644)
Amount written off	(31,712)	(110,956)
Discount unwind	(28)	18
Other movement	-	(2,670)
At end of period/year	<u>149,329</u>	<u>144,853</u>

	31 Mar 2013 RM'000	31 Dec 2012 RM'000
<b>Individual allowance for impairment</b>		
At beginning of period/year	30,379	32,981
Made during the period/year	12,051	32,088
Amount recovered	(9,340)	(18,053)
Amount written off	(109)	(1,370)
Other movement	745	(14,684)
Discount unwind	(53)	(583)
At end of period/year	<u>33,673</u>	<u>30,379</u>

**(iii) By contract**

	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Bai Bithaman Ajil ( <i>deferred payment sale</i> )	548	597
Ijarah Thumma Al-Bai (AITAB) ( <i>hire purchase</i> )	9,087	9,251
Murabahah ( <i>cost-plus</i> )	14,102	10,073
Musharakah ( <i>profit and loss sharing</i> )	45,877	39,454
Bai Al-Inah ( <i>sell and buy back</i> )	52,294	54,397
Ujrah ( <i>fee-based</i> )	16,460	15,646
	<u>138,368</u>	<u>129,418</u>

**(iv) By sector**

	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Agriculture, hunting, forestry & fishing	56	84
Manufacturing	7,540	7,594
Wholesale & retail trade, restaurants & hotels	7,368	6,913
Transport, storage and communication	818	829
Finance, takaful and business services	420	420
Household - Retail	121,975	113,578
Others	191	-
	<u>138,368</u>	<u>129,418</u>

**(v) By purpose**

	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Purchase of landed property:		
- Residential	51,108	45,439
- Non-residential	105	108
Purchase of transport vehicles	138	60
Consumption credit	70,729	68,079
Working capital	15,602	15,046
Other purpose	686	686
	<u>138,368</u>	<u>129,418</u>

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

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**(vi) By geographical distribution**

	<b>31 Mar 2013</b>	31 Dec 2012
	<b>RM'000</b>	RM'000
Northern Region	<b>38,242</b>	36,631
Southern Region	<b>29,858</b>	30,106
Central Region	<b>63,967</b>	57,037
Eastern Region	<b>6,301</b>	5,644
	<b><u>138,368</u></b>	<u>129,418</u>

**15 Other Assets**

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	<b>31 Mar 2013</b>	31 Dec 2012
	<b>RM'000</b>	RM'000
Derivative financial assets (Note 28)	<b>19,481</b>	19,232
Income receivable	<b>9,123</b>	16,387
Amount due from holding company/ related companies	<b>203,007</b>	96,723
Other receivables, deposits and prepayments	<b>14,550</b>	18,878
	<b><u>246,161</u></b>	<u>151,220</u>

**16 Statutory deposits with Bank Negara Malaysia**

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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

	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Non-Mudharabah Fund		
Demand deposits	1,119,402	797,894
Savings deposits	983,382	942,872
Fixed return investment deposits	5,765,110	5,446,258
Islamic repurchase agreements	286,879	223,467
Negotiable instruments of deposits	193,495	80,434
Others	1,184,032	1,148,884
	<u>9,532,300</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	4,950,848	4,697,623
More than six months to one year	818,624	709,464
More than one year to three years	87,579	58,711
More than three years to five years	101,554	60,894
	<u>5,958,605</u>	<u>5,526,692</u>

### (ii) By type of customer

	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Government and statutory bodies	90,251	86,997
Business enterprises	2,030,316	2,053,853
Individuals	6,014,420	5,252,261
Others	1,397,313	1,246,698
	<u>9,532,300</u>	<u>8,639,809</u>

## 18 Deposits and Placements from Banks and Other Financial Institutions

	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Mudharabah Fund		
Licensed banks	1,645,533	1,753,541
Bank Negara Malaysia	12,124	9,775
	<u>1,657,657</u>	<u>1,763,316</u>



**19 Other Liabilities**

	Note	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Derivative financial liabilities		69,338	43,284
Profit payable		39,065	41,915
Amounts due to holding company/ related companies		8,786	33,776
Profit equalisation reserve	(a)	1,340	1,340
Other creditors and accruals	(b)	66,969	64,226
		<b>185,498</b>	<b>184,541</b>

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

	31 Mar 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	<b>1,340</b>	<b>1,340</b>

(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 the Non-Governmental Organisations approved by the Shariah Committee in the previous financial year.

**Source and use of charity funds**

	31 Mar 2013 RM'000	31 Dec 2012 RM'000
<b>Source of charity funds</b>		
At beginning of period/year	32	-
Excess compensation account	-	70
Income from inadvertent Shariah non-compliant activities	-	32
<b>Use of charity funds</b>		
Contribution to non-profit organisations	-	(70)
At end of period/year	<b>32</b>	<b>32</b>

**20 Multi-Currency Sukuk Programme ('MCSP')**

	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Multi-Currency Sukuk Programme	<b>500,000</b>	<b>500,000</b>

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**

	<b>31 Mar 2013</b>	31Mar 2012
	<b>RM'000</b>	RM'000
Income derived from investment of:		
(i) general investment deposits	<b>108,605</b>	106,339
(ii) specific investment deposits	<b>13,038</b>	30,873
(iii) other deposits	<b>24,583</b>	20,613
	<b>146,226</b>	157,825

(i) Income derived from investment of general investment deposits

	<b>31 Mar 2013</b>	31Mar 2012
	<b>RM'000</b>	RM'000
<u>Finance income and hibah:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	<b>94,657</b>	94,164
- Recoveries from impaired financing	<b>40</b>	106
Financial investments available-for-sale	<b>4,749</b>	1,282
Money at call and deposit with financial institutions	<b>9,159</b>	10,787
	<b>108,605</b>	106,339

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

	<b>31 Mar 2013</b>	31Mar 2012
	<b>RM'000</b>	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	<b>4,382</b>	7,405
Financial investments available-for-sale	<b>3,807</b>	2,625
	<b>8,189</b>	10,030
<u>Other operating income</u>		
Fees and commission	<b>1,277</b>	619
Net gains from dealing in foreign currency	<b>4,385</b>	3,489
Net gain from sale of financial assets held-for-trading and other financial instruments	<b>6,248</b>	17,321
Net gain/(loss) from trading in derivatives	<b>162</b>	(366)
Net profit paid from financial assets held-for-trading and other financial instruments	<b>(6,792)</b>	(880)
Net unrealised (loss)/gain from revaluation of financial assets held-for-trading	<b>(431)</b>	660
	<b>4,849</b>	20,843
	<b>13,038</b>	30,873
The above fees and commissions were derived from the following major contributors:		
Guarantee fees	<b>262</b>	285
Service charges and fees	<b>44</b>	168
Credit facilities	<b>479</b>	149
	<b>31 Mar 2013</b>	31Mar 2012
	<b>RM'000</b>	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	<b>21,426</b>	18,253
- Recoveries from impaired financing	<b>9</b>	21
Financial investments available-for-sale	<b>1,075</b>	248
Money at call and deposit with financial institutions	<b>2,073</b>	2,091
	<b>24,583</b>	20,613

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

	31 Mar 2013 RM'000	31Mar 2012 RM'000
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	11,260	11,527
- Recoveries from impaired financing	5	13
Financial investments available-for-sale	565	157
Money at call and deposit with financial institutions	1,089	1,321
	<u>12,919</u>	<u>13,018</u>
<u>Other operating income</u>		
Fees and commission	19,451	12,855
Shared-service fees from holding company	894	680
Other income	68	76
	<u>20,413</u>	<u>13,611</u>
	<u>33,332</u>	<u>26,629</u>
The above fees and commissions were derived from the following major contributors:		
Service charges and fees	4,255	4,011
Cards	6,401	4,028
Agency fees	4,621	2,402

**23 Impairment Losses on Financing**

	31 Mar 2013 RM'000	31Mar 2012 RM'000
Impairment charges on financing:		
(a) Individual impairment		
- Provided	12,051	3,173
- Written back	(9,340)	(1,556)
(b) Collective impairment		
- Provided	42,926	48,441
- Written back	(6,710)	(4,906)
Impaired financing		
- Recovered	(7,633)	(6,493)
- Written off	808	146
	<u>32,102</u>	<u>38,805</u>

**24 Income Attributable to Depositors**

	31 Mar 2013 RM'000	31Mar 2012 RM'000
Deposits from customers		
- Non-Mudharabah Fund	44,534	43,086
Deposits and placements of banks and other financial institutions		
- Mudharabah Fund	10,641	17,683
Others	4,906	129
	<b>60,081</b>	<b>60,898</b>

**25 Personnel Expenses**

	31 Mar 2013 RM'000	31Mar 2012 RM'000
Salaries, allowances and bonuses	6,495	7,505
Employees Provident Fund contributions	781	1,050
Other staff related costs	786	927
	<b>8,062</b>	<b>9,482</b>

**26 Other Overheads and Expenditures**

	31 Mar 2013 RM'000	31Mar 2012 RM'000
Promotion and marketing related expenses		
Advertising and promotion	2,824	2,791
Marketing	1,174	1,812
	<b>3,998</b>	<b>4,603</b>
Establishment related expenses		
Depreciation of equipment	2,471	1,737
Amortisation of intangible assets	5	134
Information technology costs	259	226
Hire of equipment	17	12
Rental of premises	2,031	1,758
Equipment written off	14	-
Others	531	431
	<b>5,328</b>	<b>4,298</b>
General administrative expenses		
Shared-service fees to immediate holding company	30,935	25,655
Auditors' remuneration		
<u>Audit fees</u>		
KPMG Malaysia	30	28
<u>Non-audit services</u>		
KPMG Malaysia	43	48
Professional fees	308	353
Others	2,900	2,998
	<b>34,216</b>	<b>29,082</b>
	<b>43,542</b>	<b>37,983</b>

## 27 Capital Adequacy

	31 Mar 2013 RM'000	31 Dec 2012 RM'000 Restated
<b>Tier 1 capital</b>		
Paid-up ordinary share capital	50,000	50,000
Share premium	610,000	610,000
Retained profits	328,085	328,085
Other reserves	53,334	51,874
Regulatory adjustments	(43,127)	(42,072)
Total Tier 1 capital	<u>998,292</u>	<u>997,887</u>
<b>Tier 2 capital</b>		
Collective impairment allowance (unimpaired portion)	<u>91,353</u>	<u>87,727</u>
Total Tier 2 capital	<u>91,353</u>	<u>87,727</u>
<b>Capital base</b>	<u>1,089,645</u>	<u>1,085,614</u>
<b>Common Equity Tier 1 and Core Capital ratio</b>	<b>10.9%</b>	10.8%
<b>Risk-Weighted Capital ratio</b>	<b>11.9%</b>	11.8%

*The capital ratios have been computed in accordance with the revised Capital Adequacy Framework for Islamic Banks (CAFIB), with effect from 1 January 2013.*

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

	31 Mar 2013		31 Dec 2012	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	14,398,289	8,273,593	14,058,135	8,397,856
Total RWA for market risk	-	86,128	-	72,469
Total RWA for operational risk	-	777,135	-	746,473
	<u>14,398,289</u>	<u>9,136,856</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 29(f) 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
<b>31 Mar 2013</b>				
Direct credit substitutes	490,656	-	490,656	431,279
Transaction-related contingent items	656,437	-	328,218	275,100
Short-term self-liquidating trade-related contingencies	14,350	-	2,870	2,060
Irrevocable commitments to extend credit				
- Maturity not exceeding one year	2,181,125	-	436,225	403,740
- Maturity exceeding one year	560,643	-	280,322	223,968
Unutilised credit card lines	994,961	-	198,992	149,244
Equity related contracts				
- Less than one year	845,298	544	51,262	25,078
- One year to less than five years	473,603	4,171	42,060	17,253
Profit rate related contracts				
- Less than one year	25,500	100	164	82
- One year to less than five years	1,548,589	7,630	61,823	33,797
- Over five years	550,000	2,066	29,566	22,040
Foreign exchange related contracts				
- Less than one year	240,028	3,033	8,627	5,892
- Over five years	92,805	1,937	12,145	9,593
	<b>8,673,995</b>	<b>19,481</b>	<b>1,942,930</b>	<b>1,599,126</b>

Note 15

	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount * RM'000	Risk weighted amount * RM'000
<b>31 Dec 2012</b>				
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
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
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
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
	<b>7,668,612</b>	<b>19,232</b>	<b>1,808,790</b>	<b>1,519,754</b>

Note 15

\* The credit equivalent and risk weighted amounts are computed using credit conversion factors and risk weighting rules as per Bank Negara Malaysia guidelines. The credit conversion factors and risk weighting rules were based on Basel II Capital Adequacy Framework for Islamic Banks (CAFIB).

## 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/restatement to conform to current period's presentation

Statement of profit or loss and other comprehensive income for the financial period ended 31 March 2012

	RM'000 As restated	RM'000 As previously stated
<b>a) Income Derived from Investment of Depositors' Funds and Others</b>		
(i) Income derived from investment of general investment deposits		
<u>Finance income and hibah:</u>	<u>106,339</u>	<u>106,295</u>
Financing and advances		
- Profit earned other than recoveries from impaired financing	94,164	94,125
Money at call and deposit with financial institutions	10,787	10,782
(ii) Income derived from investment of specific investment deposits		
<u>Other operating income</u>	<u>20,843</u>	<u>22,047</u>
Net profit (paid)/earned from financial assets held-for-trading and other financial instruments	(880)	324
(iii) Income derived from investment of other deposits		
<u>Finance income and hibah:</u>	<u>20,613</u>	<u>20,604</u>
Financing and advances		
- Profit earned other than recoveries from impaired financing	18,253	18,246
Money at call and deposit with financial institutions	2,091	2,089
<b>b) Income Derived from Investment of Shareholder's Funds</b>		
<u>Finance income:</u>	<u>13,018</u>	<u>13,070</u>
Financing and advances		
- Profit earned other than recoveries from impaired financing	11,527	11,573
Financial investments available-for-sale	157	158
Money at call and deposit with financial institutions	1,321	1,326
<b>c) Income Attributable to Depositors</b>		
Deposits from customers		
- Non-Mudharabah Fund	43,086	43,379
Deposits and placements of banks and other financial institutions		
- Mudharabah Fund	17,683	17,682
Others	129	1,040
	<u>60,898</u>	<u>62,101</u>



**29 Comparative Figures (continued)**

**Restatement of Comparative Figures (continued)**

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

	RM'000 As restated	RM'000 As previously stated
<b>d) Other Overheads and Expenditures</b>		
General administrative expenses	<u>29,082</u>	<u>29,082</u>
Auditors' remuneration		
<u>Audit fees</u>		
KPMG Malaysia	28	43
<u>Non-audit services</u>		
KPMG Malaysia	48	33

(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 31 March 2012

	RM'000 As restated	RM'000 As previously stated
<b>a) Impairment Losses on Financing</b>	<u>38,805</u>	<u>25,175</u>
Impairment charges on financing:		
Collective impairment		
- Provided	48,441	28,239
- Written back	(4,906)	(1,620)
Regulatory reserve		
- Provided	-	3,286
<b>b) Taxation</b>	(9,393)	(12,745)

(iii) Restatement to conform with the revised Capital Adequacy Framework

	RM'000 As restated	RM'000 As previously stated
<b>Capital Adequacy at 31 December 2012</b>		
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	10.8%	-
Risk-Weighted Capital ratio	11.8%	11.8%

### **30 Performance Review**

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Profit before taxation for the financial period ended 31 March 2013 declined slightly by RM1.5 million or 4.1% against history. The increase in operating expenses arising from network expansion coupled with lower trading income contributed to the decline. This was partially offset by lower financing impairment charges.

Funding from banks and other financial institutions were reduced with the issuance of the Multi-Currency Sukuk in September 2012, resulting in lower income attributable to depositors, whilst trading income declined on lower dealing profits. Financing impairment charges improved mainly due to lower collective impairment charges.

Balance sheet size improved by RM0.8 billion or 6.7%, driven by higher placements with financial institutions, financial assets held-for-trading and customer deposits. The Bank's common equity tier 1 and core capital ratios and risk-weighted capital ratio remain strong at 10.9% and 11.9% respectively.

### **31 Business Prospects**

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The Malaysian economy is expected to remain on a steady growth path, with an expansion of between 5.0-6.0% forecasted by the Central Bank in 2013. Economic activity is expected to be buoyed by the continued resilience of domestic demand, though at a more moderate pace, while being supported by gradual improvements in the external sector. Private sector investment is also expected to remain robust, with private sector consumption projected to grow moderately, on sustained income growth and positive labour market conditions. Nevertheless, as in 2012, the potential re-emergence of instability in the Eurozone area, plus other fundamental and non-fundamental factors which may hamper growth of Malaysia's major trading partners, would impact the Malaysian economy. Similarly, though the local financial and insurance sectors are expected to remain resilient in 2013, both growth and margins for these sectors are likely to be under pressure due to heightened competition.

The focus in 2013 will be to increase the bank's current share of high quality assets via a relationship-based approach, by increasing value added offerings, building on cross referrals and cross selling of various banking products (with a special emphasis on wealth management services) to the Bank's existing customers. The Bank will also capitalise on the HSBC Group's international connectivity for cross border trade initiatives, and will engage with relevant Government bodies for early identification of inbound investments. As liquidity conditions in the domestic financial markets is expected to remain favourable for further expansion of bond-market activity, the Bank will play on its Debt Capital Market leadership position and expertise to secure more key deals.

The Bank is currently guided by both HSBC Group's global standards and local regulatory requirements in Risk and Compliance and will continue to improve the effectiveness and efficiency of its business model in 2013 under the backdrop of these standards and requirements. At the same time, the Bank will focus on delivering quality customer service and offer needs based banking products and business solutions, while deepening relationships with valued clients and customers.