

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2012

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

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed interim financial statements for the financial period ended 30 September 2012 have been prepared from the Group and 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 Banking Institutions issued by Bank Negara Malaysia in 2012.

BALDEV SINGH
Executive Director and Chief Financial Officer

Date : 24 October 2012

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AT 30 SEPTEMBER 2012

		<i>Group</i>		
	Note	30 Sep 2012	31 Dec 2011	1 Jan 2011
		RM'000	RM'000	RM'000
Assets			Restated	Restated
Cash and short term funds	11	11,702,846	21,603,227	11,815,604
Securities purchased under resale agreements		2,682,796	3,682,969	6,467,863
Deposits and placements with banks and other financial institutions	12	5,007,705	651,778	330,981
Financial Assets Held-for-Trading	13	4,491,320	6,217,237	4,895,060
Financial Investments Available-for-Sale	14	6,100,336	4,873,818	3,400,090
Loans, advances and financing	15	42,291,871	39,417,305	34,293,889
Other assets	17	3,369,703	1,754,521	1,937,341
Statutory deposits with Bank Negara Malaysia	18	1,336,660	1,096,060	221,827
Property and equipment		341,538	354,032	318,481
Intangible assets		52,894	53,263	60,621
Deferred tax assets		217,093	220,907	294,806
Total assets		77,594,762	79,925,117	64,036,563
Liabilities				
Deposits from customers	19	59,519,142	58,737,097	48,492,474
Deposits and placements from banks and other financial institutions	20	7,153,163	9,908,962	6,853,048
Bills and acceptances payable		433,573	521,337	429,229
Other liabilities	21	3,833,610	4,546,590	2,247,500
Recourse obligation on loans sold to Cagamas Berhad		-	-	374,991
Provision for taxation	22	240,955	199,566	251,677
Subordinated bonds	23	1,014,753	1,015,200	1,003,039
Total liabilities		72,195,196	74,928,752	59,651,958
Equity				
Share capital		114,500	114,500	114,500
Reserves		5,285,066	4,581,865	4,020,105
Proposed dividend		-	300,000	250,000
Total equity attributable to owner of the Bank		5,399,566	4,996,365	4,384,605
Total liabilities and equity		77,594,762	79,925,117	64,036,563
Commitments and Contingencies	32	134,543,640	118,976,559	87,355,828

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on page 8 to 48 attached to the unaudited condensed interim financial statements.

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

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION (CONT'D)
AT 30 SEPTEMBER 2012

		<i>Bank</i>		
		30 Sep 2012	31 Dec 2011	1 Jan 2011
	Note	RM'000	RM'000	RM'000
Assets			Restated	Restated
Cash and short term funds	11	10,057,585	20,292,272	10,658,860
Securities purchased under resale agreements		2,682,796	3,682,969	6,467,863
Deposits and placements with banks and other financial institutions	12	7,117,398	3,687,058	1,471,815
Financial Assets Held-for-Trading	13	4,230,140	6,000,521	4,747,054
Financial Investments Available-for-Sale	14	5,169,293	4,451,732	3,069,425
Loans, advances and financing	15	33,219,224	31,642,441	29,483,746
Other assets	17	3,360,199	1,734,637	1,895,128
Statutory deposits with Bank Negara Malaysia	18	988,598	867,498	187,098
Investments in subsidiary companies		660,021	660,021	660,021
Property and equipment		319,648	335,106	302,056
Intangible assets		52,778	52,802	59,122
Deferred tax assets		179,309	191,284	262,423
Total assets		68,036,989	73,598,341	59,264,611
Liabilities				
Deposits from customers	19	50,773,947	53,074,622	44,561,936
Deposits and placements from banks and other financial institutions	20	7,124,594	9,429,554	6,261,536
Bills and acceptances payable		420,648	513,737	423,698
Other liabilities	21	3,453,332	4,631,878	2,173,082
Recourse obligation on loans sold to Cagamas Berhad		-	-	374,991
Provision for taxation	22	192,648	168,318	225,616
Subordinated bonds	23	1,014,753	1,015,200	1,003,039
Total liabilities		62,979,922	68,833,309	55,023,898
Equity				
Share capital		114,500	114,500	114,500
Reserves		4,942,567	4,350,532	3,876,213
Proposed dividend		-	300,000	250,000
Total equity attributable to owner of the Bank		5,057,067	4,765,032	4,240,713
Total liabilities and equity		68,036,989	73,598,341	59,264,611
Commitments and Contingencies	32	132,874,163	116,742,039	85,680,212

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on page 8 to 48 attached to the unaudited condensed interim financial statements.

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HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
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UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

	<i>Note</i>	<i>Group</i>			
		3rd quarter ended		Year-To-Date ended	
		30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
		RM'000	RM'000	RM'000	RM'000
Revenue		1,057,405	1,010,318	3,161,098	2,920,331
Interest income	24	555,191	556,800	1,694,313	1,632,245
Interest expense	24	(242,045)	(268,781)	(736,740)	(755,000)
Net interest income	24	313,146	288,019	957,573	877,245
Fee and commission income	25	124,968	123,230	387,278	370,953
Fee and commission expense	25	(9,092)	(3,041)	(22,113)	(15,075)
Net fee and commission income	25	115,876	120,189	365,165	355,878
Net trading income	26	167,485	188,235	490,409	514,907
Income from Islamic banking operations	27	152,489	110,966	425,269	311,952
Other operating income	28	11,130	4,707	28,467	20,075
Operating income before impairment losses		760,126	712,116	2,266,883	2,080,057
Loans / financing impairment charges and other credit risk provisions	29	(63,078)	(36,732)	(175,066)	(169,517)
Impairment losses on intangible assets		-	-	-	(4,900)
Net operating income		697,048	675,384	2,091,817	1,905,640
Other operating expenses	30	(278,986)	(295,524)	(899,113)	(900,282)
Profit before income tax expense		418,062	379,860	1,192,704	1,005,358
Income tax expense		(97,068)	(104,878)	(293,070)	(262,893)
Profit for the period		320,994	274,982	899,634	742,465
Other comprehensive income					
Cash flow hedge					
Effective portion of changes in fair value		(129)	862	(257)	907
Net amount transferred to profit or loss		(104)	-	(300)	-
Fair value reserve					
Change in fair value		(6,731)	4,399	530	2,702
Amount transferred to profit or loss		-	(20)	-	(1,431)
Income tax relating to components of other comprehensive income		1,750	(1,321)	16	(544)
Other comprehensive income for the period, net of income tax		(5,214)	3,920	(11)	1,634
Total comprehensive income for the period		315,780	278,902	899,623	744,099
Profit attributable to owner of the Bank		320,994	274,982	899,634	742,465
Total comprehensive income attributable to owner of the Bank		315,780	278,902	899,623	744,099
Basic earnings per RM0.50 ordinary share		140.2 sen	120.1 sen	392.9 sen	324.2 sen
Dividends per RM0.50 ordinary share (net)					
- final dividend paid in respect of prior year		-	-	131.0 sen	109.2 sen
- interim dividend paid		87.3 sen	87.3 sen	87.3 sen	87.3 sen

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on page 8 to 48 attached to the unaudited condensed interim financial statements.

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

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
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UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

	<i>Note</i>	<i>Bank</i>			
		3rd quarter ended		Year-To-Date ended	
		30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
		RM'000	RM'000	RM'000	RM'000
			Restated		Restated
Revenue		901,201	909,262	2,728,740	2,645,725
Interest income	24	572,456	570,383	1,742,183	1,667,447
Interest expense	24	(242,045)	(268,781)	(736,740)	(755,000)
Net interest income	24	330,411	301,602	1,005,443	912,447
Fee and commission income	25	124,968	123,230	387,278	370,953
Fee and commission expense	25	(9,092)	(3,041)	(22,113)	(15,075)
Net fee and commission income	25	115,876	120,189	365,165	355,878
Net trading income	26	165,078	188,235	489,985	514,907
Other operating income	28	38,699	27,414	109,294	92,418
Operating income before impairment losses		650,064	637,440	1,969,887	1,875,650
Loans / financing impairment charges and other credit risk provisions	29	(30,433)	(4,888)	(80,956)	(93,445)
Impairment losses on intangible assets		-	-	-	(4,900)
Net operating income		619,631	632,552	1,888,931	1,777,305
Other operating expenses	30	(252,918)	(276,823)	(827,492)	(854,312)
Profit before income tax expense		366,713	355,729	1,061,439	922,993
Income tax expense		(89,156)	(99,194)	(267,433)	(246,065)
Profit for the period		277,557	256,535	794,006	676,928
Other comprehensive income					
Cash flow hedge					
Effective portion of changes in fair value		(129)	862	(257)	907
Net amount transferred to profit or loss		(104)	-	(300)	-
Fair value reserve					
Change in fair value		(5,981)	3,997	795	2,486
Amount transferred to profit or loss		-	(20)	-	(1,431)
Income tax relating to components of other comprehensive income		1,554	(1,221)	(59)	(490)
Other comprehensive income for the period, net of income tax		(4,660)	3,618	179	1,472
Total comprehensive income for the period		272,897	260,153	794,185	678,400
Profit attributable to owner of the Bank		277,557	256,535	794,006	676,928
Total comprehensive income attributable to owner of the Bank		272,897	260,153	794,185	678,400
Basic earnings per RM0.50 ordinary share		121.2 sen	112.0 sen	346.7 sen	295.6 sen
Dividends per RM0.50 ordinary share (net)					
- final dividend paid in respect of prior year		-	-	131.0 sen	109.2 sen
- interim dividend paid		87.3 sen	87.3 sen	87.3 sen	87.3 sen

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on page 8 to 48 attached to the unaudited condensed interim financial statements.

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

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

	Group												
	Attributable to the owner (the ultimate holding company)												
	Non-distributable					Distributable							
	Share capital	Share premium	Statutory reserve	Revaluation reserve	Capital redemption reserve	Available-for-sale reserve	Cash flow hedge reserve	Capital contribution reserve	Profit equalisation reserve	Retained profit	Total reserves	Proposed dividends	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2011	114,500	741,375	164,500	139,110	190,000	4,512	-	81,169	-	2,635,920	3,956,586	250,000	4,321,086
Effect of transition to MFRS	-	-	-	-	-	-	-	-	-	63,519	63,519	-	63,519
Balance at 1 January 2011, as restated	114,500	741,375	164,500	139,110	190,000	4,512	-	81,169	-	2,699,439	4,020,105	250,000	4,384,605
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	742,465	742,465	-	742,465
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,160)	-	-	-	-	-	1,160	-	-	-
Cash flow hedge													
Effective portion of charges in fair value	-	-	-	-	-	-	680	-	-	-	680	-	680
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	2,027	-	-	-	-	2,027	-	2,027
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(1,073)	-	-	-	-	(1,073)	-	(1,073)
Total other comprehensive income	-	-	-	(1,160)	-	954	680	-	-	1,160	1,634	-	1,634
Total comprehensive income for the period	-	-	-	(1,160)	-	954	680	-	-	743,625	744,099	-	744,099
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	6,757	-	5,948	12,705	-	12,705
Dividends paid to owner - 2010 final	-	-	-	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Dividends paid to owner - 2011 interim	-	-	-	-	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Balance at 30 September 2011	114,500	741,375	164,500	137,950	190,000	5,466	680	87,926	-	3,249,012	4,576,909	-	4,691,409
Balance at 1 January 2012 (restated)	114,500	741,375	164,500	148,597	190,000	10,914	854	89,811	-	3,235,814	4,581,865	300,000	4,996,365
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	899,634	899,634	-	899,634
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,173)	-	-	-	-	-	1,173	-	-	-
Cash flow hedge													
Effective portion of charges in fair value	-	-	-	-	-	-	(192)	-	-	-	(192)	-	(192)
Net amount transferred to profit or loss	-	-	-	-	-	-	(225)	-	-	-	(225)	-	(225)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	406	-	-	-	-	406	-	406
Total other comprehensive income	-	-	-	(1,173)	-	406	(417)	-	-	1,173	(11)	-	(11)
Total comprehensive income for the period	-	-	-	(1,173)	-	406	(417)	-	-	900,807	899,623	-	899,623
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	2,341	-	(4,123)	(1,782)	-	(1,782)
Dividends paid to owner - 2011 final	-	-	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Dividends paid to owner - 2012 interim	-	-	-	-	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Other transactions, recorded directly in equity													
Reclassification of profit equalisation reserve from other liabilities to equity	-	-	-	-	-	-	-	-	5,360*	-	5,360	-	5,360
Balance at 30 September 2012	114,500	741,375	164,500	147,424	190,000	11,320	437	92,152	5,360	3,932,498	5,285,066	-	5,399,566

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

* Refer to Note 2a(iv)

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012 (CONT'D)

	Bank											
	Attributable to the owner (the ultimate holding company)											Total equity
	Non-distributable					Distributable						
Share capital	Share premium	Statutory reserve	Revaluation reserve	Capital redemption reserve	Available-for-sale reserve	Cash flow hedge reserve	Capital contribution reserve	Retained profit	Total reserves	Proposed dividends		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2011	114,500	741,375	114,500	139,110	190,000	4,648	-	80,834	2,561,268	3,831,735	250,000	4,196,235
Effect of transition to MFRS	-	-	-	-	-	-	-	-	44,478	44,478	-	44,478
Balance at 1 January 2011, as restated	114,500	741,375	114,500	139,110	190,000	4,648	-	80,834	2,605,746	3,876,213	250,000	4,240,713
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	676,928	676,928	-	676,928
Other comprehensive income, net of income tax												
Revaluation reserve:												
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,160)	-	-	-	-	1,160	-	-	-
Cash flow hedge												
Effective portion of charges in fair value	-	-	-	-	-	-	680	-	-	680	-	680
Available-for-sale reserve:												
Net change in fair value	-	-	-	-	-	1,865	-	-	-	1,865	-	1,865
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(1,073)	-	-	-	(1,073)	-	(1,073)
Total other comprehensive income	-	-	-	(1,160)	-	792	680	-	1,160	1,472	-	1,472
Total comprehensive income for the period	-	-	-	(1,160)	-	792	680	-	678,088	678,400	-	678,400
Transactions with the owner (the ultimate holding company), recorded directly in equity												
Share based payment transactions	-	-	-	-	-	-	-	6,483	5,948	12,431	-	12,431
Dividends paid to owner - 2010 final	-	-	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Dividends paid to owner - 2011 interim	-	-	-	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Balance at 30 September 2011	114,500	741,375	114,500	137,950	190,000	5,440	680	87,317	3,089,782	4,367,044	-	4,481,544
Balance at 1 January 2012 (restated)	114,500	741,375	114,500	148,597	190,000	10,766	854	89,115	3,055,325	4,350,532	300,000	4,765,032
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	794,006	794,006	-	794,006
Other comprehensive income, net of income tax												
Revaluation reserve:												
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,173)	-	-	-	-	1,173	-	-	-
Cash flow hedge												
Effective portion of charges in fair value	-	-	-	-	-	-	(192)	-	-	(192)	-	(192)
Net amount transferred to profit or loss	-	-	-	-	-	-	(225)	-	-	(225)	-	(225)
Available-for-sale reserve:												
Net change in fair value	-	-	-	-	-	596	-	-	-	596	-	596
Total other comprehensive income	-	-	-	(1,173)	-	596	(417)	-	1,173	179	-	179
Total comprehensive income for the period	-	-	-	(1,173)	-	596	(417)	-	795,179	794,185	-	794,185
Transactions with the owner (the ultimate holding company), recorded directly in equity												
Share based payment transactions	-	-	-	-	-	-	-	1,973	(4,123)	(2,150)	-	(2,150)
Dividends paid to owner - 2011 final	-	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Dividends paid to owner - 2012 interim	-	-	-	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Balance at 30 September 2012	114,500	741,375	114,500	147,424	190,000	11,362	437	91,088	3,646,381	4,942,567	-	5,057,067

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HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Profit before income tax expense	1,192,704	1,005,358	1,061,439	922,993
Adjustments for non-operating and non-cash items	49,400	67,184	37,370	62,532
Operating profit before working capital changes	1,242,104	1,072,542	1,098,809	985,525
Changes in working capital:				
Net changes in operating assets	(6,361,049)	(5,833,780)	(3,984,095)	(4,781,167)
Net changes in operating liabilities	(2,774,498)	8,633,429	(5,877,270)	7,455,378
Income tax paid	(247,854)	(209,474)	(230,521)	(198,808)
Net cash (used in)/generated from operations	(8,141,297)	3,662,717	(8,993,077)	3,460,928
Net cash (used in)/generated from investing activities	(1,259,084)	757,662	(741,610)	749,231
Net cash used in financing activity	(500,000)	(450,000)	(500,000)	(450,000)
	(1,759,084)	307,662	(1,241,610)	299,231
Net changes in cash and cash equivalents	(9,900,381)	3,970,379	(10,234,687)	3,760,159
Cash and cash equivalents at beginning of the period	21,603,227	11,815,604	20,292,272	10,658,860
Cash and cash equivalents at end of the period	11,702,846	15,785,983	10,057,585	14,419,019
Analysis of cash and cash equivalents				
Cash and short-term funds	11,702,846	15,785,983	10,057,585	14,419,019

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on page 8 to 48 attached to the unaudited condensed interim financial statements.

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

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
(Incorporated in Malaysia)

Explanatory notes to the Unaudited Condensed Interim Financial Statements at 30 September 2012

1 General Information

HSBC Bank Malaysia Berhad ("the Bank") is principally engaged in the provision of banking and other related financial services while its subsidiaries ("the Group") are principally engaged in the businesses of Islamic Banking and nominee services. Islamic Banking refers generally to the acceptance of deposits and granting of financing under the principles of Shariah. There were no significant changes in these activities during the financial period.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 30 September 2012 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"). 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 Group 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 Group and Bank since the financial year ended 31 December 2011.

The Group's unaudited condensed interim financial statements include the financial statements of the Bank and its subsidiary companies. The audited financial statements of the Group 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 Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysia's existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board. Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain FRSs. The financial effects of convergence to the MFRS framework and any consequential changes in accounting policies as a result of the convergence are discussed in Note 2 a) Changes in Accounting Policies.

These are the Group and Bank's first nine months ended 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 Group and the Bank other than the financial impact arising from the change in accounting policy on i) the impairment of collectively assessed loans, advances and financing, ii) the fair valuation of structured deposits and iii) the recognition of securities pledged on Islamic repurchase agreements [only applicable to the Islamic subsidiary, HSBC Amanah] as the accounting policies adopted under the previous FRS framework were already in line with the requirements of the MFRS framework. The changes in these accounting policies are described in Note 2 a), together with other accounting treatment changes resulting from new/revised Bank Negara Malaysia's ("BNM") guidelines. A detailed explanation of how the transition to MFRSs has affected the reported financial position, financial performance and cash flows of the Group and the Bank is provided in Note 33.

The Group and the Bank have early adopted the amendments to MFRS 101, Presentation of Items of Other Comprehensive Income (Amendment to MFRS 101) 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.

2 Basis of Preparation (Cont'd)

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

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

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

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

Effective for annual periods commencing on or after 1 January 2013

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

Effective for annual periods commencing on or after 1 January 2014

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

Effective for annual periods commencing on or after 1 January 2015

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

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

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

The adoption of MFRS 9 will result in a change in accounting policy. IC Interpretation 20 is not expected to have any impact on the financial statements of the Group and the Bank as it is not relevant to the operations of the Group and 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 Group and the Bank.

2 Basis of Preparation (Cont'd)

a) Changes in accounting policies and BNM Requirements

(i) Impairment of collectively assessed loans, advances and financing

Prior to the transition to MFRS 139, the Group and the Bank had maintained their collective impairment provision at 1.5% of total outstanding loans, net of individual impairment provision, in line with BNM'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 were removed and the Group and the Bank have applied the requirements of MFRS 139 in the determination of collective impairment provision, of which the revised accounting policy is described below.

This change in accounting policy has been accounted for retrospectively and has resulted in a decrease in the collective allowance for impairment charged in the income statement and a writeback of collective allowance to the opening retained profits and opening collective allowance in the statement of financial position. A summary of the financial impact of the change in accounting policy on the financial statements of the Group and the Bank is reflected in Note 33.

Impairment is assessed on a collective basis in two circumstances:

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

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

Individually assessed loans/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 loans/financing within the group, those loans/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, loan/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 loan/financing [the period between a loss occurring and its identification is estimated for each identified portfolio]; 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.

Homogeneous groups of loans/financing and advances

Statistical methods are used to determine impairment losses on a collective basis for homogeneous groups of loans/financing that are not considered individually significant, because individual loan/financing assessment is impracticable. Losses in these groups of loans/financing are recorded on an individual basis only when individual loans/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 loans/financing that will eventually be written off as a result of the events occurring before the balance sheet date which the Group and the Bank are not able to identify on an individual loan/financing basis, and that can be reliably estimated. Under this methodology, loans/financing are grouped into ranges according to the number of days past due and statistical analysis is used to estimate the likelihood that loans/financing in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable. In addition to the delinquency groupings, loans/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) Changes in accounting policies and BNM Requirements (Cont'd)

(i) Impairment of collectively assessed loans, advances and financing (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.

Loans/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 loans/financing, when the proceeds from the realisation of security have been received.

Regulatory Reserves

In addition to the collective impairment and individual impairment allowance, the Group and the Bank maintain a regulatory reserve to satisfy local regulatory requirements for prudential supervision purposes. The regulatory reserves are overlay provisions on top of the collective impairment allowance, based on collective impairment models. In accordance with updated guidance from BNM, the regulatory reserve has been increased to RM510.3m and RM421.5m at Group and Bank level respectively (31Dec11: RM482.0m and RM407.4m).

(ii) Fair valuation of structured deposits

Prior to the transition to MFRS 139, derivatives embedded in structured deposits were bifurcated and marked to market separately from the deposits portion. After the transition to MFRS 139, the entire structured deposits are classified as “trading liabilities” and fair valued on a totality basis, if this is allowed under MFRS 139. This change in accounting policy has been accounted for retrospectively and a summary of the financial impact on the financial statements of the Group and the Bank is reflected in Note 33.

(iii) Contracts under Islamic Sell and Buyback Agreements (“SBBA”) [applicable to the Islamic subsidiary, HSBC Amanah]

Prior to its convergence to the MFRS framework, the BNM Guidelines on Financial Reporting for Islamic Banking Institutions requires securities sold in a SBBA to be derecognised from the financial statements and the buy back commitment to be recognised as an off balance sheet liability. However, BNM recently issued a revised Guidance Note on SBBA that allows financial institutions to account for SBBA as per the approved accounting standards by the Malaysian Accounting Standards Board. With this, the securities sold via SBBA will no longer be derecognised from the financial statements and the buy-back commitment is now recognised as an on balance sheet liability. This change in accounting policy has been accounted for retrospectively and a summary of the financial impact on the financial statements of the Group is reflected in Note 33.

iv) Profit Equalisation Reserves (PER) [applicable to the Islamic subsidiary, HSBC Amanah]

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 HSBC Amanah.

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 HSBC Amanah 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 HSBC Amanah is disclosed as a separate reserve in equity.

3 Auditors' Report On Preceding Annual Financial Statements

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

4 Seasonality or Cyclical Factors

The business operations of the Group and 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 Group and Bank for the financial period ended 30 September 2012.

6 Changes in Estimates

The preparation of financial information requires the use of estimates. The use of available information and the application of judgement are inherent in the formation of estimates; actual results in the future may differ from those reported. Management believes that critical accounting policies where judgement is necessarily applied are those which relate to impairment allowances for loans, advances and financing, 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 Group and Bank for the financial period ended 30 September 2012, except for those arising from the change in accounting treatment as disclosed in Note 33.

7 Debt and Equity Securities

During the period, HSBC Amanah Malaysia Berhad, a subsidiary of the Bank, issued a RM500 million 5-year medium term note (Sukuk) under its RM3 billion Multi-Currency Sukuk Programme ("MCSP"). The Sukuk's maturity date is 28 September 2017 and bears a distribution rate of 3.75% per annum payable semi-annually in arrears. The sukuk issued under the MCSP is carried at amortised cost, with profit payable recognised on an accruals basis. [See Note 21].

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

8 Dividend

The Group paid the following dividends during the financial period ended 30 September 2012:-

- a) A final dividend of RM 1.747 per ordinary share less tax at 25% amounting to RM300 million in respect of the financial year ended 31 December 2011 was paid on 5 April 2012.
- b) An interim dividend of RM1.164 per ordinary share less tax at 25% totalling RM200 million in respect of the current financial period was paid on 28 September 2012.

9 Carrying Amount of Revalued Assets

Property and equipment are stated at cost/valuation less accumulated depreciation and impairment losses (if any) except for freehold land which is stated at professional valuation. There was no change in the valuation of property and equipment that was brought forward from the previous audited financial statements for the financial period ended 30 September 2012.

10 Significant Events

There were no material events subsequent to the date of the statement of financial position that require disclosure or adjustments to the unaudited condensed interim financial statements.

11 Cash and Short Term Funds

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	2,896,283	5,036,115	2,605,701	4,922,703
Money at call and deposit placements maturing within one month	8,806,563	16,567,112	7,451,884	15,369,569
	11,702,846	21,603,227	10,057,585	20,292,272

12 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Licensed banks	95,949	206,958	2,205,642	3,242,238
Bank Negara Malaysia	4,400,000	-	4,400,000	-
Other financial institutions	511,756	444,820	511,756	444,820
	5,007,705	651,778	7,117,398	3,687,058

13 Financial Assets Held-for-Trading

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
At fair value	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government treasury bills	1,027,913	457,224	766,733	457,224
Bank Negara Malaysia bills and notes	1,428,748	3,995,371	1,428,748	3,995,371
Bank Negara Malaysia Islamic bills	-	9,189	-	9,189
Malaysian Government securities	1,406,971	1,175,581	1,406,971	1,175,581
Malaysian Government Islamic bonds	266,312	291,877	266,312	75,161
Cagamas bonds and notes	5,504	21,751	5,504	21,751
	4,135,448	5,950,993	3,874,268	5,734,277
Unquoted securities:				
Private debt securities (including commercial paper)	355,872	266,244	355,872	266,244
	4,491,320	6,217,237	4,230,140	6,000,521

14 Financial Investments Available-for-Sale

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
At fair value	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government securities	1,564,324	990,871	1,564,324	990,871
Malaysian Government Islamic bonds	3,467,652	1,511,514	2,582,371	1,114,432
Bank Negara Islamic bonds	35,623	-	35,623	-
Cagamas bonds and notes	45,397	45,499	45,397	45,499
Negotiable instruments of deposit	170,007	1,530,235	145,007	1,505,231
Bankers' acceptance and Islamic accepted bills	799,954	778,321	779,192	778,321
	6,082,957	4,856,440	5,151,914	4,434,354
Unquoted securities:				
Shares*	16,908	16,907	16,908	16,907
Private and Islamic debt securities	471	471	471	471
	17,379	17,378	17,379	17,378
	6,100,336	4,873,818	5,169,293	4,451,732

*Stated at cost due to the lack of quoted prices in an active market or / and the fair values of the investments cannot be reliably measured.

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

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
Maturing within one year	1,401,236	2,509,610	1,100,089	2,303,594
More than one year to three years	2,971,742	1,356,248	2,639,504	1,140,178
More than three years to five years	1,426,939	778,983	1,129,281	778,983
Over five years	283,040	211,599	283,040	211,599
	6,082,957	4,856,440	5,151,914	4,434,354

15 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
At amortised cost	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Overdrafts	1,296,623	1,258,278	1,226,956	1,208,525
Term loans/ financing				
Housing loans/ financing	14,332,275	13,326,278	12,372,216	12,053,927
Syndicated term loans/ financing	72,710	77,188	72,710	77,188
Factoring receivables	151,414	107,032	151,414	107,032
Hire purchase receivables	302,685	258,817	183	183
Lease receivables	590	942	505	813
Other term loans/ financing	12,539,106	11,341,894	7,040,527	6,712,714
Bills receivable	3,573,154	2,906,337	3,573,154	2,906,337
Trust receipts	1,473,172	1,630,471	1,425,584	1,605,334
Claims on customers under acceptance credits	2,988,854	3,280,911	2,148,601	2,033,632
Staff loans/ financing	402,343	405,273	364,663	384,895
Credit/ charge cards	2,794,858	2,937,361	2,387,497	2,571,414
Revolving credit	3,415,331	2,874,906	3,210,424	2,706,180
Other loans/ financing	8,757	9,157	8,757	9,157
Less: Unearned income	(132,296)	(114,198)	-	-
Gross loans, advances and financing	43,219,576	40,300,647	33,983,191	32,377,331
Less: Allowances for impaired loans, advances and financing				
- Collectively assessed	(133,708)	(115,352)	(84,417)	(74,441)
- Individually assessed	(283,666)	(286,008)	(258,090)	(253,025)
- Regulatory reserves provision	(510,331)	(481,982)	(421,460)	(407,424)
Total net loans, advances and financing	42,291,871	39,417,305	33,219,224	31,642,441

15 Loans, Advances and Financing (Cont'd)

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Domestic non-bank financial institutions				
Stockbroking companies	-	143,155	-	143,155
Others	250	262	250	262
Domestic business enterprises				
Small medium enterprises	8,445,141	7,829,423	6,650,385	5,964,674
Others	10,633,537	10,693,793	7,687,978	8,291,558
Government and statutory bodies	20,840	25,086	-	-
Individuals	19,980,960	19,337,138	16,052,399	16,119,971
Other domestic entities	8,399	9,847	6,735	6,913
Foreign entities	4,130,449	2,261,943	3,585,444	1,850,798
	43,219,576	40,300,647	33,983,191	32,377,331

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Maturity within one year	19,045,516	17,872,726	14,851,218	13,803,316
More than one year to three years	1,678,265	1,666,401	1,016,622	992,216
More than three years to five years	2,842,835	3,102,649	1,940,623	1,928,864
More than five years	19,652,960	17,658,871	16,174,728	15,652,935
	43,219,576	40,300,647	33,983,191	32,377,331

(iv) By interest/ profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Fixed rate				
Housing loans/ financing	173,635	193,847	162,401	179,035
Hire purchase receivables	274,433	234,608	183	183
Other fixed rate loans/ financing	4,784,982	5,431,232	2,303,759	2,161,955
Variable rate				
BLR/BFR plus	31,981,244	28,797,419	25,918,927	24,758,564
Cost-plus	3,210,424	2,706,180	3,210,424	2,706,180
Other variable rates	2,794,858	2,937,361	2,387,497	2,571,414
	43,219,576	40,300,647	33,983,191	32,377,331

(v) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Agricultural, hunting, forestry and fishing	2,295,882	1,672,328	1,744,294	1,176,982
Mining and quarrying	461,702	463,272	294,211	305,216
Manufacturing	7,266,347	7,295,730	5,906,424	5,659,143
Electricity, gas and water	134,962	415,027	34,270	332,674
Construction	1,268,596	1,099,623	1,024,792	829,478
Real estate	1,799,754	1,617,888	1,034,972	1,223,834
Wholesale & retail trade and restaurants & hotels	2,976,598	2,554,154	2,348,642	2,122,378
Transport, storage and communication	629,984	576,122	225,934	166,566
Finance, insurance and business services	1,852,093	1,427,744	1,499,654	1,244,628
Household-retail	21,630,379	20,701,268	17,418,527	17,340,725
Others	2,903,279	2,477,491	2,451,471	1,975,707
	43,219,576	40,300,647	33,983,191	32,377,331

15 Loans, Advances and Financing (Cont'd)

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Purchase of landed property:				
-Residential	14,565,431	13,672,770	12,726,959	12,418,600
-Non residential	1,265,321	1,438,326	1,198,890	1,375,324
Purchase of securities	12,109	23,097	12,109	23,097
Purchase of transport vehicles	41,729	45,028	40,301	43,450
Purchase of fixed assets excluding land & building	41,240	57,469	-	-
Consumption credit	6,558,776	6,463,263	4,189,154	4,360,413
Construction	1,268,596	1,086,318	1,024,792	829,478
Working capital	16,954,886	16,572,232	12,563,680	12,680,525
Other purpose	2,511,488	942,144	2,227,306	646,444
	43,219,576	40,300,647	33,983,191	32,377,331

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Northern region	7,268,732	7,277,659	5,649,449	5,778,787
Southern region	6,030,204	5,609,189	4,731,163	4,470,395
Central region	24,498,626	22,232,951	18,743,514	17,791,871
Eastern region	5,422,015	5,180,848	4,859,066	4,336,278
	43,219,576	40,300,647	33,983,191	32,377,331

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

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

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

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

Concentration by location for loans, advances and financing is based on the location of the borrower.

16 Impaired Loans, Advances and Financing

(i) Movements in impaired loans, advances and financing

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
At beginning of period/year	741,406	692,481	615,718	621,671
Classified as impaired during the period/year	641,183	717,773	471,441	548,073
Reclassified as performing	(201,451)	(197,762)	(187,955)	(197,270)
Amount recovered	(245,426)	(230,121)	(195,734)	(189,795)
Amount written off	(220,841)	(269,229)	(141,539)	(185,938)
Other movements	11,804	28,264	40,735	18,977
At end of period/year	726,675	741,406	602,666	615,718
Individual allowance for impairment	(283,666)	(286,008)	(258,090)	(253,025)
Collective allowance for impairment (impaired portion)	(38,023)	(32,825)	(21,140)	(18,287)
Net impaired loans, advances and financing	404,986	422,573	323,436	344,406

16 Impaired Loans, Advances and Financing (Cont'd)

(ii) Movements in allowances for impaired loans, advances and financing

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Collective allowance for impairment				
At beginning of period/year	115,352	519,055	74,441	448,400
-Effect of transition to MFRS [Note 33 iv) a]	-	(395,971)	-	(358,668)
At beginning of period/year, as restated	115,352	123,084	74,441	89,732
Made during the period/year	222,969	209,477	131,965	123,575
Amount released	(17,461)	(37,154)	(14,998)	(31,719)
Amount written off	(186,068)	(179,624)	(108,594)	(107,092)
Discount unwind	(1,084)	(431)	(1,067)	(55)
Other movements	-	-	2,670	-
At end of period/year	133,708	115,352	84,417	74,441
Individual allowance for impairment				
At beginning of year, as previously stated	286,008	379,358	253,025	337,500
-Effect of transition to MFRS [Note 33 iv) a]	-	(70,183)	-	(43,901)
At beginning of period/year, as restated	286,008	309,175	253,025	293,599
Made during the period/year	49,862	51,838	29,160	38,440
Amount recovered/released	(41,778)	(54,512)	(30,083)	(52,024)
Amount written off	(24,652)	(46,883)	(23,236)	(43,787)
Discount unwind	(1,682)	6,775	(1,305)	(2,512)
Other movements	15,908	19,615	30,529	19,309
At end of period/year	283,666	286,008	258,090	253,025
Regulatory reserve provision				
At beginning of period/year	481,982	-	407,424	-
-Effect of transition to MFRS [Note 33 iv) a]	-	395,843	-	358,591
At beginning of period/year, as restated	481,982	395,843	407,424	358,591
Made during the period/year	53,976	86,139	39,663	48,833
Written back	(25,627)	-	(25,627)	-
At end of period/year	510,331	481,982	421,460	407,424

(iii) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	1,204	864	1,093	864
Manufacturing	97,448	109,995	89,883	100,927
Construction	1,511	1,128	1,511	1,128
Real estate	-	87	-	87
Wholesale & retail trade, restaurants & hotels	50,983	53,599	45,116	49,318
Transport, storage and communication	5,841	8,946	5,002	8,946
Finance, insurance and business services	664	2,578	664	2,578
Household-retail	568,875	563,964	459,248	451,625
Others	149	245	149	245
	726,675	741,406	602,666	615,718

16 Impaired Loans, Advances and Financing (Cont'd)

(iv) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Purchase of landed property:				
-Residential	289,167	257,490	249,780	238,458
-Non residential	28,801	33,009	28,690	32,898
Purchase of transport vehicles	117	187	117	184
Consumption credit	272,613	296,242	202,440	202,938
Construction	1,511	1,128	1,511	1,128
Working capital	134,071	153,022	120,128	140,112
Other purpose	395	328	-	-
	726,675	741,406	602,666	615,718

(v) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Northern region	165,004	180,199	132,586	148,177
Southern region	188,201	181,464	158,360	158,407
Central region	283,334	289,131	228,147	224,996
Eastern region	90,136	90,612	83,573	84,138
	726,675	741,406	602,666	615,718

17 Other Assets

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Derivative financial assets (Note 32)	1,371,289	1,268,968	1,382,790	1,263,775
Interest/ income receivable	76,814	72,858	76,325	69,224
Other receivables, deposits and prepayments	1,921,600	412,695	1,901,084	401,638
	3,369,703	1,754,521	3,360,199	1,734,637

18 Statutory Deposits with Bank Negara Malaysia

The non-interest 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.

19 Deposits from Customers

(i) By type of deposit	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012 RM'000	31 Dec 2011 RM'000 Restated	30 Sep 2012 RM'000	31 Dec 2011 RM'000 Restated
Demand deposits	13,979,201	13,308,265	13,147,424	12,634,457
Savings deposits	9,684,546	9,096,358	8,793,210	8,273,878
Fixed / Investment deposits	26,773,407	26,877,993	21,253,230	23,097,804
Islamic repurchase agreements	246,110	192,401	-	-
Negotiable instruments of deposit	3,219,572	2,985,317	3,138,644	2,969,917
Wholesale money market deposits	1,310,041	2,801,305	1,310,041	2,801,305
Structured deposits	4,306,265	3,475,458	3,131,398	3,297,261
	59,519,142	58,737,097	50,773,947	53,074,622

The maturity structure of fixed / investment deposits and negotiable instruments of deposit is as follows:

	<i>Group</i>		<i>Bank</i>	
Due within six months	22,348,988	22,183,256	17,506,637	18,965,859
More than six months to one year	4,764,675	4,353,669	4,122,901	3,805,559
More than one year to three years	2,364,438	2,876,560	2,247,458	2,846,478
More than three years to five years	514,878	449,825	514,878	449,825
	29,992,979	29,863,310	24,391,874	26,067,721

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
Government and statutory bodies	127,046	108,696	40,096	22,072
Business enterprises	20,777,672	23,600,491	18,483,822	21,717,218
Individuals	27,267,246	25,250,051	22,092,555	22,179,576
Others	11,347,178	9,777,859	10,157,474	9,155,756
	59,519,142	58,737,097	50,773,947	53,074,622

20 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012 RM'000	31 Dec 2011 RM'000	30 Sep 2012 RM'000	31 Dec 2011 RM'000
Licensed banks	571,907	-	543,338	-
Bank Negara Malaysia	98,293	125,888	98,293	77,482
Other financial institutions	6,482,963	9,783,074	6,482,963	9,352,072
	7,153,163	9,908,962	7,124,594	9,429,554

21 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities	960,656	1,002,246	972,311	1,010,711
Interest/ profit payable	233,145	205,812	197,082	189,309
Profit equalisation reserve	1,340	6,700	-	-
Medium term sukuk*	500,000	-	-	-
Other creditors and accruals	2,138,469	3,331,832	2,283,939	3,431,858
	3,833,610	4,546,590	3,453,332	4,631,878

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

22 Provision for Taxation

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Taxation	240,955	199,566	192,648	168,318

23 Subordinated Bonds

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Subordinated bonds, at par	1,000,000	1,000,000	1,000,000	1,000,000
Fair value changes arising from fair value hedge	14,753	15,200	14,753	15,200
	1,014,753	1,015,200	1,014,753	1,015,200

The outstanding Subordinated bonds relate to the RM 1 billion Subordinated bonds issued in 2007 via 2 tranches:

- 4.35% coupon rate for RM 500 million due 2022 callable with a 100 bp step up coupon in 2017
- 5.05% coupon rate for RM 500 million due 2027 callable with a 100 bp step up coupon in 2022

The Bank has undertaken a fair value hedge on the interest rate risk on a portion of each of the above two tranches of Subordinated bonds using interest rate swaps. Total amount of Subordinated bonds hedged is RM 420 million.

The first tranche of RM 500 million subordinated bonds maturing on 28 June 2022, may be called and redeemed by the Bank, in whole or in part at any anniversary date, on or after 28 June 2017, subject to prior consent of Bank Negara Malaysia (BNM). If the subordinated bonds are not redeemed on 28 June 2017, coupon payable is stepped up by 100 basis point to 5.35% p.a.

The second tranche of RM 500 million subordinated bonds maturing on 2 November 2027, may be called and redeemed by the Bank, in whole or in part at any anniversary date, on or after 2 November 2022, subject to prior consent of BNM. If the subordinated bonds are not redeemed on 2 November 2022, coupon payable is stepped up by 100 basis point to 6.05% p.a.

Both tranches of subordinated bonds are repayable at par on maturity.

The subordinated bonds qualify as a component of Tier 2 capital of the Bank. However, it is a BNM's requirement to amortise the subordinated bonds on a straight-line basis for regulatory capital base purpose, in their final 5 years of maturity.

24 Net Interest Income

	<i>Group</i>			
	3rd quarter ended		Year-To-Date ended	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Interest income				
Loans and advances				
- Interest income other than from impaired loans	409,699	412,676	1,228,700	1,177,593
- Interest income recognised from impaired loans	866	421	2,372	2,130
Money at call and deposit placements with financial institutions	102,276	125,163	350,647	383,580
Financial investments available-for-sale	41,322	17,551	109,610	65,456
Fair value hedge derivative assets	1,028	989	2,984	3,486
	555,191	556,800	1,694,313	1,632,245
Interest expense				
Deposits and placements of banks and other financial institutions	(28,363)	(29,453)	(92,015)	(71,785)
Deposits from customers	(200,471)	(225,200)	(605,450)	(637,339)
Recourse obligation on loans sold to Cagamas	-	(823)	-	(6,593)
Subordinated bonds	(11,846)	(11,846)	(35,282)	(35,153)
Others	(1,365)	(1,459)	(3,993)	(4,130)
	(242,045)	(268,781)	(736,740)	(755,000)
Net interest income	313,146	288,019	957,573	877,245
<i>Bank</i>				
Interest income				
Loans and advances				
- Interest income other than from impaired loans	409,699	412,676	1,228,700	1,177,593
- Interest income recognised from impaired loans	866	421	2,372	2,130
Money at call and deposit placements with financial institutions	119,541	138,746	398,517	418,782
Financial investments available-for-sale	41,322	17,551	109,610	65,456
Fair value hedge derivative assets	1,028	989	2,984	3,486
	572,456	570,383	1,742,183	1,667,447
Interest expense				
Deposits and placements of banks and other financial institutions	(28,363)	(29,453)	(92,015)	(71,785)
Deposits from customers	(200,471)	(225,200)	(605,450)	(637,339)
Recourse obligation on loans sold to Cagamas	-	(823)	-	(6,593)
Subordinated bonds	(11,846)	(11,846)	(35,282)	(35,153)
Others	(1,365)	(1,459)	(3,993)	(4,130)
	(242,045)	(268,781)	(736,740)	(755,000)
Net interest income	330,411	301,602	1,005,443	912,447

All items of interest income and expense were recognised from assets and liabilities that were not recorded at fair value through profit or loss.

25 Net Fee and Commission Income

	<i>Group and Bank</i>			
	3rd quarter ended		Year-To-Date ended	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Credit cards	42,653	39,101	127,954	126,809
Service charges and fees	43,152	43,253	128,716	117,530
Fees on credit facilities	10,302	7,414	25,638	23,329
Agency fee	21,411	19,251	60,378	63,829
Others	7,450	14,211	44,592	39,456
	124,968	123,230	387,278	370,953
Fee and commission expense				
Interbank and clearing fees	(281)	(274)	(941)	(820)
Brokerage	(768)	(487)	(2,390)	(1,834)
Others	(8,043)	(2,280)	(18,782)	(12,421)
	(9,092)	(3,041)	(22,113)	(15,075)
Net fee and commission income	115,876	120,189	365,165	355,878

26 Net Trading Income

	<i>Group</i>			
	3rd quarter ended		Year-To-Date ended	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Realised gains on financial assets/liabilities held-for-trading and other financial instruments	21,484	15,859	86,164	79,801
Net interest income from financial assets held-for-trading	8,215	34,138	28,742	61,500
Net unrealised (losses)/gains on revaluation of financial assets held-for-trading	(6,486)	(4,254)	5,760	(3,805)
Net gains arising from dealing in foreign currency	81,169	155,383	268,526	355,000
Net unrealised gains/(losses) from dealing in foreign currency	28,019	(19,356)	43,060	(17,867)
Net (losses)/gains arising from trading in derivatives	(14,179)	(19,110)	32,412	37,794
Net unrealised gains on revaluation of derivatives	49,808	25,782	25,983	2,616
(Losses) arising from fair value hedges	(545)	(207)	(238)	(132)
	167,485	188,235	490,409	514,907
	<i>Bank</i>			
Realised gains on financial assets/liabilities held-for-trading and other financial instruments	21,484	15,859	86,164	79,801
Net interest income from financial assets held-for-trading	8,215	34,138	28,742	61,500
Net unrealised (losses)/gains on revaluation of financial assets held-for-trading	(6,486)	(4,254)	5,760	(3,805)
Net gains arising from dealing in foreign currency	79,811	155,383	267,003	355,000
Net unrealised gains/(losses) from dealing in foreign currency	26,636	(19,356)	43,060	(17,867)
Net (losses)/gains arising from trading in derivatives	(15,193)	(19,110)	32,163	37,794
Net unrealised gains on revaluation of derivatives	51,156	25,782	27,331	2,616
(Losses) arising from fair value hedges	(545)	(207)	(238)	(132)
	165,078	188,235	489,985	514,907

27 Income from Islamic Banking operations

	<i>Group</i>			
	3rd quarter ended		Year-To-Date ended	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Income derived from investment of depositor funds and others	161,020	112,742	468,483	312,624
Income derived from investment of shareholders funds	37,611	24,604	92,148	69,527
Income attributable to the depositors	(46,142)	(26,380)	(135,362)	(70,199)
Income from Islamic Banking operations	152,489	110,966	425,269	311,952

28 Other Operating Income

	<i>Group</i>			
	3rd quarter ended		Year-To-Date ended	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	RM'000	RM'000	RM'000	RM'000
Disposal of financial investments available-for-sale	-	21	2,597	260
Dividend income from financial investments available-for-sale				
- Unquoted in Malaysia	-	41	846	859
- Quoted outside Malaysia	-	-	-	57
Rental income	1,837	1,809	5,224	5,096
Net (losses)/gains on disposal of property and equipment	(41)	55	(13)	131
Other operating income	9,334	2,781	19,813	13,672
	11,130	4,707	28,467	20,075
	<i>Bank</i>			
Disposal of financial investments available-for-sale	-	21	2,597	260
Dividend income from financial investments available-for-sale				
- Unquoted in Malaysia	-	41	846	859
- Quoted outside Malaysia	-	-	-	57
Rental income	1,837	1,809	5,224	5,096
Net (losses)/gains on disposal of property and equipment	(41)	55	(13)	131
Other operating income	36,903	25,488	100,640	86,015
	38,699	27,414	109,294	92,418

29 Loans/ Financing Impairment Charges and other Credit Risk Provisions

	<i>Group</i>			
	3rd quarter ended		Year-To-Date ended	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Impairment charges on loans and financing:				
(a) Individual impairment				
Made during the financial period	19,362	10,942	49,862	40,270
Written back	(12,162)	(22,334)	(41,778)	(39,433)
(b) Collective impairment				
Made during the financial period	78,249	58,994	222,969	157,754
Written back	(3,970)	(6,943)	(17,461)	(31,270)
Impaired loans				
Recovered during the financial period	(24,576)	(23,192)	(77,329)	(73,997)
Written off	3,464	10,394	10,454	32,297
Impairment charges on commitments and contingencies:				
Written back	-	(26)	-	(1,976)
Regulatory reserve provision on loans and financing				
Made during the financial period	9,410	9,079	53,976	86,054
Written back	(6,699)	(182)	(25,627)	(182)
	63,078	36,732	175,066	169,517

29 Loans/ Financing Impairment Charges and other Credit Risk Provisions (Cont'd)

	<i>Bank</i>			
	3rd quarter ended		Year-To-Date ended	
	30 Sep 2012 RM'000	30 Sep 2011 RM'000 Restated	30 Sep 2012 RM'000	30 Sep 2011 RM'000 Restated
Impairment charges on loans and financing:				
(a) Individual impairment				
Made during the financial period	8,613	6,611	29,160	31,950
Written back	(5,419)	(21,897)	(30,083)	(38,335)
(b) Collective impairment				
Made during the financial period	43,830	34,819	131,965	96,004
Written back	(3,445)	(6,030)	(14,998)	(26,830)
Impaired loans				
Recovered during the financial period	(18,649)	(17,280)	(59,087)	(57,733)
Written off	3,182	8,873	9,963	25,885
Impairment charges on commitments and contingencies:				
Written back	-	(26)	-	(1,976)
Regulatory reserve provision on loans and financing				
Made during the financial period	9,020	-	39,663	64,662
Written back	(6,699)	(182)	(25,627)	(182)
	30,433	4,888	80,956	93,445

30 Other Operating Expenses

	<i>Group</i>			
	3rd quarter ended		Year-To-Date ended	
	30 Sep 2012 RM'000	30 Sep 2011 RM'000	30 Sep 2012 RM'000	30 Sep 2011 RM'000
Personnel expenses	124,134	138,267	447,181	443,172
Promotion and marketing related expenses	16,838	28,099	61,784	63,761
Establishment related expenses	38,605	41,537	113,699	113,863
General administrative expenses	99,409	87,621	276,449	279,486
	278,986	295,524	899,113	900,282

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	97,052	103,591	344,609	336,427
Employees Provident Fund contributions	15,988	16,875	56,531	56,227
Promotion and marketing related expenses				
Advertising and promotion	13,789	17,089	44,437	43,318
Establishment related expenses				
Depreciation of property and equipment	10,152	10,775	30,459	30,245
Amortisation of intangible assets	5,687	7,502	15,513	19,825
Information technology costs	3,360	5,575	9,383	11,926
Hire of equipment	2,357	1,640	7,669	5,383
Rental of premises	10,167	9,677	30,337	27,418
Property and equipment written off	30	72	683	73
General administrative expenses				
Intercompany expenses	66,530	72,333	180,464	209,880
Auditors' remuneration				
Statutory audit fees				
KPMG Malaysia	126	120	379	360
Other services				
KPMG Malaysia	164	210	447	430

30 Other Operating Expenses (Cont'd)

	<i>Bank</i>			
	3rd quarter ended		Year-To-Date ended	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	116,419	131,895	420,342	423,449
Promotion and marketing related expenses	11,751	22,811	47,747	56,328
Establishment related expenses	33,306	38,113	99,479	104,554
General administrative expenses	91,442	84,004	259,924	269,981
	252,918	276,823	827,492	854,312

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	91,043	98,676	323,552	320,700
Employees Provident Fund contributions	15,035	16,037	53,317	53,677
Promotion and marketing related expenses				
Advertising and promotion	8,702	13,621	30,400	37,705
Establishment related expenses				
Depreciation of property and equipment	8,149	9,408	25,044	26,245
Amortisation of intangible assets	5,578	7,039	15,149	19,407
Information technology costs	3,019	5,449	8,544	11,566
Hire of equipment	2,343	1,622	7,628	5,333
Rental of premises	8,226	8,425	24,764	23,665
Property and equipment written off	30	72	683	73
General administrative expenses				
Intercompany expenses	63,880	68,493	176,181	201,974
Auditors' remuneration				
<u>Statutory audit fees</u>				
KPMG Malaysia	98	95	296	285
<u>Other services</u>				
KPMG Malaysia	121	183	329	343

31 Capital Adequacy

	<i>Group</i>	
	30 Sep 2012 RM'000	31 Dec 2011 RM'000 Restated
Tier 1 capital		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Capital redemption reserve	190,000	190,000
Retained profits (including proposed dividend/dividend paid)	3,612,233	3,535,814
Statutory reserve	164,500	164,500
	4,822,608	4,746,189
Less: Deferred tax adjustments	(268,652)	(243,780)
Total Tier 1 capital	4,553,956	4,502,409
Tier 2 capital		
Subordinated bonds	1,014,753	1,015,200
Revaluation reserves	84,854	85,441
Collective impairment allowance (unimpaired portion)	95,685	82,527
Regulatory reserves provision	510,331	481,982
Total Tier 2 capital	1,705,623	1,665,150
Total capital	6,259,579	6,167,559
Capital base	6,259,579	6,167,559
Core capital ratio	9.4%	9.8%
Risk-weighted capital ratio	12.9%	13.4%
Core capital ratio (net of proposed dividend)	9.4%	9.1%
Risk-weighted capital ratio (net of proposed dividend)	12.9%	12.7%

The capital ratios have been computed in accordance with the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

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

	<i>Group</i>			
	30 Sep 2012		31 Dec 2011	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	90,744,012	41,595,686	88,851,581	38,728,263
Total RWA for market risk	-	1,657,322	-	2,622,157
Total RWA for operational risk	-	5,083,753	-	4,680,548
	90,744,012	48,336,761	88,851,581	46,030,968

The comparative capital adequacy ratios and components of capital base have been restated for the effects of the change in accounting policy on the impairment of collectively assessed loans, advances and financing. Please refer to Note 2a) Changes in Accounting Policies and Note 33 Explanation of Transition to MFRS for a summary of the changes.

31 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	30 Sep 2012	31 Dec 2011
	RM'000	RM'000
Tier 1 capital		Restated
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Capital redemption reserve	190,000	190,000
Retained profits (including proposed dividend/dividend paid)	3,369,553	3,355,325
Statutory reserve	114,500	114,500
	4,529,928	4,515,700
Less: Deferred tax adjustments	(233,599)	(214,108)
Total Tier 1 capital	4,296,329	4,301,592
Tier 2 capital		
Subordinated bonds	1,014,753	1,015,200
Revaluation reserves	84,854	85,441
Collective impairment allowance (unimpaired portion)	63,277	56,154
Regulatory reserves provision	421,460	407,424
Tier 2 capital	1,584,344	1,564,219
Less: Investment in subsidiaries	(660,021)	(660,021)
Total Tier 2 capital	924,323	904,198
Capital base	5,220,652	5,205,790
Core capital ratio	10.8%	10.9%
Risk-weighted capital ratio	13.1%	13.2%
Core capital ratio (net of proposed dividend)	10.8%	10.2%
Risk-weighted capital ratio (net of proposed dividend)	13.1%	12.5%

The capital ratios have been computed in accordance with the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

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

	<i>Bank</i>			
	30 Sep 2012		31 Dec 2011	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	78,852,919	33,620,010	80,688,742	32,514,625
Total RWA for market risk	-	1,572,152	-	2,521,215
Total RWA for operational risk	-	4,603,236	-	4,305,377
	78,852,919	39,795,398	80,688,742	39,341,217

The comparative capital adequacy ratios and components of capital base have been restated for the effects of the change in accounting policy on the impairment of collectively assessed loans, advances and financing. Please refer to Note 2a) Changes in Accounting Policies and Note 33 Explanation of Transition to MFRS for a summary of the changes.

32 Commitments and Contingencies

30 Sep 2012

	Group			
	Credit Principal amount RM'000	Positive fair value of derivative contracts^ RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
Direct credit substitutes	1,938,236	-	1,938,236	1,690,822
Transaction-related contingent items	5,235,757	-	2,617,878	1,964,458
Short-term self-liquidating trade-related contingencies	396,880	-	79,376	47,295
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	11,624,839	-	2,324,968	2,003,640
- Maturity exceeding one year	3,088,722	-	1,544,361	1,416,866
Unutilised credit card lines	8,180,721	-	1,636,144	1,227,108
Foreign exchange related contracts				
- Less than one year	41,568,766	408,870	942,196	430,834
- Over one year to less than five years	8,492,240	421,692	1,046,275	696,635
- Over five years	2,558,884	129,517	392,252	250,492
Interest/profit rate related contracts:				
- Less than one year	10,869,929	16,596	35,577	11,411
- Over one year to less than five years	33,435,423	246,844	998,171	354,143
- Over five years	3,456,175	86,459	336,379	134,346
Gold and other precious metals contracts				
- Less than one year	59,137	17,828	18,846	3,769
- Over one year to less than five years	1,948	627	739	148
Other commodity contracts:				
- Over one year to less than five years	24,878	-	2,488	498
Equity related contracts				
- Less than one year	1,013,908	9,565	70,399	14,080
- Over one year to less than five years	2,048,290	21,927	186,267	37,253
- Over five years	548,907	11,364	66,255	13,251
	134,543,640	1,371,289	14,236,807	10,297,049

Note 17

^ The foreign exchange related contracts, interest/profit rate related contracts, equity related contracts, gold and other precious metals contracts and other commodity related contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest/profit rates and commodities price) of the underlying instruments. The table above shows the Group's derivative financial instruments as at the statement of financial position date. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial asset) fair values as at the statement of financial position date are shown above.

The credit equivalent and risk weighted amounts are computed using credit conversion factors and risk weighting rules as per * Bank Negara Malaysia guidelines. The credit conversion factors and risk weighting rules were based on Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

32 Commitments and Contingencies (Cont'd)

30 Sep 2012

	Bank			
	Credit Principal amount RM'000	Positive fair value of derivative contracts^ RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
Direct credit substitutes	1,207,355	-	1,207,355	1,016,273
Transaction-related contingent items	4,570,165	-	2,285,082	1,674,726
Short-term self-liquidating trade-related contingencies	375,691	-	75,138	43,964
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	10,339,686	-	2,067,937	1,770,083
- Maturity exceeding one year	3,003,277	-	1,501,639	1,376,197
Unutilised credit card lines	7,083,880	-	1,416,776	1,062,582
Foreign exchange related contracts				
- Less than one year	41,563,244	408,602	941,337	430,115
- Over one year to less than five years	8,492,240	421,692	1,046,275	696,636
- Over five years	2,558,884	129,517	392,252	250,492
Interest rate related contracts:				
- Less than one year	10,869,929	16,596	35,577	11,411
- Over one year to less than five years	34,738,923	248,090	1,039,836	371,406
- Over five years	3,456,175	84,650	334,570	124,287
Gold and other precious metals contracts				
- Less than one year	59,137	17,828	18,846	3,769
- Over one year to less than five years	1,948	627	739	148
Other commodity contracts:				
- Over one year to less than five years	24,878	-	2,488	498
Equity related contracts				
- Less than one year	1,439,831	17,308	103,697	30,729
- Over one year to less than five years	2,540,013	26,516	227,291	62,663
- Over five years	548,907	11,364	66,255	13,251
	132,874,163	1,382,790	12,763,090	8,939,230

Note 17

^ The foreign exchange related contracts, interest rate related contracts, equity related contracts, gold and other precious metals contracts and other commodity related contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and commodities price) of the underlying instruments. The table above shows the Bank's derivative financial instruments as at the statement of financial position date. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial asset) fair values as at the statement of financial position date are shown above.

The credit equivalent and risk weighted amounts are computed using credit conversion factors and risk weighting rules as per * Bank Negara Malaysia guidelines. The credit conversion factors and risk weighting rules were based on Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

32 Commitments and Contingencies (Cont'd)

31 Dec 2011

	Group			
	Credit Principal amount RM'000	Positive fair value of derivative contracts^ RM'000 Restated	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
Direct credit substitutes	1,637,618	-	1,637,618	1,272,927
Transaction-related contingent items	4,485,107	-	2,242,553	1,433,348
Short-term self-liquidating trade-related contingencies	436,293	-	87,259	66,825
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	12,562,422	-	2,512,484	2,209,152
- Maturity exceeding one year	1,628,814	-	325,763	283,054
Unutilised credit card lines	7,885,027	-	1,577,005	1,182,754
Foreign exchange related contracts				
- Less than one year	38,470,026	395,847	932,034	575,810
- Over one year to less than five years	6,664,674	233,650	699,401	410,147
- Over five years	3,163,667	185,486	517,464	417,495
Interest/profit rate related contracts:				
- Less than one year	8,044,548	10,668	24,058	10,127
- Over one year to less than five years	28,908,974	286,459	974,957	363,773
- Over five years	2,675,692	87,209	275,088	82,775
Gold and other precious metals contracts				
- Less than one year	164,660	5,097	9,168	1,834
- Over one year to less than five years	25,086	965	2,239	448
Other commodity contracts:				
- Over one year to less than five years	29,711	1	3,566	713
Equity related contracts				
- Less than one year	144,553	1,948	10,621	2,124
- Over one year to less than five years	1,595,881	44,266	165,381	33,077
- Over five years	453,806	17,372	62,753	12,551
	118,976,559	1,268,968	12,059,412	8,358,934

Note 17

^ The foreign exchange related contracts, interest/profit rate related contracts, equity related contracts, gold and other precious metals contracts and commodity related contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest/profit rates and commodities price) of the underlying instruments. The table above shows the Group's derivative financial instruments as at the statement of financial position date. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial asset) fair values as at the statement of financial position date are shown above.

The credit equivalent and risk weighted amounts are computed using credit conversion factors and risk weighting rules as per Bank Negara Malaysia guidelines. The credit conversion factors and risk weighting rules were based on Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF" and a refined temporary (until 31 December 2011) measure relating to credit conversion factor for undrawn facilities.

32 Commitments and Contingencies (Cont'd)

31 Dec 2011

	Bank			
	Credit Principal amount RM'000	Positive fair value of derivative contracts^ RM'000 Restated	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
Direct credit substitutes	1,175,959	-	1,175,959	868,639
Transaction-related contingent items	3,954,047	-	1,977,023	1,175,656
Short-term self-liquidating trade-related contingencies	403,366	-	80,673	62,080
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	11,248,102	-	2,249,620	1,962,967
- Maturity exceeding one year	1,495,379	-	299,076	256,804
Unutilised credit card lines	6,999,254	-	1,399,851	1,049,888
Foreign exchange related contracts				
- Less than one year	38,481,549	396,347	932,708	574,685
- Over one year to less than five years	6,664,674	233,650	699,401	410,148
- Over five years	3,163,667	185,486	517,464	417,495
Interest rate related contracts:				
- Less than one year	8,044,548	10,668	24,058	10,126
- Over one year to less than five years	30,212,475	285,958	1,024,026	383,424
- Over five years	2,675,692	87,208	275,088	82,775
Gold and other precious metals contracts				
- Less than one year	164,660	5,097	9,168	1,834
- Over one year to less than five years	25,086	965	2,239	448
Other commodity contracts:				
- Over one year to less than five years	29,711	1	3,566	713
Equity related contracts				
- Less than one year	144,553	1,948	10,621	2,124
- Over one year to less than five years	1,405,512	39,074	146,323	29,264
- Over five years	453,805	17,373	62,753	12,553
	116,742,039	1,263,775	10,889,617	7,301,623

Note 17

^The foreign exchange related contracts, interest rate related contracts, equity related contracts, gold and other precious metals contracts and commodity related contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and commodities price) of the underlying instruments. The table above shows the Bank's derivative financial instruments as at the statement of financial position date. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial asset) fair values as at the statement of financial position date are shown above.

*The credit equivalent and risk weighted amounts are computed using credit conversion factors and risk weighting rules as per Bank Negara Malaysia guidelines. The credit conversion factors and risk weighting rules were based on Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF" and a refined temporary (until 31 December 2011) measure relating to credit conversion factor for undrawn facilities.

33 Explanation of transition to MFRSs

As stated in Note 2, these are the Group and the Bank's first nine months ended condensed interim financial statements prepared in accordance with MFRSs.

In preparing its opening MFRS statement of financial position, the Group and the Bank has adjusted amounts reported previously in financial statements prepared in accordance with the previous FRSs and made additional regulatory reserve provisions (refer to Note 2a for the accounting policy on regulatory reserves). An explanation of how the transition from the previous FRSs to the new MFRSs, as well as the maintenance of additional regulatory reserve provisions has affected the Group and the Bank's financial position, is set out in the following tables and the notes that accompany these tables. The financial impact of the transition to MFRSs was effected retrospectively.

i) Reconciliation of financial position

Group	Note	Effect of transition to		
		FRSs	MFRSs	MFRSs
Assets		RM'000	1 Jan 2011	RM'000
Cash and short term funds		11,815,604	-	11,815,604
Securities purchased under resale agreements		6,467,863	-	6,467,863
Deposits and placements with banks and other financial institutions		330,981	-	330,981
Financial Assets Held-for-Trading		4,895,060	-	4,895,060
Financial Investments Available-for-Sale		3,400,090	-	3,400,090
Loans, advances and financing	33 iv) a	34,076,044	217,845	34,293,889
Other assets	33 iv) b	2,023,553	(86,212)	1,937,341
Statutory deposits with Bank Negara Malaysia		221,827	-	221,827
Property and equipment		318,481	-	318,481
Intangible assets		60,621	-	60,621
Deferred tax assets	33 iv) c	168,344	126,462	294,806
Total assets		63,778,468	258,095	64,036,563
Liabilities				
Deposits from customers	33 iv) b	48,339,424	153,050	48,492,474
Deposits and placements from banks and other financial institutions		6,853,048	-	6,853,048
Bills and acceptances payable		429,229	-	429,229
Other liabilities	33 iv) b	2,354,493	(106,993)	2,247,500
Recourse obligation on loans sold to Cagamas Berhad		374,991	-	374,991
Provision for taxation	33 iv) c	103,158	148,519	251,677
Subordinated bonds		1,003,039	-	1,003,039
Total liabilities		59,457,382	194,576	59,651,958
Equity				
Share capital		114,500	-	114,500
Reserves	33 iv) f	3,956,586	63,519	4,020,105
Proposed dividend		250,000	-	250,000
Total equity attributable to owner of the Bank		4,321,086	63,519	4,384,605
Total liabilities and equity		63,778,468	258,095	64,036,563
Commitments and Contingencies		87,503,362	(147,534)	87,355,828

33 Explanation of transition to MFRSs (Cont'd)

i) Reconciliation of financial position (Cont'd)

Bank	Note	Effect of transition to		
		FRSs	MFRSs	MFRSs
Assets		RM'000	1 Jan 2011	RM'000
Cash and short term funds		10,658,860	-	10,658,860
Securities purchased under resale agreements		6,467,863	-	6,467,863
Deposits and placements with banks and other financial institutions		1,471,815	-	1,471,815
Financial Assets Held-for-Trading		4,747,054	-	4,747,054
Financial Investments Available-for-Sale		3,069,425	-	3,069,425
Loans, advances and financing	33 iv) a	29,439,768	43,978	29,483,746
Other assets	33 iv) b	1,978,890	(83,762)	1,895,128
Statutory deposits with Bank Negara Malaysia		187,098	-	187,098
Investments in subsidiary companies		660,021	-	660,021
Property and equipment		302,056	-	302,056
Intangible assets		59,122	-	59,122
Deferred tax assets	33 iv) c	150,342	112,081	262,423
Total assets		59,192,314	72,297	59,264,611
Liabilities				
Deposits from customers	33 iv) b	44,556,909	5,027	44,561,936
Deposits and placements from banks and other financial institutions		6,261,536	-	6,261,536
Bills and acceptances payable		423,698	-	423,698
Other liabilities	33 iv) b	2,277,196	(104,114)	2,173,082
Recourse obligation on loans sold to Cagamas Berhad		374,991	-	374,991
Provision for taxation	33 iv) c	98,710	126,906	225,616
Subordinated bonds		1,003,039	-	1,003,039
Total liabilities		54,996,079	27,819	55,023,898
Equity				
Share capital		114,500	-	114,500
Reserves	33 iv) f	3,831,735	44,478	3,876,213
Proposed dividend		250,000	-	250,000
Total equity attributable to owner of the Bank		4,196,235	44,478	4,240,713
Total liabilities and equity		59,192,314	72,297	59,264,611
Commitments and Contingencies		85,680,212	-	85,680,212

33 Explanation of transition to MFRSs (Cont'd)

i) Reconciliation of financial position

Group	Note	Effect of transition to		
		FRSs	MFRSs	MFRSs
		30 Sep 2011		
Assets		RM'000	RM'000	RM'000
Cash and short term funds		15,785,983	-	15,785,983
Securities purchased under resale agreements		5,074,098	-	5,074,098
Deposits and placements with banks and other financial institutions		863,390	-	863,390
Financial Assets Held-for-Trading		4,774,727	-	4,774,727
Financial Investments Available-for-Sale		2,578,594	-	2,578,594
Loans, advances and financing	33 iv) a	39,023,362	236,796	39,260,158
Other assets	33 iv) b	3,020,344	(113,243)	2,907,101
Statutory deposits with Bank Negara Malaysia		1,112,560	-	1,112,560
Investments in subsidiary companies		-	-	-
Property and equipment		334,617	-	334,617
Intangible assets		55,338	-	55,338
Deferred tax assets	33 iv) c	81,992	126,649	208,641
Total assets		72,705,005	250,202	72,955,207
Liabilities				
Deposits from customers	33 iv) b	54,987,109	194,034	55,181,143
Deposits and placements from banks and other financial institutions		7,909,005	-	7,909,005
Bills and acceptances payable		432,057	-	432,057
Other liabilities	33 iv) b	3,583,216	(142,136)	3,441,080
Recourse obligation on loans sold to Cagamas Berhad		67,386	-	67,386
Provision for taxation	33 iv) c	74,158	145,317	219,475
Subordinated bonds		1,013,652	-	1,013,652
Total liabilities		68,066,583	197,215	68,263,798
Equity				
Share capital		114,500	-	114,500
Reserves	33 iv) f	4,523,922	52,987	4,576,909
Total equity attributable to owner of the Bank		4,638,422	52,987	4,691,409
Total liabilities and equity		72,705,005	250,202	72,955,207
Commitments and Contingencies		127,602,904	(170,076)	127,432,828

33 Explanation of transition to MFRSs (Cont'd)

i) Reconciliation of financial position (Cont'd)

Bank	Note	Effect of transition to		
		FRSs	MFRSs	MFRSs
		RM'000	RM'000	RM'000
Assets				
Cash and short term funds		14,419,019	-	14,419,019
Securities purchased under resale agreements		5,074,098	-	5,074,098
Deposits and placements with banks and other financial institutions		2,695,413	-	2,695,413
Financial Assets Held-for-Trading		4,696,309	-	4,696,309
Financial Investments Available-for-Sale		2,257,398	-	2,257,398
Loans, advances and financing	33 iv) a	32,733,215	35,800	32,769,015
Other assets	33 iv) b	3,005,626	(105,295)	2,900,331
Statutory deposits with Bank Negara Malaysia		909,998	-	909,998
Investments in subsidiary companies		660,021	-	660,021
Property and equipment		320,417	-	320,417
Intangible assets		54,737	-	54,737
Deferred tax assets	33 iv) c	71,125	112,410	183,535
Total assets		66,897,376	42,915	66,940,291
Liabilities				
Deposits from customers	33 iv) b	50,215,202	29,119	50,244,321
Deposits and placements from banks and other financial institutions		6,806,580	-	6,806,580
Bills and acceptances payable		426,449	-	426,449
Other liabilities	33 iv) b	3,845,468	(139,583)	3,705,885
Recourse obligation on loans sold to Cagamas Berhad		67,386	-	67,386
Provision for taxation	33 iv) c	72,002	122,472	194,474
Subordinated bonds		1,013,652	-	1,013,652
Total liabilities		62,446,739	12,008	62,458,747
Equity				
Share capital		114,500	-	114,500
Reserves	33 iv) f	4,336,137	30,907	4,367,044
Total equity attributable to owner of the Bank		4,450,637	30,907	4,481,544
Total liabilities and equity		66,897,376	42,915	66,940,291
Commitments and Contingencies		125,278,336	-	125,278,336

33 Explanation of transition to MFRSs (Cont'd)

i) Reconciliation of financial position (Cont'd)

Group	Note	Effect of transition to		
		FRSs	MFRSs	MFRSs
Assets		RM'000	31 Dec 2011	RM'000
Cash and short term funds		21,603,227	-	21,603,227
Securities purchased under resale agreements		3,682,969	-	3,682,969
Deposits and placements with banks and other financial institutions		651,778	-	651,778
Financial Assets Held-for-Trading		6,217,237	-	6,217,237
Financial Investments Available-for-Sale		4,873,818	-	4,873,818
Loans, advances and financing	33 iv) a	39,156,932	260,373	39,417,305
Other assets	33 iv) b	1,941,383	(186,862)	1,754,521
Statutory deposits with Bank Negara Malaysia		1,096,060	-	1,096,060
Property and equipment		354,032	-	354,032
Intangible assets		53,263	-	53,263
Deferred tax assets	33 iv) c	94,245	126,662	220,907
Total assets		79,724,944	200,173	79,925,117
Liabilities				
Deposits from customers	33 iv) b	58,523,846	213,251	58,737,097
Deposits and placements from banks and other financial institutions		9,908,962	-	9,908,962
Bills and acceptances payable		521,337	-	521,337
Other liabilities	33 iv) b	4,762,900	(216,310)	4,546,590
Provision for taxation	33 iv) c	53,103	146,463	199,566
Subordinated bonds		1,015,200	-	1,015,200
Total liabilities		74,785,348	143,404	74,928,752
Equity				
Share capital		114,500	-	114,500
Reserves	33 iv) f	4,525,096	56,769	4,581,865
Proposed dividend		300,000	-	300,000
Total equity attributable to owner of the Bank		4,939,596	56,769	4,996,365
Total liabilities and equity		79,724,944	200,173	79,925,117
Commitments and Contingencies		119,168,960	(192,401)	118,976,559

33 Explanation of transition to MFRSs (Cont'd)

i) Reconciliation of financial position (Cont'd)

Bank	Note	Effect of transition to		
		FRSs	MFRSs	MFRSs
Assets		RM'000	31 Dec 2011	RM'000
Cash and short term funds		20,292,272	-	20,292,272
Securities purchased under resale agreements		3,682,969	-	3,682,969
Deposits and placements with banks and other financial institutions		3,687,058	-	3,687,058
Financial Assets Held-for-Trading		6,000,521	-	6,000,521
Financial Investments Available-for-Sale		4,451,732	-	4,451,732
Loans, advances and financing	33 iv) a	31,610,586	31,855	31,642,441
Other assets	33 iv) b	1,913,656	(179,019)	1,734,637
Statutory deposits with Bank Negara Malaysia		867,498	-	867,498
Investments in subsidiary companies		660,021	-	660,021
Property and equipment		335,106	-	335,106
Intangible assets		52,802	-	52,802
Deferred tax assets	33 iv) c	79,063	112,221	191,284
Total assets		73,633,284	(34,943)	73,598,341
Liabilities				
Deposits from customers	33 iv) b	53,047,615	27,007	53,074,622
Deposits and placements from banks and other financial institutions		9,429,554	-	9,429,554
Bills and acceptances payable		513,737	-	513,737
Other liabilities	33 iv) b	4,845,377	(213,499)	4,631,878
Provision for taxation	33 iv) c	46,265	122,053	168,318
Subordinated bonds		1,015,200	-	1,015,200
Total liabilities		68,897,748	(64,439)	68,833,309
Equity				
Share capital		114,500	-	114,500
Reserves	33 iv) f	4,321,036	29,496	4,350,532
Proposed dividend		300,000	-	300,000
Total equity attributable to owner of the Bank		4,735,536	29,496	4,765,032
Total liabilities and equity		73,633,284	(34,943)	73,598,341
Commitments and Contingencies		116,742,039	-	116,742,039

33 Explanation of transition to MFRSs (Cont'd)

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

Group	Note	Effect of transition to		
		FRSs RM'000	MFRSs RM'000	MFRSs RM'000
Revenue		3,989,403	(28,588)	3,960,815
Interest income	33 iv) e	2,200,121	55	2,200,176
Interest expense	33 iv) e	(1,049,302)	22,352	(1,026,950)
Net interest income		1,150,819	22,407	1,173,226
Fee and commission income		493,352	-	493,352
Fee and commission expense		(24,350)	-	(24,350)
Net fee and commission income		469,002	-	469,002
Net trading income	33 iv) e	723,616	(30,204)	693,412
Income from Islamic banking operations	33 iv) e	431,267	1,561	432,828
Other operating income		33,843	-	33,843
Operating income before impairment losses		2,808,547	(6,236)	2,802,311
Loans / financing impairment charges and other credit risk provisions	33 iv) e	(198,048)	(2,770)	(200,818)
Impairment losses on intangible assets		(5,167)	-	(5,167)
Net operating income		2,605,332	(9,006)	2,596,326
Other operating expenses		(1,214,548)	-	(1,214,548)
Profit before income tax expense		1,390,784	(9,006)	1,381,778
Income tax expense	33 iv) e	(355,154)	2,256	(352,898)
Profit for the year	33 iv) e	1,035,630	(6,750)	1,028,880
Other comprehensive income				
Revaluation reserve:				
Surplus on revaluation property		11,270	-	11,270
Deferred tax adjustment on revaluation reserve		(236)	-	(236)
Cash flow hedge				
Effective portion of changes in fair value		854	-	854
Fair value reserve				
Change in fair value		10,251	-	10,251
Amount transferred to profit or loss		(1,432)	-	(1,432)
Income tax relating to components of other comprehensive income		(2,417)	-	(2,417)
Other comprehensive income for the year, net of income tax		18,290	-	18,290
Total comprehensive income for the year		1,053,920	(6,750)	1,047,170
Profit attributable to owner of the Bank		1,035,630	(6,750)	1,028,880
Total comprehensive income attributable to owner of the Bank		1,053,920	(6,750)	1,047,170
Basic earnings per RM0.50 ordinary share		452.2 sen	-2.9 sen	449.3 sen
Dividends per RM0.50 ordinary share (net)				
- interim dividend paid		87.3 sen	-	87.3 sen
- proposed final		131.0 sen	-	131.0 sen

33 Explanation of transition to MFRSs (Cont'd)

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

Bank	Note	Effect of transition to		
		FRSs RM'000	MFRSs RM'000	MFRSs RM'000
Revenue		3,595,880	(30,149)	3,565,731
Interest income	33 iv) e	2,252,409	55	2,252,464
Interest expense	33 iv) e	(1,049,302)	22,352	(1,026,950)
Net interest income		1,203,107	22,407	1,225,514
Fee and commission income		493,352	-	493,352
Fee and commission expense		(24,350)	-	(24,350)
Net fee and commission income		469,002	-	469,002
Net trading income	33 iv) e	718,949	(30,204)	688,745
Other operating income		131,170	-	131,170
Operating income before impairment losses		2,522,228	(7,797)	2,514,431
Loans / financing impairment charges and other credit risk provisions	33 iv) e	(73,711)	(12,178)	(85,889)
Impairment losses on intangible assets		(5,167)	-	(5,167)
Net operating income		2,443,350	(19,975)	2,423,375
Other operating expenses		(1,150,363)	-	(1,150,363)
Profit before income tax expense		1,292,987	(19,975)	1,273,012
Income tax expense	33 iv) e	(335,921)	4,993	(330,928)
Profit for the year	33 iv) e	957,066	(14,982)	942,084
Other comprehensive income				
Revaluation reserve:				
Surplus on revaluation property		11,270	-	11,270
Deferred tax adjustment on revaluation reserve		(236)	-	(236)
Cash flow hedge				
Effective portion of changes in fair value		854	-	854
Fair value reserve				
Change in fair value		9,872	-	9,872
Amount transferred to profit or loss		(1,432)	-	(1,432)
Income tax relating to components of other comprehensive income		(2,322)	-	(2,322)
Other comprehensive income for the year, net of income tax		18,006	-	18,006
Total comprehensive income for the year		975,072	(14,982)	960,090
Profit attributable to owner of the Bank		957,066	(14,982)	942,084
Total comprehensive income attributable to owner of the Bank		975,072	(14,982)	960,090
Basic earnings per RM0.50 ordinary share		417.9 sen	-6.5 sen	411.4 sen
Dividends per RM0.50 ordinary share (net)				
- interim dividend paid		87.3 sen	-	87.3 sen
- proposed final		131.0 sen	-	131.0 sen

33 Explanation of transition to MFRSs (Cont'd)

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

Group	Note	Effect of transition to		
		FRSs RM'000	MFRSs RM'000	MFRSs RM'000
Revenue		2,952,512	(32,181)	2,920,331
Interest income	33 iv) e	1,632,387	(142)	1,632,245
Interest expense	33 iv) e	(771,704)	16,704	(755,000)
Net interest income		860,683	16,562	877,245
Fee and commission income		370,953	-	370,953
Fee and commission expense		(15,075)	-	(15,075)
Net fee and commission income		355,878	-	355,878
Net trading income	33 iv) e	541,767	(26,860)	514,907
Income from Islamic banking operations	33 iv) e	311,832	120	311,952
Other operating income		20,075	-	20,075
Operating income before impairment losses		2,090,235	(10,178)	2,080,057
Loans / financing impairment charges and other credit risk provisions	33 iv) e	(165,774)	(3,743)	(169,517)
Impairment losses on intangible assets		(4,900)	-	(4,900)
Net operating income		1,919,561	(13,921)	1,905,640
Other operating expenses		(900,282)	-	(900,282)
Profit before income tax expense		1,019,279	(13,921)	1,005,358
Income tax expense	33 iv) e	(266,282)	3,389	(262,893)
Profit for the period	33 iv) e	752,997	(10,532)	742,465
Other comprehensive income				
Cash flow hedge				
Effective portion of changes in fair value		907	-	907
Fair value reserve				
Change in fair value		2,702	-	2,702
Amount transferred to profit or loss		(1,431)	-	(1,431)
Income tax relating to components of other comprehensive income		(544)	-	(544)
Other comprehensive income for the period, net of income tax		1,634	-	1,634
Total comprehensive income for the period		754,631	(10,532)	744,099
Profit attributable to owner of the Bank		752,997	(10,532)	742,465
Total comprehensive income attributable to owner of the Bank		754,631	(10,532)	744,099
Basic earnings per RM0.50 ordinary share		328.8 sen	-4.6 sen	324.2 sen
Dividends per RM0.50 ordinary share (net)				
- final dividend paid in respect of prior year		109.2 sen	-	109.2 sen
- interim dividend paid in respect of current period		87.3 sen	-	87.3 sen

33 Explanation of transition to MFRSs (Cont'd)

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

Bank	Note	Effect of transition to		
		FRSs RM'000	MFRSs RM'000	MFRSs RM'000
Revenue		2,672,727	(27,002)	2,645,725
Interest income	33 iv) e	1,667,589	(142)	1,667,447
Interest expense	33 iv) e	(771,704)	16,704	(755,000)
Net interest income		895,885	16,562	912,447
Fee and commission income		370,953	-	370,953
Fee and commission expense		(15,075)	-	(15,075)
Net fee and commission income		355,878	-	355,878
Net trading income	33 iv) e	541,767	(26,860)	514,907
Other operating income		92,418	-	92,418
Operating income before impairment losses		1,885,948	(10,298)	1,875,650
Loans / financing impairment charges and other credit risk provisions	33 iv) e	(85,409)	(8,036)	(93,445)
Impairment losses on intangible assets		(4,900)	-	(4,900)
Net operating income		1,795,639	(18,334)	1,777,305
Other operating expenses		(854,312)	-	(854,312)
Profit before income tax expense		941,327	(18,334)	922,993
Income tax expense	33 iv) e	(250,828)	4,763	(246,065)
Profit for the period	33 iv) e	690,499	(13,571)	676,928
Other comprehensive income				
Cash flow hedge				
Effective portion of changes in fair value		907	-	907
Net amount transferred to profit or loss		-	-	-
Fair value reserve				
Change in fair value		2,486	-	2,486
Amount transferred to profit or loss		(1,431)	-	(1,431)
Income tax relating to components of other comprehensive income		(490)	-	(490)
Other comprehensive income for the period, net of income tax		1,472	-	1,472
Total comprehensive income for the period		691,971	(13,571)	678,400
Profit attributable to owner of the Bank		690,499	(13,571)	676,928
Total comprehensive income attributable to owner of the Bank		691,971	(13,571)	678,400
Basic earnings per RM0.50 ordinary share		301.5 sen	-5.9 sen	295.6 sen
Dividends per RM0.50 ordinary share (net)				
- final dividend paid in respect of prior year		109.2 sen	-	109.2 sen
- interim dividend paid in respect of current period		87.3 sen	-	87.3 sen

33 Explanation of transition to MFRSs (Cont'd)

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

Group	Effect of transition to		
	FRSs RM'000	MFRSs RM'000	MFRSs RM'000
	3rd quarter ended 30 Sep 2011		
Revenue	1,052,617	(42,299)	1,010,318
Interest income	556,751	49	556,800
Interest expense	(277,205)	8,424	(268,781)
Net interest income	279,546	8,473	288,019
Fee and commission income	123,230	-	123,230
Fee and commission expense	(3,041)	-	(3,041)
Net fee and commission income	120,189	-	120,189
Net trading income	226,662	(38,427)	188,235
Income from Islamic banking operations	112,953	(1,987)	110,966
Other operating income	4,707	-	4,707
Operating income before impairment losses	744,057	(31,941)	712,116
Loans / financing impairment charges and other credit risk provisions	(33,583)	(3,149)	(36,732)
Net operating income	710,474	(35,090)	675,384
Other operating expenses	(295,524)	-	(295,524)
Profit before income tax expense	414,950	(35,090)	379,860
Income tax expense	(113,235)	8,357	(104,878)
Profit for the period	301,715	(26,733)	274,982
Other comprehensive income			
Cash flow hedge			
Effective portion of changes in fair value	862	-	862
Fair value reserve			
Change in fair value	4,399	-	4,399
Amount transferred to profit or loss	(20)	-	(20)
Income tax relating to components of other comprehensive income	(1,321)	-	(1,321)
Other comprehensive income for the period, net of income tax	3,920	-	3,920
Total comprehensive income for the period	305,635	(26,733)	278,902
Profit attributable to owner of the Bank	301,715	(26,733)	274,982
Total comprehensive income attributable to owner of the Bank	305,635	(26,733)	278,902
Basic earnings per RM0.50 ordinary share	131.8 sen	-11.7 sen	120.1 sen
Dividends per RM0.50 ordinary share (net)			
- interim dividend paid in respect of current period	87.3 sen	-	87.3 sen

33 Explanation of transition to MFRSs (Cont'd)

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

Bank	Effect of transition to		
	FRSs	MFRSs	MFRSs
	3rd quarter ended 30 Sep 2011		
	RM'000	RM'000	RM'000
Revenue	947,640	(38,378)	909,262
Interest income	570,334	49	570,383
Interest expense	(277,205)	8,424	(268,781)
Net interest income	293,129	8,473	301,602
Fee and commission income	123,230	-	123,230
Fee and commission expense	(3,041)	-	(3,041)
Net fee and commission income	120,189	-	120,189
Net trading income	226,662	(38,427)	188,235
Other operating income	27,414	-	27,414
Operating income before impairment losses	667,394	(29,954)	637,440
Loans / financing impairment charges and other credit risk provisions	(1,172)	(3,716)	(4,888)
Net operating income	666,222	(33,670)	632,552
Other operating expenses	(276,823)	-	(276,823)
Profit before income tax expense	389,399	(33,670)	355,729
Income tax expense	(107,791)	8,597	(99,194)
Profit for the period	281,608	(25,073)	256,535
Other comprehensive income			
Cash flow hedge			
Effective portion of changes in fair value	862	-	862
Fair value reserve			
Change in fair value	3,997	-	3,997
Amount transferred to profit or loss	(20)	-	(20)
Income tax relating to components of other comprehensive income	(1,221)	-	(1,221)
Other comprehensive income for the period, net of income tax	3,618	-	3,618
Total comprehensive income for the period	285,226	(25,073)	260,153
Profit attributable to owner of the Bank	281,608	(25,073)	256,535
Total comprehensive income attributable to owner of the Bank	285,226	(25,073)	260,153
Basic earnings per RM0.50 ordinary share	123.0 sen	-11.0 sen	112.0 sen
Dividends per RM0.50 ordinary share (net)			
- interim dividend paid in respect of current period	87.3 sen	-	87.3 sen

33 Explanation of transition to MFRSs (Cont'd)

iii) Reconciliation of statement of cash flows

	Effect of transition to			Effect of transition to		
	FRSs	MFRSs	MFRSs	FRSs	MFRSs	MFRSs
	Year to date 30 Sep 2011			Year to date 30 Sep 2011		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		Group			Bank	
Profit before income tax expense	1,019,279	(13,921)	1,005,358	941,327	(18,334)	922,993
Adjustments for non-operating and non-cash items	67,184	-	67,184	62,532	-	62,532
Operating profit before working capital changes	1,086,463	(13,921)	1,072,542	1,003,859	(18,334)	985,525
Changes in working capital:						
Net changes in operating assets	(5,841,860)	8,080	(5,833,780)	(4,810,878)	29,711	(4,781,167)
Net changes in operating liabilities	8,627,588	5,841	8,633,429	7,466,755	(11,377)	7,455,378
Income tax paid	(209,474)	-	(209,474)	(198,808)	-	(198,808)
Net cash generated from operations	3,662,717	-	3,662,717	3,460,928	-	3,460,928
Net cash generated from investing activities	757,662	-	757,662	749,231	-	749,231
Net cash used in financing activity	(450,000)	-	(450,000)	(450,000)	-	(450,000)
	307,662	-	307,662	299,231	-	299,231
Net changes in cash and cash equivalents	3,970,379	-	3,970,379	3,760,159	-	3,760,159
Cash and cash equivalents at beginning of the period	11,815,604	-	11,815,604	10,658,860	-	10,658,860
Cash and cash equivalents at end of the period	15,785,983	-	15,785,983	14,419,019	-	14,419,019
Analysis of cash and cash equivalents						
Cash and short-term funds	15,785,983	-	15,785,983	14,419,019	-	14,419,019

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

iv) Notes to reconciliations

a) Loans, advances and financing

The changes that affected the loans, advances and financing are as follows:-

Note	31 Dec 2011		30 Sep 2011		1 Jan 2011	
	Group	Bank	Group	Bank	Group	Bank
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Collective impairment allowance decrease	481,328	406,939	480,732	422,550	395,971	358,668
Individual impairment allowance decrease	68,626	32,340	67,703	36,321	70,183	43,901
Regulatory reserve provision increase	(481,982)	(407,424)	(481,715)	(423,071)	(395,843)	(358,591)
Total (exclude financing recognised)	67,972	31,855	66,720	35,800	70,311	43,978
Financing recognised*	192,401	-	170,076	-	147,534	-
Increase loans, advances and financing	260,373	31,855	236,796	35,800	217,845	43,978

33 Explanation of transition to MFRSs (Cont'd)

iv) Notes to reconciliations (Cont'd)

a) Loans, advances and financing (Cont'd)

	Note	31 Dec 2011		30 Sep 2011		1 Jan 2011	
		Group RM'000	Bank RM'000	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Reconciliation to retained earnings/current year profits or loss							
<i>Increase retained earnings</i>	33 iv) d	70,311	43,978	70,311	43,978	70,311	43,978
<i>Decrease current profits</i>	33 iv) e	(2,339)	(12,123)	(3,591)	(8,178)	-	-
		67,972	31,855	66,720	35,800	70,311	43,978

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

*Prior to its convergence to the MFRS framework, the BNM Guidelines on Financial Reporting for Islamic Banking Institutions requires securities sold in a sell and buyback agreement (SBBA) to be derecognised from the financial statements and the commitment to buy back the securities at a future date is recognised as an off balance sheet liability. Upon transition to MFRSs, financial assets sold under the SBBA are recorded as financing (under claims on customers under acceptance credits) and the "repurchase agreement" is reflected as an on balance sheet liability. The accounting policy for SBBA is disclosed in Note 2a). This adjustment does not impact retained earnings or current year profit or loss.

b) Other assets, other liabilities and deposits from customers

	Note	31 Dec 2011		30 Sep 2011		1 Jan 2011	
		Group RM'000	Bank RM'000	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Other assets:							
Derivative financial assets decrease		(189,554)	(179,019)	(115,935)	(105,295)	(86,212)	(83,762)
Other assets increase		2,692	-	2,692	-	-	-
<i>Decrease other assets</i>	33 i)	(186,862)	(179,019)	(113,243)	(105,295)	(86,212)	(83,762)
Other liabilities:							
Derivative financial liabilities decrease		217,327	213,499	148,537	139,583	115,269	104,114
Interest/ profit payable decrease		2,548	-	3,403	-	2,632	-
Other creditors (increase)		(3,565)	-	(9,804)	-	(10,908)	-
<i>Decrease other liabilities</i>	33 i)	216,310	213,499	142,136	139,583	106,993	104,114
Deposit from customers:							
Other creditors increase*		(192,401)	-	(170,076)	-	(147,534)	-
Increase structured deposits	33 i)	(20,850)	(27,007)	(23,958)	(29,119)	(5,516)	(5,027)
<i>Increase deposit from customers</i>		(213,251)	(27,007)	(194,034)	(29,119)	(153,050)	(5,027)
Total (include SBBA related)		(183,803)	7,473	(165,141)	5,169	(132,269)	15,325
Total (exclude SBBA related)		8,598	7,473	4,935	5,169	15,265	15,325

* SBBA related. See note 33 iv) a). This adjustment does not impact retained earnings or current year profit or loss.

33 Explanation of transition to MFRSs (Cont'd)

iv) Notes to reconciliations (Cont'd)

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

Reconciliation to retained earnings/current year profit or loss

	Note	31 Dec 2011		30 Sep 2011		1 Jan 2011	
		Group RM'000	Bank RM'000	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Increase retained earnings	33 iv) d	15,265	15,325	15,265	15,325	15,265	15,325
(Decrease)/increase current profits	33 iv) e	(6,667)	(7,852)	(10,330)	(10,156)	-	-
		8,598	7,473	4,935	5,169	15,265	15,325

In the previous years, structured deposits were measured at amortised cost using the effective interest method. Upon transition to MFRSs, structured deposits are classified as trading liabilities and are measured at fair value. The accounting policy for the fair value measurement of structured deposits is as disclosed in Note 2a) of the unaudited condensed interim financial statements at 30 September 2012 and the audited financial statements of the Group and Bank for the financial year ended 31 December 2011, under Note 3g(vi).

c) Deferred tax assets and provision for taxation

	Note	31 Dec 2011		30 Sep 2011		1 Jan 2011	
		Group RM'000	Bank RM'000	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Deferred tax assets							
Increase in deferred tax assets on collective impairment allowance		9,531	10,365	9,890	6,642	30,492	22,433
Increase in deferred tax assets on RRP increase		117,131	101,856	116,759	105,768	95,970	89,648
Increase deferred tax assets	33 i)	126,662	112,221	126,649	112,410	126,462	112,081
Provision for taxation							
Higher tax liability on positive fair valuation of structured deposits		(2,149)	(1,868)	(1,233)	(1,292)	(3,816)	(3,831)
Higher tax liability upon decrease in collective and individual impairment allowances		(144,314)	(120,185)	(144,084)	(121,180)	(144,703)	(123,075)
Increase provision for tax	33 i)	(146,463)	(122,053)	(145,317)	(122,472)	(148,519)	(126,906)
Total		(19,801)	(9,832)	(18,668)	(10,062)	(22,057)	(14,825)
Reconciliation to retained earnings/current year profit or loss							
Decrease retained earnings	33 iv) d	(22,057)	(14,825)	(22,057)	(14,825)	(22,057)	(14,825)
Increase current profits	33 iv) e	2,256	4,993	3,389	4,763	-	-
		(19,801)	(9,832)	(18,668)	(10,062)	(22,057)	(14,825)

The decrease in collective impairment allowances resulted in higher deferred tax assets recognised.

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

Provision for tax liability increased upon positive fair valuation of structured deposits and decrease in collective and individual impairment allowances.

d) Retained earnings at 1 Jan 2011

	Note	Group RM'000	Bank RM'000
Loans / financing impairment charges	33 iv) a	70,311	43,978
Net trading income	33 iv) b	15,265	15,325
Income tax expense	33 iv) c	(22,057)	(14,825)
Adjustment to increase retained earnings	33 iv) f	63,519	44,478

33 Explanation of transition to MFRSs (Cont'd)

iv) Notes to reconciliations (Cont'd)

e) Statement of Profit or Loss

	Note	YTD 31 Dec 2011		YTD 30 Sep 2011	
		Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Interest income increase/(decrease)	33 ii)	55	55	(142)	(142)
Interest expense decrease	33 ii)	22,352	22,352	16,704	16,704
Net trading income decrease	33 ii)	(30,204)	(30,204)	(26,860)	(26,860)
Income from Islamic banking increase	33 ii)	1,561	-	120	-
Loans / financing impairment charges increase	33 ii)	(2,770)	(12,178)	(3,743)	(8,036)
Income tax expense decrease	33 ii)	2,256	4,993	3,389	4,763
<i>Adjustment to decrease current period profits</i>	33 ii) & 33 iv)f	(6,750)	(14,982)	(10,532)	(13,571)

Reconciliation to statement of financial position

Loans, advances and financing	33 iv) a	(2,339)	(12,123)	(3,591)	(8,178)
Other assets, other liabilities and deposits from customers	33 iv) b	(6,667)	(7,852)	(10,330)	(10,156)
Deferred tax assets and provision for taxation	33 iv) c	2,256	4,993	3,389	4,763
		(6,750)	(14,982)	(10,532)	(13,571)

f) Reserves

	Note	YTD 31 Dec 2011		YTD 30 Sep 2011		1 Jan 2011	
		Group RM'000	Bank RM'000	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Retained earnings at 1 Jan 2011	33 iv) d	63,519	44,478	63,519	44,478	63,519	44,478
Statement of profit or loss	33 iv) e	(6,750)	(14,982)	(10,532)	(13,571)	-	-
	33 i)	56,769	29,496	52,987	30,907	63,519	44,478

v) Capital Adequacy

The adjustments to the financial statements of the Group and the Bank as a result of the transition to the MFRS framework and the changes in accounting policies, as discussed above, also had consequential effects on the comparative capital adequacy ratios. These are summarised below:

	31 Dec 2011			
	Group		Bank	
	FRS	MFRS	FRS	MFRS
Tier 1 Capital (RM'000) *	4,572,303	4,502,409	4,368,409	4,301,592
Capital Base (RM'000) *	6,269,624	6,167,559	5,290,409	5,205,790
Tier 1 Capital Ratio % *	9.9%	9.8%	11.1%	10.9%
Risk Weighted Capital Ratio % *	13.6%	13.4%	13.4%	13.2%
Tier 1 Capital Ratio % (net of proposed dividends)	9.3%	9.1%	10.3%	10.2%
Risk Weighted Capital Ratio % (net of proposed dividends)	13.0%	12.7%	12.7%	12.5%

* Inclusive of proposed dividends

34 Review of Performance

The Group recorded profit before tax ("PBT") of RM1,193 million for the financial period ended 30 September 2012, an increase of 18.6% or RM187 million compared against history. Operating income increased by RM187 million or 9.0% to RM2,267 million (30 September 2011: RM2,080 million) mainly on higher income from Islamic banking (+RM113 million or 36.3%) and higher net interest income (+RM80 million or 9.2%).

Net interest income increased to RM958 million on a larger loan base. Income from Islamic Banking Operations grew to RM425 million, in line with the Group's expansion in the Islamic banking business via wider geographical reach and range of services/products offered. Operating expenses showed a slight improvement at RM899 million (-RM1 million or 0.1%) due to the Group's careful management of costs, resulting in the cost income ratio improving to 39.7% from 43.3% as operating income expanded while operating expenses contracted.

While total assets at 30 September 2012 declined to RM77.6 billion, RM2.3 billion lower compared against 31 December 2011 (RM79.9 billion), gross loans, advances and financing continued to expand to RM43.2 billion (31 December 2011: RM40.3 billion). The decrease in total assets (RM2.3 billion) is largely attributed to lower deposits and placements from banks and financial institutions (30 September 2012: RM7.2 billion; 31 December 2011: RM9.9 billion). The Group's core capital ratio and risk-weighted capital ratio remain strong at 9.4% and 12.9% respectively at 30 September 2012.

35 Business Prospects

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

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

In Q4 2012, the focus will remain on growing the Premier and Advance propositions (HSBC's established propositions for affluent and high networth individual). The Group 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 Group's existing customers, while delivering quality customer service at the same time.

The Group now has a total of 64 branches [42 conventional and 22 Islamic branches] as at 30 September 2012, with more Islamic branches expected to be opened progressively during the year.

The Group endeavours to maintain a strict cost discipline at all times to ensure sustainable growth is achieved amidst the increasingly challenging and competitive environment.