

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 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 half year ended 30 June 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 : 27 July 2012

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

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2012

	Note	<i>Group</i>		
		30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Assets			Restated	Restated
Cash and short term funds	11	13,786,024	21,603,227	11,815,604
Securities purchased under resale agreements		4,431,269	3,682,969	6,467,863
Deposits and placements with banks and other financial institutions	12	2,855,969	651,778	330,981
Financial Assets Held-for-Trading	13	4,775,431	6,217,237	4,895,060
Financial Investments Available-for-Sale	14	4,799,561	4,873,818	3,400,090
Loans, advances and financing	15	41,454,115	39,417,305	34,293,889
Other assets	17	2,970,807	1,754,521	1,937,341
Statutory deposits with Bank Negara Malaysia	18	1,196,060	1,096,060	221,827
Property and equipment		341,347	354,032	318,481
Intangible assets		52,844	53,263	60,621
Deferred tax assets		244,043	220,907	294,806
Total assets		76,907,470	79,925,117	64,036,563
Liabilities				
Deposits from customers	19	58,519,439	58,544,696	48,344,940
Deposits and placements from banks and other financial institutions	20	7,446,625	9,908,962	6,853,048
Bills and acceptances payable		453,650	521,337	429,229
Other liabilities	21	3,939,971	4,738,991	2,395,034
Recourse obligation on loans sold to Cagamas Berhad		-	-	374,991
Provision for taxation	22	246,119	199,566	251,677
Subordinated bonds	23	1,017,127	1,015,200	1,003,039
Total liabilities		71,622,931	74,928,752	59,651,958
Equity				
Share capital		114,500	114,500	114,500
Reserves		4,970,039	4,581,865	4,020,105
Proposed dividend		200,000	300,000	250,000
Total equity attributable to owner of the Bank		5,284,539	4,996,365	4,384,605
Total liabilities and equity		76,907,470	79,925,117	64,036,563
Commitments and Contingencies	32	138,266,431	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 55 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 27 July 2012.

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

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

	Note	<i>Bank</i>		
		30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Assets			Restated	Restated
Cash and short term funds	11	11,373,103	20,292,272	10,658,860
Securities purchased under resale agreements		4,431,269	3,682,969	6,467,863
Deposits and placements with banks and other financial institutions	12	6,676,956	3,687,058	1,471,815
Financial Assets Held-for-Trading	13	4,518,483	6,000,521	4,747,054
Financial Investments Available-for-Sale	14	4,124,562	4,451,732	3,069,425
Loans, advances and financing	15	32,766,282	31,642,441	29,483,746
Other assets	17	2,925,035	1,734,637	1,895,128
Statutory deposits with Bank Negara Malaysia	18	902,998	867,498	187,098
Investments in subsidiary companies		660,021	660,021	660,021
Property and equipment		324,176	335,106	302,056
Intangible assets		52,619	52,802	59,122
Deferred tax assets		209,161	191,284	262,423
Total assets		68,964,665	73,598,341	59,264,611
Liabilities				
Deposits from customers	19	50,979,858	53,074,622	44,561,936
Deposits and placements from banks and other financial institutions	20	7,446,625	9,429,554	6,261,536
Bills and acceptances payable		433,276	513,737	423,698
Other liabilities	21	3,898,678	4,631,878	2,173,082
Recourse obligation on loans sold to Cagamas Berhad		-	-	374,991
Provision for taxation	22	204,097	168,318	225,616
Subordinated bonds	23	1,017,127	1,015,200	1,003,039
Total liabilities		63,979,661	68,833,309	55,023,898
Equity				
Share capital		114,500	114,500	114,500
Reserves		4,670,504	4,350,532	3,876,213
Proposed dividend		200,000	300,000	250,000
Total equity attributable to owner of the Bank		4,985,004	4,765,032	4,240,713
Total liabilities and equity		68,964,665	73,598,341	59,264,611
Commitments and Contingencies	32	135,969,505	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 55 attached to the unaudited condensed interim financial statements.

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HSBC BANK MALAYSIA BERHAD
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**UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2012**

	<i>Note</i>	<i>Group</i>			
		2nd quarter ended		Year-To-Date ended	
		30 Jun 2012	30 Jun 2011	30 Jun 2012	30 Jun 2011
		RM'000	RM'000	RM'000	RM'000
			Restated		Restated
Revenue		1,032,822	998,720	2,103,693	1,910,013
Interest income	24	565,535	557,333	1,139,122	1,075,445
Interest expense	24	(242,577)	(251,080)	(494,695)	(486,219)
Net interest income	24	322,958	306,253	644,427	589,226
Fee and commission income	25	128,192	129,326	262,310	247,723
Fee and commission expense	25	(6,896)	(7,851)	(13,021)	(12,034)
Net fee and commission income	25	121,296	121,475	249,289	235,689
Net trading income	26	150,853	171,694	322,924	326,672
Income from Islamic banking operations	27	132,684	104,871	272,780	200,986
Other operating income	28	11,579	11,789	17,337	15,368
Operating income before impairment losses		739,370	716,082	1,506,757	1,367,941
Loans / financing impairment charges and other credit risk provisions	29	(63,026)	(83,978)	(111,988)	(132,785)
Impairment losses on intangible assets		-	(4,900)	-	(4,900)
Net operating income		676,344	627,204	1,394,769	1,230,256
Other operating expenses	30	(331,201)	(308,173)	(620,127)	(604,758)
Profit before income tax expense		345,143	319,031	774,642	625,498
Income tax expense		(86,156)	(80,084)	(196,002)	(158,015)
Profit for the period		258,987	238,947	578,640	467,483
Other comprehensive income					
Cash flow hedge					
Effective portion of changes in fair value		256	79	(128)	45
Net amount transferred to profit or loss		(196)	-	(196)	-
Fair value reserve					
Change in fair value		11,102	6,896	7,261	(1,697)
Amount transferred to profit or loss		-	(1,155)	-	(1,411)
Income tax relating to components of other comprehensive income		(2,694)	(1,435)	(1,734)	777
Other comprehensive income for the period, net of income tax		8,468	4,385	5,203	(2,286)
Total comprehensive income for the period		267,455	243,332	583,843	465,197
Profit attributable to owner of the Bank		258,987	238,947	578,640	467,483
Total comprehensive income attributable to owner of the Bank		267,455	243,332	583,843	465,197
Basic earnings per RM0.50 ordinary share		113.1 sen	104.3 sen	252.7 sen	204.1 sen
Dividends per RM0.50 ordinary share (net)					
- final dividend paid in respect of prior year		131.0 sen	-	131.0 sen	109.2 sen
- proposed interim dividend in respect of current year		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 55 attached to the unaudited condensed interim financial statements.

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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2012

	<i>Note</i>	<i>Bank</i>			
		2nd quarter ended		Year-To-Date ended	
		30 Jun 2012	30 Jun 2011	30 Jun 2012	30 Jun 2011
		RM'000	RM'000	RM'000	RM'000
			Restated		Restated
Revenue		899,130	909,293	1,827,539	1,736,463
Interest income	24	579,280	569,326	1,169,727	1,097,064
Interest expense	24	(242,577)	(251,080)	(494,695)	(486,219)
Net interest income	24	336,703	318,246	675,032	610,845
Fee and commission income	25	128,192	129,326	262,310	247,723
Fee and commission expense	25	(6,896)	(7,851)	(13,021)	(12,034)
Net fee and commission income	25	121,296	121,475	249,289	235,689
Net trading income	26	152,476	171,694	324,907	326,672
Other operating income	28	39,182	38,947	70,595	65,004
Operating income before impairment losses		649,657	650,362	1,319,823	1,238,210
Loans / financing impairment charges and other credit risk provisions	29	(26,736)	(58,650)	(50,523)	(88,557)
Impairment losses on intangible assets		-	(4,900)	-	(4,900)
Net operating income		622,921	586,812	1,269,300	1,144,753
Other operating expenses	30	(306,778)	(293,602)	(574,574)	(577,489)
Profit before income tax expense		316,143	293,210	694,726	567,264
Income tax expense		(81,176)	(76,456)	(178,277)	(146,871)
Profit for the period		234,967	216,754	516,449	420,393
Other comprehensive income					
Cash flow hedge					
Effective portion of changes in fair value		256	79	(128)	45
Net amount transferred to profit or loss		(196)	-	(196)	-
Fair value reserve					
Change in fair value		10,278	6,711	6,776	(1,511)
Amount transferred to profit or loss		-	(1,155)	-	(1,411)
Income tax relating to components of other comprehensive income		(2,488)	(1,389)	(1,613)	731
Other comprehensive income for the period, net of income tax		7,850	4,246	4,839	(2,146)
Total comprehensive income for the period		242,817	221,000	521,288	418,247
Profit attributable to owner of the Bank		234,967	216,754	516,449	420,393
Total comprehensive income attributable to owner of the Bank		242,817	221,000	521,288	418,247
Basic earnings per RM0.50 ordinary share		102.6 sen	94.7 sen	225.5 sen	183.6 sen
Dividends per RM0.50 ordinary share (net)					
- final dividend paid in respect of prior year		131.0 sen	-	131.0 sen	109.2 sen
- proposed interim dividend in respect of current year		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 55 attached to the unaudited condensed interim financial statements.

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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 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	-	-	-	-	-	-	-	-	-	467,483	467,483	-	467,483
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(774)	-	-	-	-	-	774	-	-	-
Cash flow hedge													
Effective portion of charges in fair value	-	-	-	-	-	-	45	-	-	-	45	-	45
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	(1,273)	-	-	-	-	(1,273)	-	(1,273)
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(1,058)	-	-	-	-	(1,058)	-	(1,058)
Total other comprehensive income	-	-	-	(774)	-	(2,331)	45	-	-	774	(2,286)	-	(2,286)
Total comprehensive income for the period	-	-	-	(774)	-	(2,331)	45	-	-	468,257	465,197	-	465,197
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	2,608	-	5,948	8,556	-	8,556
Dividends paid to owner - 2010 final	-	-	-	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Proposed dividend - 2011 interim	-	-	-	-	-	-	-	-	-	(200,000)	(200,000)	200,000	-
Balance at 30 June 2011	114,500	741,375	164,500	138,336	190,000	2,181	45	83,777	-	2,973,644	4,293,858	200,000	4,608,358
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	-	-	-	-	-	-	-	-	-	578,640	578,640	-	578,640
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(782)	-	-	-	-	-	782	-	-	-
Cash flow hedge													
Effective portion of charges in fair value	-	-	-	-	-	-	(95)	-	-	-	(95)	-	(95)
Net amount transferred to profit or loss	-	-	-	-	-	-	(148)	-	-	-	(148)	-	(148)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	5,446	-	-	-	-	5,446	-	5,446
Total other comprehensive income	-	-	-	(782)	-	5,446	(243)	-	-	782	5,203	-	5,203
Total comprehensive income for the period	-	-	-	(782)	-	5,446	(243)	-	-	579,422	583,843	-	583,843
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	1,974	-	(3,003)	(1,029)	-	(1,029)
Dividends paid to owner - 2011 final	-	-	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Proposed dividend - 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 June 2012	114,500	741,375	164,500	147,815	190,000	16,360	611	91,785	5,360	3,612,233	4,970,039	200,000	5,284,539

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The financial statements were approved by the Board of Directors on 27 July 2012.

* Refer to Note 2a(iv)

HSBC BANK MALAYSIA BERHAD
(Company No. 12776-V)
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2012 (CONT'D)

	<i>Bank</i>											
	<i>Attributable to the owner (the ultimate holding company)</i>											
	<i>Non-distributable</i>					<i>Distributable</i>						
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Revaluation reserve</i>	<i>Capital redemption reserve</i>	<i>Available-for-sale reserve</i>	<i>Cash flow hedge reserve</i>	<i>Capital contribution reserve</i>	<i>Retained profit</i>	<i>Total reserves</i>	<i>Proposed dividends</i>	<i>Total equity</i>
	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	-	-	-	-	-	-	-	-	420,393	420,393	-	420,393
Other comprehensive income, net of income tax												
Revaluation reserve:												
Transfer to retained profit upon realisation of depreciation	-	-	-	(774)	-	-	-	-	774	-	-	-
Cash flow hedge												
Effective portion of charges in fair value	-	-	-	-	-	-	45	-	-	45	-	45
Available-for-sale reserve:												
Net change in fair value	-	-	-	-	-	(1,133)	-	-	-	(1,133)	-	(1,133)
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(1,058)	-	-	-	(1,058)	-	(1,058)
Total other comprehensive income	-	-	-	(774)	-	(2,191)	45	-	774	(2,146)	-	(2,146)
Total comprehensive income for the period	-	-	-	(774)	-	(2,191)	45	-	421,167	418,247	-	418,247
Transactions with the owner (the ultimate holding company), recorded directly in equity												
Share based payment transactions	-	-	-	-	-	-	-	2,441	5,948	8,389	-	8,389
Dividends paid to owner - 2010 final	-	-	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Proposed dividend - 2011 interim	-	-	-	-	-	-	-	-	(200,000)	(200,000)	200,000	-
Balance at 30 June 2011	114,500	741,375	114,500	138,336	190,000	2,457	45	83,275	2,832,861	4,102,849	200,000	4,417,349
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	-	-	-	-	-	-	-	-	516,449	516,449	-	516,449
Other comprehensive income, net of income tax												
Revaluation reserve:												
Transfer to retained profit upon realisation of depreciation	-	-	-	(782)	-	-	-	-	782	-	-	-
Cash flow hedge												
Effective portion of charges in fair value	-	-	-	-	-	-	(95)	-	-	(95)	-	(95)
Net amount transferred to profit or loss	-	-	-	-	-	-	(148)	-	-	(148)	-	(148)
Available-for-sale reserve:												
Net change in fair value	-	-	-	-	-	5,082	-	-	-	5,082	-	5,082
Total other comprehensive income	-	-	-	(782)	-	5,082	(243)	-	782	4,839	-	4,839
Total comprehensive income for the period	-	-	-	(782)	-	5,082	(243)	-	517,231	521,288	-	521,288
Transactions with the owner (the ultimate holding company), recorded directly in equity												
Share based payment transactions	-	-	-	-	-	-	-	1,687	(3,003)	(1,316)	-	(1,316)
Dividends paid to owner - 2011 final	-	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Proposed dividend - 2012 interim	-	-	-	-	-	-	-	-	(200,000)	(200,000)	200,000	-
Balance at 30 June 2012	114,500	741,375	114,500	147,815	190,000	15,848	611	90,802	3,369,553	4,670,504	200,000	4,985,004

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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2012

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	30 Jun 2011	30 Jun 2012	30 Jun 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Profit before income tax expense	774,642	625,498	694,726	567,264
Adjustments for non-operating and non-cash items	34,243	42,500	24,406	39,804
Operating profit before working capital changes	808,885	667,998	719,132	607,068
Changes in working capital:				
Net changes in operating assets	(4,862,097)	(953,864)	(4,604,215)	(754,283)
Net changes in operating liabilities	(3,354,301)	5,083,165	(4,891,354)	4,445,132
Income tax paid	(174,321)	(165,129)	(161,321)	(157,129)
Net cash (used in)/generated from operations	(7,581,834)	4,632,170	(8,937,758)	4,140,788
Net cash generated from investing activities	64,631	1,114,271	318,589	1,122,624
Net cash used in financing activity	(300,000)	(250,000)	(300,000)	(250,000)
	(235,369)	864,271	18,589	872,624
Net changes in cash and cash equivalents	(7,817,203)	5,496,441	(8,919,169)	5,013,412
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	13,786,024	17,312,045	11,373,103	15,672,272
Analysis of cash and cash equivalents				
Cash and short-term funds	13,786,024	17,312,045	11,373,103	15,672,272

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 55 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 27 July 2012.

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

Explanatory notes to the Unaudited Condensed Interim Financial Statements at 30 June 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 half year ended 30 June 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 half year 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 policy 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 34.

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

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, Government Loans
- Amendments to MFRS 7, Disclosures-Offsetting Financial Assets and Financial Liabilities
- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits (IAS 19 as amended by IASB in June 2011)
- MFRS 127, Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
- MFRS 128, Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
- 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 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

(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 34.

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 (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 RM507.6m and RM419.0m 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 34.

(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 34.

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 half year ended 30 June 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 half year ended 30 June 2012, except for those arising from the change in accounting treatment as disclosed in Note 34.

7 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the half year ended 30 June 2012.

8 Dividend

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.

The directors now recommend an interim dividend of RM1.164 per ordinary share less tax at 25% totalling RM200 million in respect of the current financial period on the fully issued and paid up ordinary shares of the Bank.

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 half year ended 30 June 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 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,889,010	5,036,115	1,784,342	4,922,703
Money at call and deposit placements maturing within one month	11,897,014	16,567,112	9,588,761	15,369,569
	13,786,024	21,603,227	11,373,103	20,292,272

12 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Licensed banks	135,227	206,958	3,956,214	3,242,238
Bank Negara Malaysia	2,300,000	-	2,300,000	-
Other financial institutions	420,742	444,820	420,742	444,820
	2,855,969	651,778	6,676,956	3,687,058

13 Financial Assets Held-for-Trading

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government treasury bills	984,834	457,224	734,393	457,224
Bank Negara Malaysia bills and notes	2,049,989	3,995,371	2,049,989	3,995,371
Bank Negara Malaysia Islamic bills	-	9,189	-	9,189
Malaysian Government securities	1,271,923	1,175,581	1,271,923	1,175,581
Malaysian Government Islamic bonds	134,623	291,877	128,116	75,161
Cagamas bonds and notes	6,512	21,751	6,512	21,751
	4,447,881	5,950,993	4,190,933	5,734,277
Unquoted securities:				
Private debt securities (including commercial paper)	327,550	266,244	327,550	266,244
	4,775,431	6,217,237	4,518,483	6,000,521

14 Financial Investments Available-for-Sale

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
At fair value	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government securities	1,400,327	990,871	1,400,327	990,871
Malaysian Government Islamic bonds	1,899,750	1,511,514	1,301,281	1,114,432
Cagamas bonds and notes	45,484	45,499	45,484	45,499
Negotiable instruments of deposit	700,010	1,530,235	675,013	1,505,231
Bankers' acceptance and Islamic accepted bills	736,612	778,321	685,079	778,321
	4,782,183	4,856,440	4,107,184	4,434,354
Unquoted securities:				
Shares*	16,907	16,907	16,907	16,907
Private and Islamic debt securities	471	471	471	471
	17,378	17,378	17,378	17,378
	4,799,561	4,873,818	4,124,562	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>	
Maturing within one year	1,557,212	2,509,610	1,420,212	2,303,594
More than one year to three years	2,093,560	1,356,248	1,585,562	1,140,178
More than three years to five years	824,932	778,983	794,931	778,983
Over five years	306,479	211,599	306,479	211,599
	4,782,183	4,856,440	4,107,184	4,434,354

15 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
At amortised cost	RM'000	RM'000	RM'000	RM'000
Overdrafts	1,303,920	1,258,278	1,246,084	1,208,525
Term loans/ financing				
Housing loans/ financing	14,005,560	13,326,278	12,239,713	12,053,927
Syndicated term loans/ financing	75,254	77,188	75,254	77,188
Factoring receivables	157,204	107,032	157,204	107,032
Hire purchase receivables	306,014	258,817	183	183
Lease receivables	696	942	594	813
Other term loans/ financing	12,179,180	11,341,894	6,897,927	6,712,714
Bills receivable	3,674,069	2,906,337	3,674,069	2,906,337
Trust receipts	1,627,718	1,630,471	1,605,398	1,605,334
Claims on customers under acceptance credits	2,946,025	3,280,911	2,034,015	2,033,632
Staff loans/ financing	395,459	405,273	365,870	384,895
Credit/ charge cards	2,821,861	2,937,361	2,431,435	2,571,414
Revolving credit	2,974,800	2,874,906	2,787,231	2,706,180
Other loans/ financing	9,499	9,157	9,499	9,157
Less: Unearned income	(109,969)	(114,198)	-	-
Gross loans, advances and financing	42,367,290	40,300,647	33,524,476	32,377,331
Less: Allowances for impaired loans, advances and financing				
- Collectively assessed	(123,661)	(115,352)	(79,840)	(74,441)
- Individually assessed	(281,894)	(286,008)	(259,215)	(253,025)
- Regulatory reserves provision	(507,620)	(481,982)	(419,139)	(407,424)
Total net loans, advances and financing	41,454,115	39,417,305	32,766,282	31,642,441

15 Loans, Advances and Financing (Cont'd)

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Domestic non-bank financial institutions				
Stockbroking companies	94,070	143,155	94,070	143,155
Others	254	262	254	262
Domestic business enterprises				
Small medium enterprises	7,928,941	7,829,423	6,133,766	5,964,674
Others	10,669,549	10,693,793	7,826,362	8,291,558
Government and statutory bodies	21,490	25,086	-	-
Individuals	19,743,164	19,337,138	16,026,502	16,119,971
Other domestic entities	9,483	9,847	6,841	6,913
Foreign entities	3,900,339	2,261,943	3,436,681	1,850,798
	42,367,290	40,300,647	33,524,476	32,377,331

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Maturity within one year	18,608,248	17,872,726	14,533,498	13,803,316
More than one year to three years	1,390,671	1,666,401	966,288	992,216
More than three years to five years	3,000,889	3,102,649	1,965,827	1,928,864
More than five years	19,367,482	17,658,871	16,058,863	15,652,935
	42,367,290	40,300,647	33,524,476	32,377,331

(iv) By interest/ profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Fixed rate				
Housing loans/ financing	178,062	193,847	165,728	179,035
Hire purchase receivables	280,288	234,608	183	183
Other fixed rate loans/ financing	4,845,535	5,431,232	2,198,322	2,161,955
Variable rate				
BLR/BFR plus	31,454,313	28,797,419	25,941,577	24,758,564
Cost-plus	2,787,231	2,706,180	2,787,231	2,706,180
Other variable rates	2,821,861	2,937,361	2,431,435	2,571,414
	42,367,290	40,300,647	33,524,476	32,377,331

(v) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Agricultural, hunting, forestry and fishing	2,000,674	1,672,328	1,532,573	1,176,982
Mining and quarrying	511,955	463,272	334,608	305,216
Manufacturing	7,420,273	7,295,730	5,980,386	5,659,143
Electricity, gas and water	136,453	415,027	39,657	332,674
Construction	1,212,011	1,099,623	955,612	829,478
Real estate	1,792,297	1,617,888	1,019,871	1,223,834
Wholesale & retail trade and restaurants & hotels	2,555,690	2,554,154	2,046,916	2,122,378
Transport, storage and communication	566,529	576,122	166,493	166,566
Finance, insurance and business services	1,759,539	1,427,744	1,397,098	1,244,628
Household-retail	21,287,299	20,701,268	17,333,058	17,340,725
Others	3,124,570	2,477,491	2,718,204	1,975,707
	42,367,290	40,300,647	33,524,476	32,377,331

15 Loans, Advances and Financing (Cont'd)

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Purchase of landed property:				
-Residential	14,338,302	13,672,770	12,597,823	12,418,600
-Non residential	1,300,504	1,438,326	1,234,308	1,375,324
Purchase of securities	12,159	23,097	12,159	23,097
Purchase of transport vehicles	42,697	45,028	41,341	43,450
Purchase of fixed assets excluding land & building	47,919	57,469	-	-
Consumption credit	6,442,622	6,463,263	4,232,689	4,360,413
Construction	1,212,011	1,086,318	955,612	829,478
Working capital	18,300,026	16,572,232	14,029,653	12,680,525
Other purpose	671,050	942,144	420,891	646,444
	42,367,290	40,300,647	33,524,476	32,377,331

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Northern region	7,308,819	7,277,659	5,688,540	5,778,787
Southern region	6,015,428	5,609,189	4,706,545	4,470,395
Central region	23,826,662	22,232,951	18,442,758	17,791,871
Eastern region	5,216,381	5,180,848	4,686,633	4,336,278
	42,367,290	40,300,647	33,524,476	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 Jun 2012	31 Dec 2011	30 Jun 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	404,925	717,773	295,386	548,073
Reclassified as performing	(200,303)	(197,762)	(130,413)	(197,270)
Amount recovered	(210,440)	(230,121)	(191,355)	(189,795)
Amount written off	(24,020)	(269,229)	(21,505)	(185,938)
Other movements	6,913	28,264	48,501	18,977
At end of period/year	718,481	741,406	616,332	615,718
Individual allowance for impairment	(281,894)	(286,008)	(259,215)	(253,025)
Collective allowance for impairment (impaired portion)	(35,917)	(32,825)	(21,668)	(18,287)
Net impaired loans, advances and financing	400,670	422,573	335,449	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 Jun 2012	31 Dec 2011	30 Jun 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 34 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	144,720	209,477	88,135	123,575
Amount released	(13,491)	(37,154)	(11,553)	(31,719)
Amount written off	(122,066)	(179,624)	(73,057)	(107,092)
Discount unwind	(854)	(431)	(796)	(55)
Other movements	-	-	2,670	-
At end of period/year	123,661	115,352	79,840	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 34 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	30,500	51,838	20,547	38,440
Amount recovered/released	(29,616)	(54,512)	(24,664)	(52,024)
Amount written off	(15,302)	(46,883)	(14,830)	(43,787)
Discount unwind	(920)	28,596	(710)	19,309
Other movements	11,224	(2,206)	25,847	(2,512)
At end of period/year	281,894	286,008	259,215	253,025
Regulatory reserve provision				
At beginning of period/year	481,982	-	407,424	-
-Effect of transition to MFRS [Note 34 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	44,566	86,139	30,643	48,833
Written back	(18,928)	-	(18,928)	-
At end of period/year	507,620	481,982	419,139	407,424

(iii) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	1,276	864	1,120	864
Manufacturing	98,800	109,995	88,496	100,927
Construction	1,560	1,128	1,560	1,128
Real estate	654	87	654	87
Wholesale & retail trade, restaurants & hotels	51,324	53,599	47,047	49,318
Transport, storage and communication	9,238	8,946	8,550	8,946
Finance, insurance and business services	2,881	2,578	407	2,578
Household-retail	552,560	563,964	468,310	451,625
Others	188	245	188	245
	718,481	741,406	616,332	615,718

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

(iv) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Purchase of landed property:				
-Residential	269,373	257,490	243,100	238,458
-Non residential	30,599	33,009	30,488	32,898
Purchase of transport vehicles	132	187	132	184
Consumption credit	275,165	296,242	217,190	202,938
Construction	1,560	1,128	1,560	1,128
Working capital	141,322	153,022	123,862	140,112
Other purpose	330	328	-	-
	718,481	741,406	616,332	615,718

(v) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Northern region	162,799	180,199	135,890	148,177
Southern region	179,051	181,464	157,424	158,407
Central region	285,382	289,131	237,254	224,996
Eastern region	91,249	90,612	85,764	84,138
	718,481	741,406	616,332	615,718

17 Other Assets

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Derivative financial assets (Note 32)	1,422,492	1,268,968	1,421,900	1,263,775
Interest/ income receivable	84,946	72,858	83,504	69,224
Other receivables, deposits and prepayments	1,463,369	412,695	1,419,631	401,638
	2,970,807	1,754,521	2,925,035	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 Jun 2012 RM'000	31 Dec 2011 RM'000 Restated	30 Jun 2012 RM'000	31 Dec 2011 RM'000 Restated
Demand deposits	13,808,745	13,308,265	12,873,995	12,634,457
Savings deposits	9,607,249	9,096,358	8,770,108	8,273,878
Fixed / Investment deposits	25,919,135	26,877,993	20,647,434	23,097,804
Negotiable instruments of deposit	3,139,905	2,985,317	3,071,371	2,969,917
Wholesale money market deposits	1,903,694	2,801,305	1,903,694	2,801,305
Structured deposits	4,140,711	3,475,458	3,713,256	3,297,261
	58,519,439	58,544,696	50,979,858	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	21,161,017	22,183,256	16,498,422	18,965,859
More than six months to one year	4,912,811	4,353,669	4,329,715	3,805,559
More than one year to three years	2,616,525	2,876,560	2,521,981	2,846,478
More than three years to five years	368,687	449,825	368,687	449,825
	29,059,040	29,863,310	23,718,805	26,067,721

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
Government and statutory bodies	149,586	108,696	62,771	22,072
Business enterprises	20,655,533	23,408,090	18,537,564	21,717,218
Individuals	27,080,669	25,250,051	22,672,265	22,179,576
Others	10,633,651	9,777,859	9,707,258	9,155,756
	58,519,439	58,544,696	50,979,858	53,074,622

20 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012 RM'000	31 Dec 2011 RM'000	30 Jun 2012 RM'000	31 Dec 2011 RM'000
Licensed banks	22,295	-	22,295	-
Bank Negara Malaysia	57,161	125,888	57,161	77,482
Other financial institutions	7,367,169	9,783,074	7,367,169	9,352,072
	7,446,625	9,908,962	7,446,625	9,429,554

21 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Derivative financial liabilities	1,111,272	1,002,186	1,124,044	1,010,711
Interest/ profit payable	215,239	205,812	183,668	189,309
Profit equalisation reserve	1,340	6,700	-	-
Other creditors and accruals	2,612,120	3,524,293	2,590,966	3,431,858
	3,939,971	4,738,991	3,898,678	4,631,878

22 Provision for Taxation

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Taxation	246,119	199,566	204,097	168,318

23 Subordinated Bonds

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2012	31 Dec 2011	30 Jun 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	17,127	15,200	17,127	15,200
	1,017,127	1,015,200	1,017,127	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>			
	2nd quarter ended		Year-To-Date ended	
	30 Jun 2012	30 Jun 2011	30 Jun 2012	30 Jun 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Interest income				
Loans and advances				
- Interest income other than from impaired loans	415,381	392,059	819,001	764,917
- Interest income recognised from impaired loans	1,109	923	1,506	1,709
Money at call and deposit placements with financial institutions	115,751	141,129	248,371	258,417
Financial investments available-for-sale	32,300	21,985	68,288	47,905
Fair value hedge derivative assets	994	1,237	1,956	2,497
	565,535	557,333	1,139,122	1,075,445
Interest expense				
Deposits and placements of banks and other financial institutions	(29,195)	(22,712)	(63,652)	(42,332)
Deposits from customers	(200,365)	(213,291)	(404,979)	(412,139)
Recourse obligation on loans sold to Cagamas	-	(2,029)	-	(5,770)
Subordinated bonds	(11,718)	(11,718)	(23,436)	(23,307)
Others	(1,299)	(1,330)	(2,628)	(2,671)
	(242,577)	(251,080)	(494,695)	(486,219)
Net interest income	322,958	306,253	644,427	589,226
<i>Bank</i>				
Interest income				
Loans and advances				
- Interest income other than from impaired loans	415,381	392,059	819,001	764,917
- Interest income recognised from impaired loans	1,109	923	1,506	1,709
Money at call and deposit placements with financial institutions	129,496	153,122	278,976	280,036
Financial investments available-for-sale	32,300	21,985	68,288	47,905
Fair value hedge derivative assets	994	1,237	1,956	2,497
	579,280	569,326	1,169,727	1,097,064
Interest expense				
Deposits and placements of banks and other financial institutions	(29,195)	(22,712)	(63,652)	(42,332)
Deposits from customers	(200,365)	(213,291)	(404,979)	(412,139)
Recourse obligation on loans sold to Cagamas	-	(2,029)	-	(5,770)
Subordinated bonds	(11,718)	(11,718)	(23,436)	(23,307)
Others	(1,299)	(1,330)	(2,628)	(2,671)
	(242,577)	(251,080)	(494,695)	(486,219)
Net interest income	336,703	318,246	675,032	610,845

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

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

	<i>Bank</i>			
	2nd quarter ended		Year-To-Date ended	
	30 Jun 2012	30 Jun 2011	30 Jun 2012	30 Jun 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	12,782	15,143	20,547	25,339
Written back	(21,266)	(12,371)	(24,664)	(16,438)
(b) Collective impairment				
Made during the financial period	49,546	28,923	88,135	61,185
Written back	(1,425)	(12,244)	(11,553)	(20,800)
Impaired loans				
Recovered during the financial period	(20,406)	(16,777)	(40,438)	(40,453)
Written off	2,743	9,573	6,781	17,012
Impairment charges on commitments and contingencies:				
Written back	-	-	-	(1,950)
Regulatory reserve provision on loans and financing				
Made during the financial period	23,690	46,403	30,643	64,662
Written back	(18,928)	-	(18,928)	-
	26,736	58,650	50,523	88,557

30 Other Operating Expenses

	<i>Group</i>			
	2nd quarter ended		Year-To-Date ended	
	30 Jun 2012	30 Jun 2011	30 Jun 2012	30 Jun 2011
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	165,755	155,617	323,047	304,905
Promotion and marketing related expenses	26,052	23,274	44,946	35,662
Establishment related expenses	38,263	35,988	75,094	72,326
General administrative expenses	101,131	93,294	177,040	191,865
	331,201	308,173	620,127	604,758

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	129,291	119,239	247,557	232,836
Employees Provident Fund contributions	21,472	19,401	40,543	39,352
Promotion and marketing related expenses				
Advertising and promotion	20,401	15,436	30,648	26,229
Establishment related expenses				
Depreciation of property and equipment	10,122	10,530	20,307	19,470
Amortisation of intangible assets	5,431	6,684	9,826	12,323
Information technology costs	2,953	2,047	6,023	6,351
Hire of equipment	3,346	2,024	5,312	3,743
Rental of premises	9,661	8,464	20,170	17,741
Property and equipment written off	324	1	653	1
General administrative expenses				
Intercompany expenses	58,318	66,872	113,934	137,547
Auditors' remuneration				
<u>Audit fees</u>				
KPMG Malaysia	141	120	283	240
<u>Non-audit fees</u>				
KPMG Malaysia	94	109	253	220

30 Other Operating Expenses (Cont'd)

	<i>Bank</i>			
	2nd quarter ended		Year-To-Date ended	
	30 Jun 2012	30 Jun 2011	30 Jun 2012	30 Jun 2011
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	156,113	150,295	303,923	291,554
Promotion and marketing related expenses	21,705	20,606	35,996	33,517
Establishment related expenses	33,640	32,855	66,173	66,441
General administrative expenses	95,320	89,846	168,482	185,977
	306,778	293,602	574,574	577,489

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	121,748	115,177	232,509	222,024
Employees Provident Fund contributions	20,261	18,708	38,282	37,640
Promotion and marketing related expenses				
Advertising and promotion	11,451	13,550	21,698	24,084
Establishment related expenses				
Depreciation of property and equipment	8,447	9,207	16,895	16,837
Amortisation of intangible assets	5,310	6,544	9,571	12,368
Information technology costs	2,681	1,963	5,525	6,117
Hire of equipment	3,331	2,004	5,285	3,711
Rental of premises	7,787	7,189	16,538	15,240
Property and equipment written off	324	1	653	1
General administrative expenses				
Intercompany expenses	60,117	63,510	112,301	133,481
Auditors' remuneration				
<u>Audit fees</u>				
KPMG Malaysia	99	95	198	190
<u>Non-audit fees</u>				
KPMG Malaysia	82	62	208	160

31 Capital Adequacy

	<i>Group</i>	
	30 Jun 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)	3,812,233	3,535,814
Statutory reserve	164,500	164,500
	5,022,608	4,746,189
Less: Deferred tax adjustments	(268,652)	(243,780)
Total Tier 1 capital	4,753,956	4,502,409
Tier 2 capital		
Subordinated bonds	1,017,127	1,015,200
Revaluation reserves	85,050	85,441
Collective impairment allowance (unimpaired portion)	87,744	82,527
Regulatory reserves provision	507,620	481,982
Total Tier 2 capital	1,697,541	1,665,150
Total capital	6,451,497	6,167,559
Capital base	6,451,497	6,167,559
Core capital ratio	9.9%	9.8%
Risk-weighted capital ratio	13.4%	13.4%
Core capital ratio (net of proposed dividend)	9.5%	9.1%
Risk-weighted capital ratio (net of proposed dividend)	13.0%	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 Jun 2012		31 Dec 2011	
	Principal	Risk-weighted	Principal	Risk-weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	89,601,341	41,448,300	88,851,581	38,728,263
Total RWA for market risk	-	1,739,137	-	2,622,157
Total RWA for operational risk	-	4,948,296	-	4,680,548
	89,601,341	48,135,733	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 34 Explanation of Transition to MFRS for a summary of the changes.

31 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	30 Jun 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)	3,569,553	3,355,325
Statutory reserve	114,500	114,500
	4,729,928	4,515,700
Less: Deferred tax adjustments	(233,599)	(214,108)
Total Tier 1 capital	4,496,329	4,301,592
Tier 2 capital		
Subordinated bonds	1,017,127	1,015,200
Revaluation reserves	85,050	85,441
Collective impairment allowance (unimpaired portion)	58,172	56,154
Regulatory reserves provision	419,139	407,424
Tier 2 capital	1,579,488	1,564,219
Less: Investment in subsidiaries	(660,021)	(660,021)
Total Tier 2 capital	919,467	904,198
Capital base	5,415,796	5,205,790
Core capital ratio	11.2%	10.9%
Risk-weighted capital ratio	13.5%	13.2%
Core capital ratio (net of proposed dividend)	10.7%	10.2%
Risk-weighted capital ratio (net of proposed dividend)	13.0%	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 Jun 2012		31 Dec 2011	
	Principal	Risk-weighted	Principal	Risk-weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	79,370,945	33,943,359	80,688,742	32,514,625
Total RWA for market risk	-	1,660,098	-	2,521,215
Total RWA for operational risk	-	4,510,246	-	4,305,377
	79,370,945	40,113,703	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 34 Explanation of Transition to MFRS for a summary of the changes.

31 Capital Adequacy (Cont'd)

30 Jun 2012

Group

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Capital Requirement
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<u>Credit Risk</u>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	22,141,032	22,141,032	-	-
Banks, Development Financial Institutions & MDBs	9,268,138	9,268,138	2,001,352	160,108
Corporates	15,528,769	14,908,384	14,302,119	1,144,170
Regulatory Retail	7,105,078	6,935,937	5,238,754	419,100
Residential Mortgages	19,712,300	19,686,931	8,316,678	665,334
Higher Risk Assets	1,418	1,418	2,126	170
Other Assets	1,069,901	1,069,901	810,303	64,824
Equity Exposure	16,908	16,908	16,908	1,353
Defaulted Exposures	541,250	536,426	630,447	50,436
Total for On-Balance Sheet Exposures	75,384,794	74,565,075	31,318,687	2,505,495
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,120,611	4,120,611	2,015,121	161,210
Off balance sheet exposures other than OTC derivatives or credit derivatives	9,997,186	9,656,805	7,975,344	638,027
Defaulted Exposures	98,750	93,736	139,148	11,132
Total for Off-Balance Sheet Exposures	14,216,547	13,871,152	10,129,613	810,369
Total On and Off-Balance Sheet Exposures	89,601,341	88,436,227	41,448,300	3,315,864
<u>Large Exposures Risk Requirement</u>				
	-	-	-	-
<u>Market Risk</u>				
	<u>Long Position</u>	<u>Short Position</u>		
Interest Rate Risk	78,715,406	74,842,658	3,872,747	126,550
Foreign Currency Risk	58,003	22,778	58,003	4,882
Option Risk	-	-	96,237	7,699
	78,773,409	74,865,436	3,930,750	139,131
Operational Risk	-	-	-	4,948,296
Total RWA and Capital Requirement	-	-	-	48,135,733
				3,850,859

The table above discloses the gross and net exposures, risk weighted assets and capital requirements for credit risk, market risk, large exposures risk and operational risk of the Group as at balance sheet date. The following disclosure requirement came into effect in 2008 with the adoption of the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

At the reporting date, there wasn't any RWA risk absorbent profit sharing investment account in the Bank's Islamic subsidiary.

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

31 Capital Adequacy (Cont'd)

30 Jun 2012

Bank

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Capital Requirement
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<u>Credit Risk</u>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	18,928,969	18,928,969	-	-
Banks, Development Financial Institutions & MDBs	12,170,837	12,170,837	2,562,086	204,967
Corporates	11,401,669	10,828,720	10,257,251	820,580
Regulatory Retail	4,870,917	4,721,912	3,559,286	284,743
Residential Mortgages	17,349,930	17,326,257	7,045,287	563,623
Higher Risk Assets	1,418	1,418	2,126	170
Other Assets	1,496,340	1,496,340	1,288,003	103,040
Equity Exposure	16,908	16,908	16,908	1,353
Defaulted Exposures	431,757	428,716	488,793	39,103
Total for On-Balance Sheet Exposures	66,668,745	65,920,077	25,219,740	2,017,579
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,184,482	4,184,482	2,038,324	163,066
Off balance sheet exposures other than OTC derivatives or credit derivatives	8,425,043	8,093,937	6,555,145	524,412
Defaulted Exposures	92,675	87,914	130,150	10,412
Total for Off-Balance Sheet Exposures	12,702,200	12,366,333	8,723,619	697,890
Total On and Off-Balance Sheet Exposures	79,370,945	78,286,410	33,943,359	2,715,469
<u>Large Exposures Risk Requirement</u>				
	-	-	-	-
<u>Market Risk</u>				
	<u>Long Position</u>	<u>Short Position</u>		
Interest Rate Risk	76,131,067	72,466,317	3,664,750	1,508,882
Foreign Currency Risk	54,978	16,762	54,978	4,398
Option Risk	-	-	-	96,238
	76,186,045	72,483,079	3,719,728	1,660,098
Operational Risk	-	-	-	4,510,246
Total RWA and Capital Requirement	-	-	-	40,113,703
				3,209,096

The table above discloses the gross and net exposures, risk weighted assets and capital requirements for credit risk, market risk, large exposures risk and operational risk of the Bank as at balance sheet date. The following disclosure requirement came into effect in 2008 with the adoption of the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

31 Capital Adequacy (Cont'd)

31 Dec 2011

Group

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Capital Requirement
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<u>Credit Risk</u>	Restated	Restated	Restated	Restated
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	23,166,889	23,166,889	-	-
Banks, Development Financial Institutions & MDBs	11,223,050	11,223,050	2,258,367	180,669
Corporates	15,066,894	14,529,563	13,591,682	1,087,335
Regulatory Retail	7,586,318	7,420,304	5,567,574	445,406
Residential Mortgages	18,127,381	18,102,024	7,534,401	602,752
Higher Risk Assets	1,508	1,508	2,261	181
Other Assets	1,070,708	1,070,708	772,032	61,763
Equity Exposure	16,908	16,908	16,908	1,353
Defaulted Exposures	532,513	526,432	626,104	50,088
Total for On-Balance Sheet Exposures	76,792,169	76,057,386	30,369,329	2,429,547
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	3,676,729	3,676,729	1,910,874	152,870
Off balance sheet exposures other than OTC derivatives or credit derivatives	8,324,274	8,136,504	6,364,521	509,162
Defaulted Exposures	58,409	56,800	83,539	6,683
Total for Off-Balance Sheet Exposures	12,059,412	11,870,033	8,358,934	668,715
Total On and Off-Balance Sheet Exposures	88,851,581	87,927,419	38,728,263	3,098,262
<u>Large Exposures Risk Requirement</u>	-	-	-	-
<u>Market Risk</u>	<u>Long Position</u>	<u>Short Position</u>		
Interest Rate Risk	75,526,424	68,838,723	6,687,700	2,315,183
Foreign Currency Risk	39,016	47,305	42,150	47,324
Option Risk	-	-	-	259,650
	75,565,440	68,886,028	6,729,850	2,622,157
Operational Risk	-	-	-	4,680,548
Total RWA and Capital Requirement	-	-	-	46,030,968
				3,682,479

The table above discloses the gross and net exposures, risk weighted assets and capital requirements for credit risk, market risk, large exposures risk and operational risk of the Group as at balance sheet date. The following disclosure requirement came into effect in 2008 with the adoption of the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

At the reporting date, there wasn't any RWA risk absorbent profit sharing investment account in the Bank's Islamic subsidiary.

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

31 Capital Adequacy (Cont'd)

31 Dec 2011

Bank

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Capital Requirement
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<u>Credit Risk</u>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	21,110,116	21,110,116	-	-
Banks, Development Financial Institutions & MDBs	13,371,543	13,371,543	2,789,124	223,130
Corporates	11,388,203	10,901,834	10,001,239	800,099
Regulatory Retail	5,194,299	5,051,641	3,781,413	302,513
Residential Mortgages	16,758,805	16,734,430	6,810,431	544,834
Higher Risk Assets	1,508	1,508	2,261	181
Other Assets	1,487,632	1,487,632	1,262,065	100,965
Equity Exposure	16,908	16,908	16,908	1,353
Defaulted Exposures	470,111	465,379	549,561	43,965
Total for On-Balance Sheet Exposures	69,799,125	69,140,991	25,213,002	2,017,040
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	3,707,414	3,707,414	1,925,588	154,047
Off balance sheet exposures other than OTC derivatives or credit derivatives	7,124,238	6,949,847	5,293,164	423,453
Defaulted Exposures	57,965	56,355	82,871	6,630
Total for Off-Balance Sheet Exposures	10,889,617	10,713,616	7,301,623	584,130
Total On and Off-Balance Sheet Exposures	80,688,742	79,854,607	32,514,625	2,601,170
<u>Large Exposures Risk Requirement</u>				
	-	-	-	-
<u>Market Risk</u>				
	<u>Long Position</u>	<u>Short Position</u>		
Interest Rate Risk	73,861,936	67,409,211	6,452,724	2,221,796
Foreign Currency Risk	36,635	39,769	39,769	3,182
Option Risk	-	-	-	20,772
	73,898,571	67,448,980	6,492,493	2,521,215
Operational Risk	-	-	-	4,305,377
Operational Risk	-	-	-	344,430
Total RWA and Capital Requirement	-	-	-	39,341,217
	-	-	-	3,147,297

The table above discloses the gross and net exposures, risk weighted assets and capital requirements for credit risk, market risk, large exposures risk and operational risk of the Bank as at balance sheet date. The following disclosure requirement came into effect in 2008 with the adoption of the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

31 Capital Adequacy (Cont'd)

30 Jun 2012

Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation								Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Banks	Banks, MDBs and DFIs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	22,187,570	-	5,546	17,070	-	-	259,598	-	22,469,784	-
20%	-	11,396,748	802,866	52,786	-	-	-	-	12,252,400	2,450,480
35%	-	-	-	-	14,786,064	-	-	-	14,786,064	5,175,122
50%	-	1,903,529	618,248	41,008	2,136,982	-	-	-	4,699,767	2,349,884
75%	-	-	3,071	8,731,216	2,869,634	-	-	-	11,603,921	8,702,941
100%	-	25	20,925,828	361,784	218,279	-	810,303	16,908	22,333,127	22,333,127
150%	-	8,983	103,514	176,313	834	1,520	-	-	291,164	436,746
Total Risk Weight	-	-	-	-	-	-	-	-	88,436,227	41,448,300
Average Risk Weight	-	-	-	-	-	-	-	-	4,913,124	2,302,683
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-

30 Jun 2012

Bank

Risk Weights	Exposures after Netting and Credit Risk Mitigation								Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Banks	Banks, MDBs and DFIs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	18,975,507	-	3,444	14,410	-	-	208,339	-	19,201,700	-
20%	-	14,311,051	761,364	52,226	-	-	-	-	15,124,641	3,024,928
35%	-	-	-	-	13,868,861	-	-	-	13,868,861	4,854,101
50%	-	1,940,558	529,673	16,459	1,608,048	-	-	-	4,094,738	2,047,369
75%	-	-	3,071	6,393,874	1,954,424	-	-	-	8,351,369	6,263,526
100%	-	25	15,689,102	242,331	192,064	-	1,288,003	16,908	17,428,433	17,428,433
150%	-	8,277	98,386	107,777	708	1,520	-	-	216,668	325,002
Total Risk Weight	-	-	-	-	-	-	-	-	78,286,410	33,943,359
Average Risk Weight	-	-	-	-	-	-	-	-	4,349,245	1,885,742
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-

The above are disclosures on credit risk by risk weights of the Group and the Bank as at balance sheet date. The following disclosure requirement came into effect in 2008 with the adoption of the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

31 Capital Adequacy (Cont'd)

31 Dec 2011

Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation								Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	Banks, MDBs and DFIs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	23,173,992	-	3,062	17,101	-	-	298,676	-	23,492,831	-
20%	-	13,554,193	1,351,050	49,353	-	-	-	-	14,954,596	2,990,919
35%	-	-	-	-	13,922,407	-	-	-	13,922,407	4,872,843
50%	-	1,395,364	553,009	8,018	1,892,926	-	-	-	3,849,317	1,924,658
75%	-	-	1,785	9,259,224	2,337,031	-	-	-	11,598,040	8,698,530
100%	-	318	18,610,915	239,923	207,965	-	772,032	16,908	19,848,061	19,848,062
150%	-	3,201	86,053	171,060	301	1,552	-	-	262,167	393,251
Total Risk Weight	-	-	-	-	-	-	-	-	87,927,419	38,728,263
Average Risk Weight	-	-	-	-	-	-	-	-	4,884,857	2,151,570
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-

31 Dec 2011

Bank

Risk Weights	Exposures after Netting and Credit Risk Mitigation								Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	Banks, MDBs and DFIs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	21,117,220	-	1,561	16,320	-	-	225,568	-	21,360,669	-
20%	-	15,343,155	1,305,358	48,659	-	-	-	-	16,697,172	3,339,434
35%	-	-	-	-	13,369,792	-	-	-	13,369,792	4,679,427
50%	-	1,789,855	445,542	5,944	1,570,210	-	-	-	3,811,551	1,905,775
75%	-	-	-	6,717,719	1,844,530	-	-	-	8,562,249	6,421,688
100%	-	318	14,166,005	189,016	188,609	-	1,262,064	16,908	15,822,920	15,822,920
150%	-	3,201	85,887	139,313	301	1,552	-	-	230,254	345,381
Total Risk Weight	-	-	-	-	-	-	-	-	79,854,607	32,514,625
Average Risk Weight	-	-	-	-	-	-	-	-	4,436,367	1,806,368
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-

The above are disclosures on credit risk by risk weights of the Group and the Bank as at balance sheet date. The following disclosure requirement came into effect in 2008 with the adoption of the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

32 Commitments and Contingencies

30 Jun 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	1,769,060	-	1,769,060	1,420,612
Transaction-related contingent items	5,236,714	-	2,618,357	1,876,695
Short-term self-liquidating trade-related contingencies	503,962	-	100,792	80,624
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	11,794,709	-	2,358,942	2,097,666
- Maturity exceeding one year	3,277,410	-	1,638,705	1,431,334
Unutilised credit card lines	8,050,401	-	1,610,080	1,207,560
Foreign exchange related contracts				
- Less than one year	46,011,150	438,114	976,119	536,802
- Over one year to less than five years	7,891,915	377,001	973,302	624,206
- Over five years	2,686,241	113,058	417,869	281,798
Interest/profit rate related contracts:				
- Less than one year	10,932,518	14,698	31,996	11,823
- Over one year to less than five years	33,334,747	307,826	1,028,301	359,593
- Over five years	3,552,500	94,485	369,618	136,219
Gold and other precious metals contracts				
- Less than one year	197,774	20,207	24,951	4,990
- Over one year to less than five years	2,729	633	771	154
Other commodity contracts:				
- Over one year to less than five years	27,345	-	2,734	547
Equity related contracts				
- Less than one year	158,176	5,125	15,108	3,022
- Over one year to less than five years	2,276,835	36,993	209,265	41,853
- Over five years	562,245	14,352	70,577	14,115
	138,266,431	1,422,492	14,216,547	10,129,613

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 Jun 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	1,008,201	-	1,008,201	711,550
Transaction-related contingent items	4,604,559	-	2,302,280	1,588,886
Short-term self-liquidating trade-related contingencies	472,096	-	94,419	75,697
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	10,554,075	-	2,110,815	1,865,148
- Maturity exceeding one year	3,185,066	-	1,592,533	1,386,911
Unutilised credit card lines	7,047,348	-	1,409,470	1,057,102
Foreign exchange related contracts				
- Less than one year	46,033,384	437,797	975,509	535,799
- Over one year to less than five years	7,891,915	377,001	973,302	624,206
- Over five years	2,686,241	113,058	417,869	281,798
Interest rate related contracts:				
- Less than one year	10,932,518	14,698	31,996	11,823
- Over one year to less than five years	34,638,247	310,199	1,077,490	380,549
- Over five years	3,552,500	91,979	367,112	125,322
Gold and other precious metals contracts				
- Less than one year	197,774	20,207	24,951	4,990
- Over one year to less than five years	2,729	633	771	154
Other commodity contracts:				
- Over one year to less than five years	27,345	-	2,734	547
Equity related contracts				
- Less than one year	158,176	5,125	15,108	3,022
- Over one year to less than five years	2,415,086	36,851	227,063	56,000
- Over five years	562,245	14,352	70,577	14,115
	135,969,505	1,421,900	12,702,200	8,723,619

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
	<u>118,976,559</u>	<u>1,268,968</u>	<u>12,059,412</u>	<u>8,358,934</u>

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 Credit exposure to connected parties

The credit exposures of the Group and the Bank to connected parties, as defined by Bank Negara Malaysia's 'Guidelines on Credit Transactions and Exposures with Connected Parties' are as follows:-

	Group		Bank	
	30 Jun 2012 RM'000	31 Dec 2011 RM'000	30 Jun 2012 RM'000	31 Dec 2011 RM'000
Aggregate value of outstanding credit exposures to connected parties	3,115,876	4,021,326	3,023,506	4,135,280
As a percentage of total credit exposures	5.5%	7.7%	6.5%	9.6%
Aggregate value of total outstanding credit exposures to connected parties which is impaired or in default	-	-	-	-
As a percentage of total credit exposures	-	-	-	-

34 Explanation of transition to MFRSs

As stated in Note 2, these are the Group and the Bank's first half year 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		1 January 2011	1 January 2011	1 January 2011
		RM'000	RM'000	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	34 iv) a	34,076,044	217,845	34,293,889
Other assets	34 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	34 iv) c	168,344	126,462	294,806
Total assets		63,778,468	258,095	64,036,563
Liabilities				
Deposits from customers	34 iv) b	48,339,424	5,516	48,344,940
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	34 iv) b	2,354,493	40,541	2,395,034
Recourse obligation on loans sold to Cagamas Berhad		374,991	-	374,991
Provision for taxation	34 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	34 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

34 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	34 iv) a	29,439,768	43,978	29,483,746
Other assets	34 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	34 iv) c	150,342	112,081	262,423
Total assets		59,192,314	72,297	59,264,611
Liabilities				
Deposits from customers	34 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	34 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	34 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	34 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

34 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	30 Jun 2011	RM'000
Cash and short term funds		17,312,045	-	17,312,045
Securities purchased under resale agreements		5,743,126	-	5,743,126
Deposits and placements with banks and other financial institutions		74,624	-	74,624
Financial Assets Held-for-Trading		2,431,647	-	2,431,647
Financial Investments Available-for-Sale		2,237,975	-	2,237,975
Loans, advances and financing	34 iv) a	38,085,877	249,469	38,335,346
Other assets	34 iv) b	1,899,593	(111,238)	1,788,355
Statutory deposits with Bank Negara Malaysia		761,460	-	761,460
Property and equipment		333,144	-	333,144
Intangible assets		54,156	-	54,156
Deferred tax assets	34 iv) c	183,190	127,073	310,263
Total assets		69,116,837	265,304	69,382,141
Liabilities				
Deposits from customers	34 iv) b	53,455,801	(10,749)	53,445,052
Deposits and placements from banks and other financial institutions		6,734,607	-	6,734,607
Bills and acceptances payable		167,689	-	167,689
Other liabilities	34 iv) b	3,051,735	42,235	3,093,970
Recourse obligation on loans sold to Cagamas Berhad		68,699	-	68,699
Provision for taxation	34 iv) c	105,159	154,098	259,257
Subordinated bonds		1,004,509	-	1,004,509
Total liabilities		64,588,199	185,584	64,773,783
Equity				
Share capital		114,500	-	114,500
Reserves	34 iv) f	4,214,138	79,720	4,293,858
Proposed dividend		200,000	-	200,000
Total equity attributable to owner of the Bank		4,528,638	79,720	4,608,358
Total liabilities and equity		69,116,837	265,304	69,382,141
Commitments and Contingencies		109,932,650	(179,752)	109,752,898

34 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	30 Jun 2011	RM'000
Cash and short term funds		15,672,272	-	15,672,272
Securities purchased under resale agreements		5,743,126	-	5,743,126
Deposits and placements with banks and other financial institutions		1,923,482	-	1,923,482
Financial Assets Held-for-Trading		2,295,197	-	2,295,197
Financial Investments Available-for-Sale		1,899,640	-	1,899,640
Loans, advances and financing	34 iv) a	32,620,424	39,467	32,659,891
Other assets	34 iv) b	1,865,306	(103,898)	1,761,408
Statutory deposits with Bank Negara Malaysia		625,398	-	625,398
Investments in subsidiary companies		660,021	-	660,021
Property and equipment		318,154	-	318,154
Intangible assets		53,421	-	53,421
Deferred tax assets	34 iv) c	161,922	112,240	274,162
Total assets		63,838,363	47,809	63,886,172
Liabilities				
Deposits from customers	34 iv) b	49,138,154	(5,240)	49,132,914
Deposits and placements from banks and other financial institutions		5,922,619	-	5,922,619
Bills and acceptances payable		161,973	-	161,973
Other liabilities	34 iv) b	3,085,559	(133,830)	2,951,729
Recourse obligation on loans sold to Cagamas Berhad		68,699	-	68,699
Provision for taxation	34 iv) c	95,481	130,899	226,380
Subordinated bonds		1,004,509	-	1,004,509
Total liabilities		59,476,994	(8,171)	59,468,823
Equity				
Share capital		114,500	-	114,500
Reserves	34 iv) f	4,046,869	55,980	4,102,849
Proposed dividend		200,000	-	200,000
Total equity attributable to owner of the Bank		4,361,369	55,980	4,417,349
Total liabilities and equity		63,838,363	47,809	63,886,172
Commitments and Contingencies		106,879,508	-	106,879,508

34 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	34 iv) a	39,156,932	260,373	39,417,305
Other assets	34 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	34 iv) c	94,245	126,662	220,907
Total assets		79,724,944	200,173	79,925,117
Liabilities				
Deposits from customers	34 iv) b	58,523,846	20,850	58,544,696
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	34 iv) b	4,762,900	(23,909)	4,738,991
Provision for taxation	34 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	34 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

34 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	34 iv) a	31,610,586	31,855	31,642,441
Other assets	34 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	34 iv) c	79,063	112,221	191,284
Total assets		73,633,284	(34,943)	73,598,341
Liabilities				
Deposits from customers	34 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	34 iv) b	4,845,377	(213,499)	4,631,878
Provision for taxation	34 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	34 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

34 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	MFRSs	MFRSs
		Year to date 31 Dec 2011		
		RM'000	RM'000	RM'000
Revenue		3,989,403	(28,588)	3,960,815
Interest income	34 iv) e	2,200,121	55	2,200,176
Interest expense	34 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	34 iv) e	723,616	(30,204)	693,412
Income from Islamic banking operations	34 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	34 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	34 iv) e	(355,154)	2,256	(352,898)
Profit for the year	34 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

34 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 Year to date 31 Dec 2011 RM'000	MFRSs RM'000
Revenue		3,595,880	(30,149)	3,565,731
Interest income	34 iv) e	2,252,409	55	2,252,464
Interest expense	34 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	34 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	34 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	34 iv) e	(335,921)	4,993	(330,928)
Profit for the year	34 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

34 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		1,899,895	10,118	1,910,013
Interest income	34 iv) e	1,075,636	(191)	1,075,445
Interest expense	34 iv) e	(494,499)	8,280	(486,219)
Net interest income		581,137	8,089	589,226
Fee and commission income		247,723	-	247,723
Fee and commission expense		(12,034)	-	(12,034)
Net fee and commission income		235,689	-	235,689
Net trading income	34 iv) e	315,105	11,567	326,672
Income from Islamic banking operations	34 iv) e	198,879	2,107	200,986
Other operating income		15,368	-	15,368
Operating income before impairment losses		1,346,178	21,763	1,367,941
Loans / financing impairment charges and other credit risk provisions	34 iv) e	(132,191)	(594)	(132,785)
Impairment losses on intangible assets		(4,900)	-	(4,900)
Net operating income		1,209,087	21,169	1,230,256
Other operating expenses		(604,758)	-	(604,758)
Profit before income tax expense		604,329	21,169	625,498
Income tax expense	34 iv) e	(153,047)	(4,968)	(158,015)
Profit for the period	34 iv) e	451,282	16,201	467,483
Other comprehensive income				
Cash flow hedge				
Effective portion of changes in fair value		45	-	45
Fair value reserve				
Change in fair value		(1,697)	-	(1,697)
Amount transferred to profit or loss		(1,411)	-	(1,411)
Income tax relating to components of other comprehensive income		777	-	777
Other comprehensive income for the period, net of income tax		(2,286)	-	(2,286)
Total comprehensive income for the period		448,996	16,201	465,197
Profit attributable to owner of the Bank		451,282	16,201	467,483
Total comprehensive income attributable to owner of the Bank		448,996	16,201	465,197
Basic earnings per RM0.50 ordinary share		197.1 sen	7.1 sen	204.2 sen
Dividends per RM0.50 ordinary share (net)				
- final dividend paid in respect of prior year		109.2 sen	-	109.2 sen
- proposed interim dividend in respect of current period		87.3 sen	-	87.3 sen

34 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		1,725,087	11,376	1,736,463
Interest income	34 iv) e	1,097,255	(191)	1,097,064
Interest expense	34 iv) e	(494,499)	8,280	(486,219)
Net interest income		602,756	8,089	610,845
Fee and commission income		247,723	-	247,723
Fee and commission expense		(12,034)	-	(12,034)
Net fee and commission income		235,689	-	235,689
Net trading income	34 iv) e	315,105	11,567	326,672
Other operating income		65,004	-	65,004
Operating income before impairment losses		1,218,554	19,656	1,238,210
Loans / financing impairment charges and other credit risk provisions	34 iv) e	(84,237)	(4,320)	(88,557)
Impairment losses on intangible assets		(4,900)	-	(4,900)
Net operating income		1,129,417	15,336	1,144,753
Other operating expenses		(577,489)	-	(577,489)
Profit before income tax expense		551,928	15,336	567,264
Income tax expense	34 iv) e	(143,037)	(3,834)	(146,871)
Profit for the period	34 iv) e	408,891	11,502	420,393
Other comprehensive income				
Cash flow hedge				
Effective portion of changes in fair value		45	-	45
Fair value reserve				
Change in fair value		(1,511)	-	(1,511)
Amount transferred to profit or loss		(1,411)	-	(1,411)
Income tax relating to components of other comprehensive income		731	-	731
Other comprehensive income for the period, net of income tax		(2,146)	-	(2,146)
Total comprehensive income for the period		406,745	11,502	418,247
Profit attributable to owner of the Bank		408,891	11,502	420,393
Total comprehensive income attributable to owner of the Bank		406,745	11,502	418,247
Basic earnings per RM0.50 ordinary share		178.6 sen	5.0 sen	183.6 sen
Dividends per RM0.50 ordinary share (net)				
- final dividend paid in respect of prior year		109.2 sen	-	109.2 sen
- proposed interim dividend in respect of current period		87.3 sen	-	87.3 sen

34 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
	2nd quarter ended 30 Jun 2011		
Revenue	993,807	4,913	998,720
Interest income	557,427	(94)	557,333
Interest expense	(255,302)	4,222	(251,080)
Net interest income	302,125	4,128	306,253
Fee and commission income	129,326	-	129,326
Fee and commission expense	(7,851)	-	(7,851)
Net fee and commission income	121,475	-	121,475
Net trading income	165,711	5,983	171,694
Income from Islamic banking operations	104,099	772	104,871
Other operating income	11,789	-	11,789
Operating income before impairment losses	705,199	10,883	716,082
Loans / financing impairment charges and other credit risk provisions	(82,706)	(1,272)	(83,978)
Impairment losses on intangible assets	(4,900)	-	(4,900)
Net operating income	617,593	9,611	627,204
Other operating expenses	(308,173)	-	(308,173)
Profit before income tax expense	309,420	9,611	319,031
Income tax expense	(78,195)	(1,889)	(80,084)
Profit for the period	231,225	7,722	238,947
Other comprehensive income			
Cash flow hedge			
Effective portion of changes in fair value	79	-	79
Fair value reserve			
Change in fair value	6,896	-	6,896
Amount transferred to profit or loss	(1,155)	-	(1,155)
Income tax relating to components of other comprehensive income	(1,435)	-	(1,435)
Other comprehensive income for the period, net of income tax	4,385	-	4,385
			-
Total comprehensive income for the period	235,610	7,722	243,332
			-
Profit attributable to owner of the Bank	231,225	7,722	238,947
Total comprehensive income attributable to owner of the Bank	235,610	7,722	243,332
Basic earnings per RM0.50 ordinary share	101.0 sen	3.3 sen	104.3 sen
Dividends per RM0.50 ordinary share (net)			
- final dividend paid in respect of prior year	-	-	-
- proposed interim dividend in respect of current period	87.3 sen	-	87.3 sen

34 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
	2nd quarter ended 30 Jun 2011		
	RM'000	RM'000	RM'000
Revenue	903,404	5,889	909,293
Interest income	569,420	(94)	569,326
Interest expense	(255,302)	4,222	(251,080)
Net interest income	314,118	4,128	318,246
Fee and commission income	129,326	-	129,326
Fee and commission expense	(7,851)	-	(7,851)
Net fee and commission income	121,475	-	121,475
Net trading income	165,711	5,983	171,694
Other operating income	38,947	-	38,947
Operating income before impairment losses	640,251	10,111	650,362
Loans / financing impairment charges and other credit risk provisions	(55,967)	(2,683)	(58,650)
Impairment losses on intangible assets	(4,900)	-	(4,900)
Net operating income	579,384	7,428	586,812
Other operating expenses	(293,602)	-	(293,602)
Profit before income tax expense	285,782	7,428	293,210
Income tax expense	(74,598)	(1,858)	(76,456)
Profit for the period	211,184	5,570	216,754
Other comprehensive income			
Cash flow hedge			
Effective portion of changes in fair value	79	-	79
Fair value reserve			
Change in fair value	6,711	-	6,711
Amount transferred to profit or loss	(1,155)	-	(1,155)
Income tax relating to components of other comprehensive income	(1,389)	-	(1,389)
Other comprehensive income for the period, net of income tax	4,246	-	4,246
Total comprehensive income for the period	215,430	5,570	221,000
Profit attributable to owner of the Bank	211,184	5,570	216,754
Total comprehensive income attributable to owner of the Bank	215,430	5,570	221,000
Basic earnings per RM0.50 ordinary share	92.2 sen	2.4 sen	94.6 sen
Dividends per RM0.50 ordinary share (net)			
- final dividend paid in respect of prior year	-	-	-
- proposed interim dividend in respect of current period	87.3 sen	-	87.3 sen

34 Explanation of transition to MFRSs (Cont'd)

iii) Reconciliation of statement of cash flows

	Effect of transition to MFRSs			Effect of transition to MFRSs		
	FRSs	MFRSs	MFRSs	FRSs	MFRSs	MFRSs
	Year to date 30 Jun 2011			Year to date 30 Jun 2011		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
	Group			Bank		
Profit before income tax expense	604,329	21,169	625,498	551,928	15,336	567,264
Adjustments for non-operating and non-cash items	42,500	-	42,500	39,804	-	39,804
Operating profit before working capital changes	646,829	(21,169)	667,998	591,732	(15,336)	607,068
Changes in working capital:						
Net changes in operating assets	(979,484)	25,620	(953,864)	(778,930)	24,647	(754,283)
Net changes in operating liabilities	5,129,954	(46,789)	5,083,165	4,485,115	(39,983)	4,445,132
Income tax paid	(165,129)	-	(165,129)	(157,129)	-	(157,129)
Net cash generated from operations	4,632,170	-	4,632,170	4,140,788	-	4,140,788
Net cash generated from investing activities	1,114,271	-	1,114,271	1,122,624	-	1,122,624
Net cash used in financing activity	(250,000)	-	(250,000)	(250,000)	-	(250,000)
	864,271	-	864,271	872,624	-	872,624
Net changes in cash and cash equivalents	5,496,441	-	5,496,441	5,013,412	-	5,013,412
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	17,312,045	-	17,312,045	15,672,272	-	15,672,272
Analysis of cash and cash equivalents						
Cash and short-term funds	17,312,045	-	17,312,045	15,672,272	-	15,672,272

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 Jun 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	471,804	422,694	395,971	358,668
Individual impairment allowance decrease	68,626	32,340	70,731	40,026	70,183	43,901
Regulatory reserve provision increase	(481,982)	(407,424)	(472,818)	(423,253)	(395,843)	(358,591)
Total (exclude financing recognised)	67,972	31,855	69,717	39,467	70,311	43,978
Financing recognised*	192,401	-	179,752	-	147,534	-
Increase loans, advances and financing	260,373	31,855	249,469	39,467	217,845	43,978

34 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 Jun 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							
Increase retained earnings	34 iv) d	70,311	43,978	70,311	43,978	70,311	43,978
Decrease current profits	34 iv) e	(2,339)	(12,123)	(594)	(4,511)	-	-
		67,972	31,855	69,717	39,467	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 Jun 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)	(113,930)	(103,898)	(86,212)	(83,762)
Other assets increase		2,692	-	2,692	-	-	-
Decrease other assets	34 i)	(186,862)	(179,019)	(111,238)	(103,898)	(86,212)	(83,762)
Other liabilities:							
Derivative financial liabilities decrease		217,327	213,499	145,236	133,830	115,269	104,114
Interest/ profit payable decrease		2,548	-	2,430	-	2,632	-
Other creditors increase		(3,565)	-	(10,149)	-	(10,908)	-
Total (exclude SBBA related)		216,310	213,499	137,517	133,830	106,993	104,114
Other creditors increase*		(192,401)	-	(179,752)	-	(147,534)	-
Decrease/(increase) other liabilities [Total include SBBA related]	34 i)	23,909	213,499	(42,235)	133,830	(40,541)	104,114
Deposit from customers:							
(Increase)/decrease structured deposits	34 i)	(20,850)	(27,007)	10,749	5,240	(5,516)	(5,027)
Total (include SBBA related)		(183,803)	7,473	(142,724)	35,172	(132,269)	15,325
Total (exclude SBBA related)		8,598	7,473	37,028	35,172	15,265	15,325

* SBBA related. See note 34 iv) a . This adjustment does not impact retained earnings or current year profit or loss.

34 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 Jun 2011		1 Jan 2011		
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000	
<i>Increase retained earnings</i>	34 iv) d	15,265	15,325	15,265	15,325	15,265	15,325
<i>(Decrease)/increase current profits</i>	34 iv) e	(6,667)	(7,852)	21,763	19,847	-	-
		8,598	7,473	37,028	35,172	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 June 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 Jun 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	11,752	6,426	30,492	22,433
Increase in deferred tax assets on RRP increase		117,131	101,856	115,321	105,814	95,970	89,648
<i>Increase deferred tax assets</i>	34 i)	126,662	112,221	127,073	112,240	126,462	112,081
Provision for taxation							
Higher tax liability on positive fair valuation of structured deposits		(2,149)	(1,868)	(9,257)	(8,793)	(3,816)	(3,831)
Higher tax liability upon decrease in collective and individual impairment allowances		(144,314)	(120,185)	(144,841)	(122,106)	(144,703)	(123,075)
<i>Increase provision for tax</i>	34 i)	(146,463)	(122,053)	(154,098)	(130,899)	(148,519)	(126,906)
Total		(19,801)	(9,832)	(27,025)	(18,659)	(22,057)	(14,825)
<u>Reconciliation to retained earnings/current year profit or loss</u>							
<i>Decrease retained earnings</i>	34 iv) d	(22,057)	(14,825)	(22,057)	(14,825)	(22,057)	(14,825)
<i>Increase/(decrease) current profits</i>	34 iv) e	2,256	4,993	(4,968)	(3,834)	-	-
		(19,801)	(9,832)	(27,025)	(18,659)	(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	34 iv) a	70,311	43,978
Net trading income	34 iv) b	15,265	15,325
Income tax expense	34 iv) c	(22,057)	(14,825)
<i>Adjustment to increase retained earnings</i>	34 iv) f	63,519	44,478

34 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 Jun 2011	
		Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Interest income increase/(decrease)	34 ii)	55	55	(191)	(191)
Interest expense decrease	34 ii)	22,352	22,352	8,280	8,280
Net trading income (decrease)/increase	34 ii)	(30,204)	(30,204)	11,567	11,567
Income from Islamic banking increase	34 ii)	1,561	-	2,107	-
Loans / financing impairment charges increase	34 ii)	(2,770)	(12,178)	(594)	(4,320)
Income tax expense decrease/(increase)	34 ii)	2,256	4,993	(4,968)	(3,834)
<i>Adjustment to (decrease)/increase current period profits</i>	34 ii) & 34 iv)f	(6,750)	(14,982)	16,201	11,502

Reconciliation to statement of financial position

Loans, advances and financing	34 iv) a	(2,339)	(12,123)	(594)	(4,511)
Other assets, other liabilities and deposits from customers	34 iv) b	(6,667)	(7,852)	21,763	19,847
Deferred tax assets and provision for taxation	34 iv) c	2,256	4,993	(4,968)	(3,834)
		(6,750)	(14,982)	16,201	11,502

f) Reserves

	Note	YTD 31 Dec 2011		YTD 30 Jun 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	34 iv) d	63,519	44,478	63,519	44,478	63,519	44,478
Statement of profit or loss	34 iv) e	(6,750)	(14,982)	16,201	11,502	-	-
	34 i)	56,769	29,496	79,720	55,980	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

35 Review of Performance

The Group recorded profit before tax ("PBT") of RM775 million for the half year ended 30 June 2012, an increase of 23.8% or RM149 million compared against history. Operating income increased by RM139 million or 10.1% to RM1,507 million (30 June 2011: RM1,368 million) mainly on higher income from Islamic banking (+RM72 million or 35.7%), net interest income (+RM55 million or 9.4%) and net fee income (+RM14 million or 5.8%).

Net interest income increased to RM644 million on a larger loan base while net fee income improved to RM249 million, mainly on higher corporate finance related fees. Income from Islamic Banking Operations grew to RM273 million, in line with the Group's expansion in the Islamic banking business via wider geographical reach and range of services/products offered. In tandem, operating expenses grew to RM620 million (+RM15 million or 2.5%), mainly on higher personnel costs and promotion and marketing related expenses, partly offset by lower general administrative expenses. Cost income ratio improved to 41.2% from 44.2% as operating income grew at a faster rate compared to operating expenses.

Loan/ financing impairment charges decreased to RM 112 million, a decrease of RM 21 million or 15.7%. The decrease was primarily due to lower net individual impairment provisions and impaired loans written off during the current period.

While total assets at 30 June 2012 declined to RM76.9 billion, RM3.0 billion lower compared against 31 December 2011 (RM79.9 billion), gross loans, advances and financing continued to expand to RM42.4 billion (31 December 2011: RM40.3 billion). The decrease in total assets (RM3.0 billion) is largely attributed to lower deposits and placements from banks and financial institutions (30 June 2012: RM7.4 billion; 31 December 2011: RM9.9 billion).

36 Business Prospects

The challenges affecting the global economic landscape show little signs of abating in the remaining part of the year. The still unresolved Eurozone sovereign debt crisis is expected to affect the rate of recovery of the global economy, and while structural issues are likely to restrain growth in the advanced economies, a general softening of growth has also been forecasted for the emerging and developing nations.

In Q1 2012, the Malaysian economy recorded a growth rate of 4.7% , well within the higher end of the forecasted domestic growth spectrum of between 4% to 5% for 2012, driven mainly by domestic demand in view of weaker external economic conditions. 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 as announced in the 2012 Budget as well as from private investments from domestic-oriented industries.

In 2012, the focus will remain on growing the Premier and Advance propositions. 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. Further, as there is a robust demand for Islamic financial services and products, the HSBC Amanah brand name will be leveraged by the Group to expand its market share of the Islamic financing business, and as a platform to tap into the Government sector.

The Group now has a total of 61 branches [42 conventional and 19 Islamic branches] as at 30 Jun 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.