

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
31 MARCH 2012

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

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

MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed interim financial statements for the financial period ended 31 March 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"), International Accounting Standards ("IAS") 34, Interim Financial Reporting 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 : 26 April 2012

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

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AT 31 MARCH 2012

	Note	<i>Group</i>		
		31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Assets				
Cash and short term funds	11	12,435,340	21,603,227	11,815,604
Securities purchased under resale agreements		3,238,750	3,682,969	6,467,863
Deposits and placements with banks and other financial institutions	12	1,536,175	651,778	330,981
Financial Assets Held-for-Trading	13	7,175,403	6,217,237	4,895,060
Financial Investments Available-for-Sale	14	4,937,959	4,873,818	3,400,090
Loans, advances and financing	15	39,638,472	39,156,932	34,076,044
Other assets	17	2,179,727	1,941,383	2,023,553
Statutory deposits with Bank Negara Malaysia	18	1,028,059	1,096,060	221,827
Property and equipment		346,654	354,032	318,481
Intangible assets		53,157	53,263	60,621
Deferred tax assets		217,606	94,245	168,344
Total assets		72,787,302	79,724,944	63,778,468
Liabilities				
Deposits from customers	19	57,288,540	58,523,846	48,339,424
Deposits and placements from banks and other financial institutions	20	5,275,820	9,908,962	6,853,048
Bills and acceptances payable		424,694	521,337	429,229
Other liabilities	21	3,248,963	4,762,900	2,354,493
Recourse obligation on loans sold to Cagamas Berhad		-	-	374,991
Provision for taxation	22	197,922	53,103	103,158
Subordinated bonds	23	1,009,921	1,015,200	1,003,039
Total liabilities		67,445,860	74,785,348	59,457,382
Equity				
Share capital		114,500	114,500	114,500
Reserves		4,926,942	4,525,096	3,956,586
Proposed dividend		300,000	300,000	250,000
Total equity attributable to owner of the Bank		5,341,442	4,939,596	4,321,086
Total liabilities and equity		72,787,302	79,724,944	63,778,468
Commitments and Contingencies	32	130,682,190	119,168,960	87,503,362

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 7 to 31 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 26 April 2012.

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

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION (CONT'D)
AT 31 MARCH 2012

	Note	<i>Bank</i>		
		31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Assets				
Cash and short term funds	11	9,915,141	20,292,272	10,658,860
Securities purchased under resale agreements		3,238,750	3,682,969	6,467,863
Deposits and placements with banks and other financial institutions	12	4,495,309	3,687,058	1,471,815
Financial Assets Held-for-Trading	13	7,174,902	6,000,521	4,747,054
Financial Investments Available-for-Sale	14	4,249,718	4,451,732	3,069,425
Loans, advances and financing	15	31,809,297	31,610,586	29,439,768
Other assets	17	2,208,803	1,913,656	1,978,890
Statutory deposits with Bank Negara Malaysia	18	757,497	867,498	187,098
Investments in subsidiary companies		660,021	660,021	660,021
Property and equipment		328,672	335,106	302,056
Intangible assets		52,829	52,802	59,122
Deferred tax assets		188,365	79,063	150,342
Total assets		65,079,304	73,633,284	59,192,314
Liabilities				
Deposits from customers	19	49,985,357	53,047,615	44,556,909
Deposits and placements from banks and other financial institutions	20	5,268,278	9,429,554	6,261,536
Bills and acceptances payable		414,540	513,737	423,698
Other liabilities	21	3,174,071	4,845,377	2,277,196
Recourse obligation on loans sold to Cagamas Berhad		-	-	374,991
Provision for taxation	22	172,059	46,265	98,710
Subordinated bonds	23	1,009,921	1,015,200	1,003,039
Total liabilities		60,024,226	68,897,748	54,996,079
Equity				
Share capital		114,500	114,500	114,500
Reserves		4,640,578	4,321,036	3,831,735
Proposed dividend		300,000	300,000	250,000
Total equity attributable to owner of the Bank		5,055,078	4,735,536	4,196,235
Total liabilities and equity		65,079,304	73,633,284	59,192,314
Commitments and Contingencies	32	127,938,827	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 7 to 31 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 26 April 2012.

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

UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012

	Note	Group		Bank	
		31 Mar 2012 RM'000	31 Mar 2011 RM'000	31 Mar 2012 RM'000	31 Mar 2011 RM'000
Revenue		1,099,625	906,088	957,163	821,683
Interest income	24	573,587	518,209	590,447	527,835
Interest expense	24	(280,872)	(239,197)	(280,872)	(239,197)
Net interest income	24	292,715	279,012	309,575	288,638
Fee and commission income	25	134,118	118,397	134,118	118,397
Fee and commission expense	25	(6,125)	(4,183)	(6,125)	(4,183)
Net fee and commission income	25	127,993	114,214	127,993	114,214
Net trading income	26	200,825	149,394	201,185	149,394
Income from Islamic banking operations	27	140,096	94,780	-	-
Other operating income	28	5,758	3,579	31,413	26,057
Operating income before impairment losses		767,387	640,979	670,166	578,303
Loans / financing impairment charges and other credit risk provisions	29	(48,962)	(49,485)	(23,787)	(28,270)
Net operating income		718,425	591,494	646,379	550,033
Other operating expenses	30	(288,926)	(296,585)	(267,796)	(283,887)
Profit before income tax expense		429,499	294,909	378,583	266,146
Income tax expense		(109,846)	(74,852)	(97,101)	(68,439)
Profit for the period		319,653	220,057	281,482	197,707
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Cash flow hedge		(384)	(34)	(384)	(34)
Available-for-sale reserve					
Change in fair value		(3,841)	(8,593)	(3,502)	(8,222)
Amount transferred to profit or loss		-	(256)	-	(256)
Income tax relating to components of other comprehensive income		960	2,212	875	2,120
Other comprehensive income for the period, net of income tax		(3,265)	(6,671)	(3,011)	(6,392)
Total comprehensive income for the period		316,388	213,386	278,471	191,315
Profit attributable to the owner of the Bank		319,653	220,057	281,482	197,707
Total comprehensive income attributable to the owner of the Bank		316,388	213,386	278,471	191,315
Basic earnings per RM0.50 ordinary share		139.6 sen	96.1 sen	122.9 sen	86.3 sen
Dividends per RM0.50 ordinary share (net)					
- final dividend paid in respect of prior year		-	109.2 sen	-	109.2 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 7 to 31 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 26 April 2012.

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

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

	Group												
	Attributable to the owner (the ultimate holding company)												Total equity
	Non-distributable				Distributable					Retained profit			
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
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	220,057	220,057	-	220,057
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(387)	-	-	-	-	-	387	-	-	-
Cash flow hedge	-	-	-	-	-	-	(34)	-	-	-	(34)	-	(34)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	(6,446)	-	-	-	-	(6,446)	-	(6,446)
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(191)	-	-	-	-	(191)	-	(191)
Total other comprehensive income	-	-	-	(387)	-	(6,637)	(34)	-	-	387	(6,671)	-	(6,671)
Total comprehensive income for the period	-	-	-	(387)	-	(6,637)	(34)	-	-	220,444	213,386	-	213,386
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	(2,010)	-	5,948	3,938	-	3,938
Dividends paid to owner - 2010 final	-	-	-	-	-	-	-	-	-	-	(250,000)	-	(250,000)
Balance at 31 March 2011	114,500	741,375	164,500	138,723	190,000	(2,125)	(34)	79,159	-	2,862,312	4,173,910	-	4,288,410
Balance at 1 January 2012	114,500	741,375	164,500	148,597	190,000	10,914	854	89,811	-	3,179,045	4,525,096	300,000	4,939,596
Effect of regulatory reserve provision	-	-	-	-	-	-	-	-	-	(363,420)	(363,420)	-	(363,420)
Effect of transition to MFRS	-	-	-	-	-	-	-	-	-	440,508	440,508	-	440,508
Balance at 1 January 2012, as restated	114,500	741,375	164,500	148,597	190,000	10,914	854	89,811	-	3,256,133	4,602,184	300,000	5,016,684
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	319,653	319,653	-	319,653
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(391)	-	-	-	-	-	391	-	-	-
Cash flow hedge	-	-	-	-	-	-	(384)	-	-	-	(384)	-	(384)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	(2,881)	-	-	-	-	(2,881)	-	(2,881)
Total other comprehensive income	-	-	-	(391)	-	(2,881)	(384)	-	-	391	(3,265)	-	(3,265)
Total comprehensive income for the period	-	-	-	(391)	-	(2,881)	(384)	-	-	320,044	316,388	-	316,388
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	4,155	-	(1,145)	3,010	-	3,010
Other transactions, recorded directly in equity													
Reclassification of profit equalisation reserve to equity	-	-	-	-	-	-	-	-	5,360	-	5,360	-	5,360
Balance at 31 March 2012	114,500	741,375	164,500	148,206	190,000	8,033	470	93,966	5,360	3,575,032	4,926,942	300,000	5,341,442

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 7 to 31 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 26 April 2012.

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

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	197,707	197,707	-	197,707
Other comprehensive income, net of income tax												
Revaluation reserve:												
Transfer to retained profit upon realisation of depreciation	-	-	-	(387)	-	-	-	-	387	-	-	-
Cash flow hedge	-	-	-	-	-	-	(34)	-	-	(34)	-	(34)
Available-for-sale reserve:												
Net change in fair value	-	-	-	-	-	(6,167)	-	-	-	(6,167)	-	(6,167)
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(191)	-	-	-	(191)	-	(191)
Total other comprehensive income	-	-	-	(387)	-	(6,358)	(34)	-	387	(6,392)	-	(6,392)
Total comprehensive income for the period	-	-	-	(387)	-	(6,358)	(34)	-	198,094	191,315	-	191,315
Transactions with the owner (the ultimate holding company), recorded directly in equity												
Share based payment transactions	-	-	-	-	-	-	-	(2,065)	5,948	3,883	-	3,883
Dividends paid to owner - 2010 final	-	-	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Balance at 31 March 2011	114,500	741,375	114,500	138,723	190,000	(1,710)	(34)	78,769	2,765,310	4,026,933	-	4,141,433
Balance at 1 January 2012	114,500	741,375	114,500	148,597	190,000	10,766	854	89,115	3,025,829	4,321,036	300,000	4,735,536
Effect of regulatory reserve provision	-	-	-	-	-	-	-	-	(305,203)	(305,203)	-	(305,203)
Effect of transition to MFRS	-	-	-	-	-	-	-	-	343,310	343,310	-	343,310
Balance at 1 January 2012, as restated	114,500	741,375	114,500	148,597	190,000	10,766	854	89,115	3,063,936	4,359,143	300,000	4,773,643
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	281,482	281,482	-	281,482
Other comprehensive income, net of income tax												
Revaluation reserve:												
Transfer to retained profit upon realisation of depreciation	-	-	-	(391)	-	-	-	-	391	-	-	-
Cash flow hedge	-	-	-	-	-	-	(384)	-	-	(384)	-	(384)
Available-for-sale reserve:												
Net change in fair value	-	-	-	-	-	(2,627)	-	-	-	(2,627)	-	(2,627)
Total other comprehensive income	-	-	-	(391)	-	(2,627)	(384)	-	391	(3,011)	-	(3,011)
Total comprehensive income for the period	-	-	-	(391)	-	(2,627)	(384)	-	281,873	278,471	-	278,471
Transactions with the owner (the ultimate holding company), recorded directly in equity												
Share based payment transactions	-	-	-	-	-	-	-	4,109	(1,145)	2,964	-	2,964
Balance at 31 March 2012	114,500	741,375	114,500	148,206	190,000	8,139	470	93,224	3,344,664	4,640,578	300,000	5,055,078

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 7 to 31 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 26 April 2012.

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

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Mar 2011	31 Mar 2012	31 Mar 2011
	RM'000	RM'000	RM'000	RM'000
Profit before income tax expense	429,499	294,909	378,583	266,146
Adjustments for non-operating and non-cash items	100,759	19,412	55,696	17,422
Operating profit before working capital changes	530,258	314,321	434,279	283,568
Changes in working capital:				
Net changes in operating assets	(2,055,890)	1,175,899	(1,927,933)	1,191,753
Net changes in operating liabilities	(7,479,028)	2,731,677	(8,994,037)	2,362,465
Income tax paid	(87,815)	(98,629)	(81,315)	(94,629)
Net cash (used in)/generated from operations	(9,092,475)	4,123,268	(10,569,006)	3,743,157
Net cash (used in)/generated from investing activities	(75,412)	(762,720)	191,875	(766,436)
Net cash used in financing activity	-	(250,000)	-	(250,000)
	(75,412)	(1,012,720)	191,875	(1,016,436)
Net changes in cash and cash equivalents	(9,167,887)	3,110,548	(10,377,131)	2,726,721
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	12,435,340	14,926,152	9,915,141	13,385,581
Analysis of cash and cash equivalents				
Cash and short-term funds	12,435,340	14,926,152	9,915,141	13,385,581

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 pages 7 to 31 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 26 April 2012.

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

Explanatory notes to the Unaudited Condensed Interim Financial Statements at 31 March 2012

1 General Information

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

2 Basis of Preparation

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

These are the Group and Bank's first condensed interim financial statements covered by the MFRS framework and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied. The MFRS did not result in any material financial impact to the Group and the Bank other than the financial impact arising from the change in accounting policy on the impairment of collectively assessed loans, advances and financing, and the fair valuation of structured deposits, as the accounting policies adopted under the previous FRS framework were already in line with the requirements of the MFRS framework. The change in accounting policy on impairment of collectively assessed loans, advances and financing is as described in Note 2 a). A detailed explanation of how the transition to MFRSs has affected the reported financial position, financial performance and cash flows of the Group and the Bank is provided in Note 33.

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.

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 for the Group and Bank.

2 Basis of Preparation (Cont'd)

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

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. The Group and the Bank are currently examining the financial impact of adopting MFRS 9. IC Interpretation 20 is not expected to have any impact on the financial statements of the 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.

a) Change in accounting policy

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 Bank Negara Malaysia's transitional provisions under its Guidelines on Classification and Impairment Provisions for Loans/Financing. Upon the transition to MFRS 139 on 1 January 2012, these transitional provisions, which were allowed under the previous FRS framework, were removed and the 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.

Collectively assessed loans, advances and financing

Impairment is assessed on a collective basis in two circumstances:

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

Individually significant 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.

2 Basis of Preparation (Cont'd)

a) Change in accounting policy (Cont'd)

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

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;
- 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; and
- the period between a loss occurring and its identification is estimated for each identified portfolio.

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.

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 provision and individual impairment provision, a new category of provision, the "regulatory reserves provision" is now maintained. The regulatory reserves are an overlay provision on top of the collective impairment provision, based on collective impairment models.

3 Auditors' Report On Preceding Annual Financial Statements

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

4 Seasonality or Cyclical Factors

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

5 Unusual Items due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and Bank for the financial period ended 31 March 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 of loans, advances and financing, the valuation of financial instruments and the impairment of available-for-sale financial investments.

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and Bank for the financial period ended 31 March 2012, except for those arising from the change in accounting treatment as disclosed in Note 33.

7 Debt and Equity Securities

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

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. No dividend has been declared subsequent to 31 March 2012.

9 Carrying Amount of Revalued Assets

Property and equipment are stated at cost/valuation less accumulated depreciation and impairment losses (if any) except for freehold land which is stated at professional valuation. There was no change in the valuation of property and equipment that was brought forward from the previous audited financial statements for the financial period ended 31 March 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>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,628,726	5,036,115	1,491,322	4,922,703
Money at call and deposit placements maturing within one month	10,806,614	16,567,112	8,423,819	15,369,569
	12,435,340	21,603,227	9,915,141	20,292,272

12 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Licensed banks	61,310	206,958	3,020,444	3,242,238
Bank Negara Malaysia	800,000	-	800,000	-
Other financial institutions	674,865	444,820	674,865	444,820
	1,536,175	651,778	4,495,309	3,687,058

13 Financial Assets Held-for-Trading

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government treasury bills	830,081	457,224	830,081	457,224
Bank Negara Malaysia bills and notes	4,058,910	3,995,371	4,058,910	3,995,371
Bank Negara Malaysia Islamic bills	127,722	9,189	127,722	9,189
Malaysian Government securities	1,589,189	1,175,581	1,589,189	1,175,581
Malaysian Government Islamic bonds	165,932	291,877	165,431	75,161
Cagamas bonds and notes	16,736	21,751	16,736	21,751
	6,788,570	5,950,993	6,788,069	5,734,277
Unquoted securities:				
Private debt securities (including commercial paper)	386,833	266,244	386,833	266,244
	7,175,403	6,217,237	7,174,902	6,000,521

14 Financial Investments Available-for-Sale

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government securities	1,028,129	990,871	1,028,129	990,871
Malaysian Government Islamic bonds	1,870,492	1,511,514	1,252,730	1,114,432
Cagamas bonds and notes	45,533	45,499	45,533	45,499
Negotiable instruments of deposit	1,020,024	1,530,235	970,023	1,505,231
Bankers' acceptance and Islamic accepted bills	956,402	778,321	935,924	778,321
	4,920,580	4,856,440	4,232,339	4,434,354
Unquoted securities:				
Shares*	16,908	16,907	16,908	16,907
Private and Islamic debt securities	471	471	471	471
	17,379	17,378	17,379	17,378
	4,937,959	4,873,818	4,249,718	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>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	2,227,732	2,509,610	1,925,983	2,303,594
More than one year to three years	1,781,550	1,356,248	1,395,058	1,140,178
More than three years to five years	659,241	778,983	659,241	778,983
Over five years	252,057	211,599	252,057	211,599
	4,920,580	4,856,440	4,232,339	4,434,354

15 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts	1,265,281	1,258,278	1,200,018	1,208,525
Term loans/ financing				
Housing loans/ financing	13,847,707	13,326,278	12,205,947	12,053,927
Syndicated term loans/ financing	76,248	77,188	76,248	77,188
Factoring receivables	113,600	107,032	113,600	107,032
Hire purchase receivables	300,408	258,817	182	183
Lease receivables	799	942	684	813
Other term loans/ financing	11,640,871	11,341,894	6,745,994	6,712,714
Bills receivable	3,018,233	2,906,337	3,018,233	2,906,337
Trust receipts	1,380,299	1,630,471	1,353,253	1,605,334
Claims on customers under acceptance credits	2,590,613	3,088,510	1,998,260	2,033,632
Staff loans/ financing	399,021	405,273	374,252	384,895
Credit/ charge cards	2,790,929	2,937,361	2,423,133	2,571,414
Revolving credit	3,210,212	2,874,906	3,030,568	2,706,180
Other loans/ financing	9,436	9,157	9,436	9,157
Less: Unearned income	(109,969)	(114,198)	-	-
Gross loans, advances and financing	40,533,688	40,108,246	32,549,808	32,377,331
Less: Allowances for impaired loans, advances and financing				
- Collective allowances for impairment	(112,441)	(596,680)	(70,515)	(481,380)
- Individual allowances for impairment	(291,584)	(354,634)	(256,105)	(285,365)
- Regulatory reserves provision	(491,191)	-	(413,891)	-
Total net loans, advances and financing	39,638,472	39,156,932	31,809,297	31,610,586

15 Loans, Advances and Financing (Cont'd)

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions				
Stockbroking companies	93,058	143,155	93,058	143,155
Others	257	262	257	262
Domestic business enterprises				
Small medium enterprises	7,529,942	7,719,820	5,974,852	5,964,674
Others	10,995,193	10,610,995	8,764,136	8,291,558
Government and statutory bodies	22,147	25,086	-	-
Individuals	19,534,690	19,337,138	16,045,221	16,119,971
Other domestic entities	9,709	9,847	6,958	6,913
Foreign entities	2,348,692	2,261,943	1,665,326	1,850,798
	40,533,688	40,108,246	32,549,808	32,377,331

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	17,429,423	17,680,325	13,737,338	13,803,316
More than one year to three years	1,773,703	1,666,401	1,069,494	992,216
More than three years to five years	2,982,837	3,102,649	1,904,871	1,928,864
More than five years	18,347,725	17,658,871	15,838,105	15,652,935
	40,533,688	40,108,246	32,549,808	32,377,331

(iv) By interest/ profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
Housing loans/ financing	186,524	193,847	172,867	179,035
Hire purchase receivables	274,682	234,608	182	183
Other fixed rate loans/ financing	4,621,594	5,238,831	2,104,717	2,161,955
Variable rate				
BLR plus	26,575,024	26,068,227	24,818,341	24,758,564
Cost-plus	3,030,568	2,706,180	3,030,568	2,706,180
Other variable rates	5,845,296	5,666,553	2,423,133	2,571,414
	40,533,688	40,108,246	32,549,808	32,377,331

(v) By sector

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	1,857,864	1,672,328	1,337,918	1,176,982
Mining and quarrying	446,813	463,272	293,914	305,216
Manufacturing	6,761,968	7,198,362	5,517,968	5,659,143
Electricity, gas and water	408,932	409,302	334,866	332,674
Construction	1,236,389	1,086,318	991,337	829,478
Real estate	1,419,314	1,617,888	957,346	1,223,834
Wholesale & retail trade and restaurants & hotels	2,575,311	2,483,306	2,219,319	2,122,378
Transport, storage and communication	553,013	573,834	154,631	166,566
Finance, insurance and business services	1,373,943	1,425,523	1,192,433	1,244,628
Household-retail	20,989,873	20,701,268	17,318,697	17,340,725
Others	2,910,268	2,476,845	2,231,379	1,975,707
	40,533,688	40,108,246	32,549,808	32,377,331

15 Loans, Advances and Financing (Cont'd)

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Purchase of landed property:				
-Residential	14,183,080	13,672,770	12,574,095	12,418,600
-Non residential	1,355,577	1,438,326	1,285,981	1,375,324
Purchase of securities	16,907	23,097	16,907	23,097
Purchase of transport vehicles	42,333	45,028	40,837	43,450
Purchase of fixed assets excluding land & building	51,851	57,469	-	-
Consumption credit	6,276,914	6,463,263	4,218,593	4,360,413
Construction	1,236,389	1,086,318	991,337	829,478
Working capital	16,438,529	16,379,831	13,016,439	12,680,525
Other purpose	932,108	942,144	405,619	646,444
	40,533,688	40,108,246	32,549,808	32,377,331

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Northern region	7,020,203	7,196,649	5,611,920	5,778,787
Southern region	5,616,396	5,584,516	4,397,175	4,470,395
Central region	22,841,977	22,188,370	18,179,505	17,791,871
Eastern region	5,055,113	5,138,711	4,361,209	4,336,278
	40,533,688	40,108,246	32,549,808	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 states of Selangor and the Federal Territory of Kuala Lumpur.

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

Concentration by location for 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>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
At beginning of period/year	741,406	692,481	615,718	621,671
Classified as impaired during the period/year	206,961	717,773	155,746	548,073
Reclassified as performing	(67,086)	(197,762)	(61,200)	(197,270)
Amount recovered	(120,192)	(230,121)	(83,012)	(189,795)
Amount written off	(9,155)	(269,229)	(8,205)	(185,938)
Other movements	5,650	28,264	3,692	18,977
At end of period/year	757,584	741,406	622,739	615,718
Individual allowance for impairment	(291,584)	(354,634)	(256,105)	(285,365)
Collective allowance for impairment (impaired portion)	(35,010)	-	(19,515)	-
Net impaired loans, advances and financing	430,990	386,772	347,119	330,353

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

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Collective allowance for impairment				
At beginning of period/year	596,680	519,055	481,380	448,400
-effect of transition to MFRS [Note 33 ii) a]	(481,328)	-	(406,939)	-
At beginning of period/year, as restated	115,352	519,055	74,441	448,400
Made during the period/year	66,828	109,935	38,589	63,045
Amount recovered	(11,748)	(32,310)	(10,128)	(30,065)
Amount written off	(57,561)	-	(32,045)	-
Discount unwind	(430)	-	(342)	-
At end of period/year	112,441	596,680	70,515	481,380
Individual allowance for impairment				
At beginning of year, as previously stated	354,634	379,358	285,365	337,500
-effect of transition to MFRS [Note 33 ii) a]	(68,627)	-	(32,340)	-
At beginning of period/year, as restated	286,007	379,358	253,025	337,500
Made during the period/year	10,938	241,666	7,765	144,076
Amount recovered	(4,954)	(66,273)	(3,398)	(62,129)
Amount written off	(5,153)	(226,506)	(4,214)	(150,878)
Discount unwind	(536)	(2,208)	(397)	(2,514)
Other movements	5,282	28,597	3,324	19,310
At end of period/year	291,584	354,634	256,105	285,365
Regulatory reserve provision				
At beginning of period/year	-	-	-	-
Effect of regulatory reserve provision [Note 33 ii)a]	480,952	-	406,938	-
At beginning of period/year, as restated	480,952	-	406,938	-
Made during the period/year	10,239	-	6,953	-
At end of period/year	491,191	-	413,891	-

(iii) By sector

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	1,353	864	1,180	864
Manufacturing	107,991	109,995	99,123	100,927
Construction	602	1,128	602	1,128
Real estate	654	87	654	87
Wholesale & retail trade, restaurants & hotels	51,742	53,599	47,465	49,318
Transport, storage and communication	8,947	8,946	8,947	8,946
Finance, insurance and business services	1,557	2,578	1,557	2,578
Household-retail	584,501	563,964	462,974	451,625
Others	237	245	237	245
	757,584	741,406	622,739	615,718

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

(iv) By purpose

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Purchase of landed property:				
-Residential	267,458	257,490	247,102	238,458
-Non residential	30,750	33,009	30,639	32,898
Purchase of transport vehicles	142	187	142	184
Consumption credit	308,148	296,242	206,980	202,938
Construction	602	1,128	602	1,128
Working capital	150,153	153,022	137,274	140,112
Other purpose	331	328	-	-
	757,584	741,406	622,739	615,718

(v) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Northern region	183,277	180,199	147,601	148,177
Southern region	181,522	181,464	154,115	158,407
Central region	300,162	289,131	235,123	224,996
Eastern region	92,623	90,612	85,900	84,138
	757,584	741,406	622,739	615,718

17 Other Assets

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Derivative financial assets (Note 32)	1,225,565	1,458,522	1,224,980	1,442,794
Interest/ income receivable	71,885	72,858	69,805	69,224
Other receivables, deposits and prepayments	882,277	410,003	914,018	401,638
	2,179,727	1,941,383	2,208,803	1,913,656

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>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Demand deposits	12,531,236	13,308,265	11,693,140	12,634,457
Savings deposits	9,564,276	9,096,358	8,785,007	8,273,878
Fixed / Investment deposits	26,705,595	26,877,993	21,258,041	23,097,804
Negotiable instruments of deposit	3,004,795	2,985,317	2,945,863	2,969,917
Wholesale money market deposits	1,722,099	2,801,305	1,722,099	2,801,305
Structured deposits	3,760,539	3,454,608	3,581,207	3,270,254
	57,288,540	58,523,846	49,985,357	53,047,615

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Due within six months	21,912,351	22,183,256	17,066,645	18,965,859
More than six months to one year	4,756,636	4,353,669	4,166,452	3,805,559
More than one year to three years	2,643,814	2,861,160	2,632,150	2,846,478
More than three years to five years	397,589	465,225	338,657	449,825
	29,710,390	29,863,310	24,203,904	26,067,721

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	132,568	108,696	45,678	22,072
Business enterprises	20,351,465	23,408,090	18,199,435	21,717,218
Individuals	26,847,461	25,229,201	22,611,459	22,152,569
Others	9,957,046	9,777,859	9,128,785	9,155,756
	57,288,540	58,523,846	49,985,357	53,047,615

20 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Licensed banks	1,133,000	-	1,133,000	-
Bank Negara Malaysia	63,957	125,888	56,415	77,482
Other financial institutions	4,078,863	9,783,074	4,078,863	9,352,072
	5,275,820	9,908,962	5,268,278	9,429,554

21 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities	993,385	1,219,513	1,006,014	1,224,210
Interest/ profit payable	225,542	208,360	193,620	189,309
Profit equalisation reserve	1,340	6,700	-	-
Other creditors and accruals	2,028,696	3,328,327	1,974,437	3,431,858
	3,248,963	4,762,900	3,174,071	4,845,377

22 Provision for Taxation

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Taxation	197,922	53,103	172,059	46,265
	197,922	53,103	172,059	46,265

23 Subordinated Bonds

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2012	31 Dec 2011	31 Mar 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	9,921	15,200	9,921	15,200
	1,009,921	1,015,200	1,009,921	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

	Group		Bank	
	31 Mar 2012 RM'000	31 Mar 2011 RM'000	31 Mar 2012 RM'000	31 Mar 2011 RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	403,620	372,955	403,620	372,955
- Interest income recognised from impaired loans	397	786	397	786
Money at call and deposit placements with financial institutions	132,620	117,288	149,480	126,914
Financial investments available-for-sale	35,988	25,920	35,988	25,920
Fair value hedge derivative assets	962	1,260	962	1,260
	573,587	518,209	590,447	527,835
Interest expense				
Deposits and placements of banks and other financial institutions	(34,457)	(19,620)	(34,457)	(19,620)
Deposits from customers	(230,567)	(201,576)	(230,567)	(201,576)
Loans sold to Cagamas	-	(3,741)	-	(3,741)
Subordinated bonds	(11,718)	(11,589)	(11,718)	(11,589)
Others	(4,130)	(2,671)	(4,130)	(2,671)
	(280,872)	(239,197)	(280,872)	(239,197)
Net interest income	292,715	279,012	309,575	288,638

25 Net Fee and Commission Income

	Group and Bank	
	31 Mar 2012 RM'000	31 Mar 2011 RM'000
Fee and commission income		
Credit cards	42,043	43,634
Service charges and fees	46,748	35,796
Fees on credit facilities	8,006	7,633
Agency fee	20,307	20,135
Others	17,014	11,199
	134,118	118,397
Fee and commission expense		
Interbank and clearing fees	(347)	(278)
Brokerage	(790)	(558)
Others	(4,988)	(3,347)
	(6,125)	(4,183)
Net fee and commission income	127,993	114,214

26 Net Trading Income

	Group		Bank	
	31 Mar 2012 RM'000	31 Mar 2011 RM'000	31 Mar 2012 RM'000	31 Mar 2011 RM'000
Financial assets held-for-trading and other financial instruments	34,053	23,758	34,053	23,758
Net interest income from financial assets held-for-trading	38,879	25,262	38,879	25,262
Net unrealised gains on revaluation of financial assets held-for-trading	1,059	636	1,059	636
Net gains arising from dealing in foreign currency	99,611	75,781	98,360	75,781
Net unrealised (losses)/gains from dealing in foreign currency	(2,016)	12,895	(2,016)	12,895
Net gains arising from trading in derivatives	42,616	74,882	42,537	74,882
Net unrealised losses on revaluation of derivatives	(13,356)	(63,947)	(11,666)	(63,947)
(Losses)/gains arising from fair value hedges	(21)	127	(21)	127
	200,825	149,394	201,185	149,394

27 Income from Islamic Banking operations

	Group	
	31 Mar 2012 RM'000	31 Mar 2011 RM'000
Income derived from investment of depositor funds and others	159,543	93,680
Income derived from investment of shareholders funds	25,794	22,829
Income attributable to the depositors	(45,241)	(21,729)
	140,096	94,780

28 Other Operating Income

	Group		Bank	
	31 Mar 2012 RM'000	31 Mar 2011 RM'000	31 Mar 2012 RM'000	31 Mar 2011 RM'000
Disposal of financial investments available-for-sale	8	(3,350)	8	(3,350)
Dividend income from financial investments available-for-sale				
- Unquoted in Malaysia	120	120	120	120
- Quoted outside Malaysia	-	57	-	57
Rental income	1,715	1,613	1,715	1,613
Net gains on disposal of property and equipment	1	10	1	10
Other operating income	3,914	5,129	29,569	27,607
	5,758	3,579	31,413	26,057

29 Loans/ Financing Impairment Charges and other Credit Risk Provisions

	Group		Bank	
	31 Mar 2012 RM'000	31 Mar 2011 RM'000	31 Mar 2012 RM'000	31 Mar 2011 RM'000
Impairment charges on loans and financing:				
(a) Individual impairment				
Made during the financial period	10,938	57,572	7,765	37,613
Written back	(4,954)	(5,001)	(3,398)	(4,556)
(b) Collective impairment				
Made during the financial period	66,828	17,794	38,589	13,400
Written back	(11,748)	-	(10,128)	-
Impaired loans				
Recovered during the financial period	(26,525)	(28,520)	(20,032)	(23,676)
Written off	4,184	9,590	4,038	7,439
Impairment charges on commitments and contingencies:				
Written back	-	(1,950)	-	(1,950)
Regulatory reserve provision on loans and financing				
Made during the financial period	10,239	-	6,953	-
	48,962	49,485	23,787	28,270

30 Other Operating Expenses

	Group		Bank	
	31 Mar 2012 RM'000	31 Mar 2011 RM'000	31 Mar 2012 RM'000	31 Mar 2011 RM'000
Personnel expenses	157,292	149,288	147,810	141,259
Promotion and marketing related expenses	18,894	12,388	14,291	12,911
Establishment related expenses	36,831	36,338	32,533	33,586
General administrative expenses	75,909	98,571	73,162	96,131
	288,926	296,585	267,796	283,887

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	118,266	113,597	110,761	106,847
Employees Provident Fund contributions	19,071	19,951	18,021	18,932
Promotion and marketing related expenses				
Advertising and promotion	10,247	10,793	10,247	10,534
Establishment related expenses				
Depreciation of property and equipment	10,185	8,940	8,448	7,630
Amortisation of intangible assets	4,395	5,639	4,261	5,824
Information technology costs	3,070	4,304	2,844	4,154
Hire of equipment	1,966	1,719	1,954	1,707
Rental of premises	10,509	9,277	8,751	8,051
Property and equipment written off	329	-	329	-
General administrative expenses				
Intercompany expenses	55,616	70,675	52,184	69,971
Auditors' remuneration				
<u>Audit fees</u>				
KPMG Malaysia	142	120	99	95
<u>Non-audit fees</u>				
KPMG Malaysia	159	111	126	98

31 Capital Adequacy

	<i>Group</i>	
	31 Mar 2012 RM'000	31 Dec 2011 RM'000
Tier 1 capital		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Capital redemption reserve	190,000	190,000
Retained profits (including proposed dividend/dividend paid)	3,549,685	3,479,045
Statutory reserve	164,500	164,500
	4,760,060	4,689,420
Less: Deferred tax adjustments	(244,181)	(117,117)
Total Tier 1 capital	4,515,879	4,572,303
Tier 2 capital		
Subordinated bonds	1,009,921	1,015,200
Revaluation reserves	85,246	85,441
Collective impairment allowance (unimpaired portion)	77,431	596,680
Regulatory reserves provision	491,191	-
Total Tier 2 capital	1,663,789	1,697,321
Total capital	6,179,668	6,269,624
Capital base	6,179,668	6,269,624
Core capital ratio	9.8%	9.9%
Risk-weighted capital ratio	13.4%	13.6%
Core capital ratio (net of proposed dividend)	9.1%	9.3%
Risk-weighted capital ratio (net of proposed dividend)	12.7%	13.0%

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>			
	31 Mar 2012		31 Dec 2011	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	82,271,937	39,300,060	88,851,581	38,728,263
Total RWA for market risk	-	2,140,101	-	2,622,157
Total RWA for operational risk	-	4,827,003	-	4,680,548
	82,271,937	46,267,164	88,851,581	46,030,968

31 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	31 Mar 2012 RM'000	31 Dec 2011 RM'000
Tier 1 capital		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Capital redemption reserve	190,000	190,000
Retained profits (including proposed dividend/dividend paid)	3,358,331	3,325,829
Statutory reserve	114,500	114,500
	4,518,706	4,486,204
Less: Deferred tax adjustments	(213,987)	(117,795)
Total Tier 1 capital	4,304,719	4,368,409
Tier 2 capital		
Subordinated bonds	1,009,921	1,015,200
Revaluation reserves	85,246	85,441
Collective impairment allowance (unimpaired portion)	51,000	481,380
Regulatory reserves provision	413,891	-
Tier 2 capital	1,560,058	1,582,021
Less: Investment in subsidiaries	(660,021)	(660,021)
Total Tier 2 capital	900,037	922,000
Capital base	5,204,756	5,290,409
Core capital ratio	11.0%	11.1%
Risk-weighted capital ratio	13.3%	13.4%
Core capital ratio (net of proposed dividend)	10.3%	10.3%
Risk-weighted capital ratio (net of proposed dividend)	12.6%	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>Bank</i>			
	31 Mar 2012		31 Dec 2011	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	72,032,069	32,559,204	80,688,742	32,514,625
Total RWA for market risk	-	2,083,809	-	2,521,215
Total RWA for operational risk	-	4,419,372	-	4,305,377
	72,032,069	39,062,385	80,688,742	39,341,217

32 Commitments and Contingencies

31 Mar 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	1,533,329	-	1,533,329	1,181,446
Transaction-related contingent items	4,667,974	-	2,333,987	1,603,355
Short-term self-liquidating trade-related contingencies	617,664	-	123,533	101,153
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	11,934,683	-	2,386,937	2,089,131
- Maturity exceeding one year	2,650,620	-	1,325,310	1,160,158
Unutilised credit card lines	7,866,672	-	1,573,334	1,180,001
Foreign exchange related contracts				
- Less than one year	44,115,203	390,534	970,103	480,242
- Over one year to less than five years	8,416,650	417,067	1,043,994	699,664
- Over five years	2,252,968	56,612	303,068	184,366
Interest/profit rate related contracts:				
- Less than one year	9,850,388	10,506	25,840	10,109
- Over one year to less than five years	30,817,764	213,395	894,396	321,451
- Over five years	2,980,532	67,379	281,332	99,088
Gold and other precious metals contracts				
- Less than one year	228,300	6,843	11,487	2,297
- Over one year to less than five years	10,248	681	1,233	247
Other commodity contracts:				
- Over one year to less than five years	28,003	-	3,360	672
Equity related contracts				
- Less than one year	113,143	5,234	12,687	2,537
- Over one year to less than five years	1,804,357	40,489	184,520	36,904
- Over five years	552,033	16,825	72,029	14,406
Sell buy back agreement	241,659	-	241,659	241,659
	130,682,190	1,225,565	13,322,138	9,408,886

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 security 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)

31 Mar 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	1,008,167	-	1,008,167	711,505
Transaction-related contingent items	4,109,088	-	2,054,544	1,346,725
Short-term self-liquidating trade-related contingencies	597,980	-	119,596	97,772
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	10,363,745	-	2,072,749	1,791,551
- Maturity exceeding one year	2,565,510	-	1,282,755	1,118,996
Unutilised credit card lines	6,975,262	-	1,395,052	1,046,289
Foreign exchange related contracts				
- Less than one year	44,114,349	390,299	969,824	478,597
- Over one year to less than five years	8,416,650	417,067	1,043,994	699,664
- Over five years	2,252,968	56,612	303,068	184,366
Interest rate related contracts:				
- Less than one year	9,850,388	10,506	25,840	10,109
- Over one year to less than five years	32,121,265	215,449	945,272	342,365
- Over five years	2,980,532	67,379	281,332	99,088
Gold and other precious metals contracts				
- Less than one year	228,300	6,843	11,487	2,297
- Over one year to less than five years	10,248	681	1,233	247
Other commodity contracts:				
- Over one year to less than five years	28,003	-	3,360	672
Equity related contracts				
- Less than one year	113,143	5,234	12,687	2,537
- Over one year to less than five years	1,651,197	38,083	170,179	35,400
- Over five years	552,032	16,827	72,029	14,408
	127,938,827	1,224,980	11,773,168	7,982,588

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 security 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	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	411,487	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	10,993	24,058	10,127
- Over one year to less than five years	28,908,974	362,574	974,957	363,773
- Over five years	2,675,692	175,826	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	8,561	10,621	2,124
- Over one year to less than five years	1,595,881	46,510	165,381	33,077
- Over five years	453,806	17,372	62,753	12,551
Sell buy back agreement	192,401	-	192,401	192,401
	<u>119,168,960</u>	<u>1,458,522</u>	<u>12,251,813</u>	<u>8,551,335</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 security 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	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	411,987	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	10,993	24,058	10,126
- Over one year to less than five years	30,212,475	351,538	1,024,026	383,424
- Over five years	2,675,692	175,825	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	8,561	10,621	2,124
- Over one year to less than five years	1,405,512	41,318	146,323	29,264
- Over five years	453,805	17,373	62,753	12,553
	<u>116,742,039</u>	<u>1,442,794</u>	<u>10,889,617</u>	<u>7,301,623</u>

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 security price) of the underlying instruments. The table above shows the Bank's derivative financial instruments as at the statement of financial position date. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial asset) fair values as at the statement of financial position date are shown above.

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

33 Explanation of transition to MFRSs

As stated in Note 2, these are the Group and the Bank's first 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 to retained earnings (due to the prospective application of the relevant MFRSs). Similarly, the financial impact of the additional regulatory reserve provisions were also effected to retained earnings. Hence, there was no impact to the financial performance of the Group and the Bank. There are no material differences between the statement of cash flows presented under MFRSs and the statement of cash flows presented under FRSs.

i) Reconciliation of financial position

Group	Note	FRSs	Effect of transition to MFRSs	Effect of regulatory reserve	MFRSs
		RM'000	RM'000	RM'000	RM'000
1 January 2012					
Assets					
Cash and short term funds		21,603,227	-		21,603,227
Securities purchased under resale agreements		3,682,969	-		3,682,969
Deposits and placements with banks and other financial institutions		651,778	-		651,778
Financial Assets Held-for-Trading		6,217,237	-		6,217,237
Financial Investments Available-for-Sale		4,873,818	-		4,873,818
Loans, advances and financing	33 ii) a	39,156,932	549,955	(480,952)	39,225,935
Other assets	33 ii) b	1,941,383	(189,554)		1,751,829
Statutory deposits with Bank Negara Malaysia		1,096,060	-		1,096,060
Property and equipment		354,032	-		354,032
Intangible assets		53,263	-		53,263
Deferred tax assets	33 ii) c	94,245	9,532	117,532	221,309
Total assets		79,724,944	369,933	(363,420)	79,731,457
Liabilities					
Deposits from customers	33 ii) b	58,523,846	24,355		58,548,201
Deposits and placements from banks and other financial institutions		9,908,962	-		9,908,962
Bills and acceptances payable		521,337	-		521,337
Other liabilities	33 ii) b	4,762,900	(222,507)		4,540,393
Provision for taxation	33 ii) c	53,103	127,577		180,680
Subordinated bonds		1,015,200	-		1,015,200
Total liabilities		74,785,348	(70,575)	-	74,714,773
Equity					
Share capital		114,500	-		114,500
Reserves	33 ii) d	4,525,096	440,508	(363,420)	4,602,184
Proposed dividend		300,000	-		300,000
Total equity attributable to owner of the Bank		4,939,596	440,508	(363,420)	5,016,684
Total liabilities and equity		79,724,944	369,933	(363,420)	79,731,457
Commitments and Contingencies		119,168,960	-	-	119,168,960

33 Explanation of transition to MFRSs (Cont'd)

i) Reconciliation of financial position

Bank	FRSs	Effect of transition to MFRSs		MFRSs
		1 January 2012		
	RM'000	RM'000	RM'000	RM'000
Assets	Note			
Cash and short term funds		20,292,272	-	20,292,272
Securities purchased under resale agreements		3,682,969	-	3,682,969
Deposits and placements with banks and other financial institutions		3,687,058	-	3,687,058
Financial Assets Held-for-Trading		6,000,521	-	6,000,521
Financial Investments Available-for-Sale		4,451,732	-	4,451,732
Loans, advances and financing	33 ii) a	31,610,586	439,279	31,642,927
Other assets	33 ii) b	1,913,656	(179,019)	1,734,637
Statutory deposits with Bank Negara Malaysia		867,498	-	867,498
Investments in subsidiary companies		660,021	-	660,021
Property and equipment		335,106	-	335,106
Intangible assets		52,802	-	52,802
Deferred tax assets	33 ii) c	79,063	10,366	191,164
Total assets		73,633,284	270,626	73,598,707
Liabilities				
Deposits from customers	33 ii) b	53,047,615	27,007	53,074,622
Deposits and placements from banks and other financial institutions		9,429,554	-	9,429,554
Bills and acceptances payable		513,737	-	513,737
Other liabilities	33 ii) b	4,845,377	(213,500)	4,631,877
Provision for taxation	33 ii) c	46,265	113,809	160,074
Subordinated bonds		1,015,200	-	1,015,200
Total liabilities		68,897,748	(72,684)	68,825,064
Equity				
Share capital		114,500	-	114,500
Reserves	33 ii) d	4,321,036	343,310	4,359,143
Proposed dividend		300,000	-	300,000
Total equity attributable to owner of the Bank		4,735,536	343,310	4,773,643
Total liabilities and equity		73,633,284	270,626	73,598,707
Commitments and Contingencies		116,742,039	-	116,742,039

33 Explanation of transition to MFRSs (Cont'd)

ii) Notes to reconciliations

a) Loans, advances and financing

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

	Note	Group RM'000	Bank RM'000
Decrease in collective impairment provision ("CIP")	16 (ii)	481,328	406,939
Decrease in individual impairment provision ("IIP")	16 (ii)	68,627	32,340
Increase in regulatory reserve provision	16 (ii)	(480,952)	(406,938)
<i>Adjustment to increase retained earnings</i>	33 ii) d	69,003	32,341

In the previous years, collective impairment provisions were based on a percentage (1.5%) of the total outstanding loans/financing portfolio net of individual impairment provisions to cover future potential losses from the loans/financing portfolio. Upon transition to MFRSs, the Group and the Bank employs a MFRS compliant CIP model where collective impairment provisions 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 CIP models instead of being individually assessed. In addition to the CIP and IIP, a new category of provision, the "regulatory reserve provision" 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).

b) Other assets, other liabilities and deposits from customers

	Note	Group RM'000	Bank RM'000
Other assets:			
Decrease in derivative financial assets		(189,554)	(179,019)
Other liabilities:			
Decrease in derivative financial liabilities		222,507	213,500
Deposit from customers:			
Increase in structured deposits		(24,355)	(27,007)
<i>Adjustment to increase retained earnings</i>	33 ii) d	8,598	7,474

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 the audited financial statements of the Group and Bank as at and for the financial year ended 31 December 2011, under Note 3g(vi).

c) Deferred tax assets and provision for taxation

	Note	Group RM'000	Bank RM'000
Deferred tax assets			
Deferred tax assets recognised on collective impairment provision		9,532	10,366
Deferred tax assets recognised on regulatory reserve provision		117,532	101,735
		127,064	112,101
Provision for taxation			
Increased provision for tax liability upon positive fair valuation of structured deposits		(2,150)	(1,869)
Increased provision for tax liability upon decrease in CIP and IIP		(125,427)	(111,940)
		(127,577)	(113,809)
<i>Adjustment to decrease retained earnings</i>	33 ii) d	(513)	(1,708)

The decrease in collective impairment provision 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 CIP and IIP.

d) Retained earnings

	Note	Group RM'000	Bank RM'000
Loans, advances and financing	33 ii) a	69,003	32,341
Other assets, other liabilities and deposits from customers	33 ii) b	8,598	7,474
Deferred tax assets and provision for taxation	33 ii) c	(513)	(1,708)
<i>Adjustment to increase retained earnings</i>		77,088	38,107

34 Review of Performance

The Group recorded profit before tax ("PBT") of RM429 million for the financial period ended 31 March 2012, an increase of 45.6% or RM135 million compared against history. Operating income increased by RM126 million or 19.7% to RM767 million (31 March 2011: RM641 million) mainly on higher trading profits (+RM51 million or 34.4%), income from Islamic Banking operations (+RM45 million or 47.8%), fee income (+RM14 million or 12.1%) and net interest income (+RM14 million or 4.9%).

Trading profit advanced to RM201 million principally on derivatives and trading net interest income. Income from Islamic Banking Operations grew to RM140 million; the greatest improvement in terms of percentage, in line with the Group's expansion in the Islamic banking business via wider geographical reach and range of services/products offered. Net fee income improved to RM128 million, mainly on higher corporate finance related fees while net interest income increased to RM293 million on a larger loan base. Operating expenses showed some improvement at RM289 million (decreased by RM8 million or 2.6%) while the cost income ratio improved to 37.7% from 46.3% on the strong growth in operating income and slight improvement in operating expenses.

Loans/financing impairment charges remained stable at RM49 million. With effect from 1 January 2012, Bank Negara Malaysia's transitional CIP was replaced with CIP models that comply with the MFRSs. Additionally, a new category of loan provisioning, the regulatory reserve provision was maintained as an overlay provision on top of the collective impairment provision.

Gross loans and financing as at 31 March 2012 were stable at RM40.5 billion (31 December 2011: RM40.1 billion). Total assets as at 31 March 2012 stood at RM72.8 billion, RM6.9 billion lower compared against 31 December 2011 (RM79.7 billion). The decrease (RM6.9 billion) can be attributed mainly to lower deposits and placements from banks and financial institutions (31 March 2012: RM5.3 billion ; 31 Dec 2011: RM9.9 billion).

35 Business Prospects

The Malaysian economy moderated in 2011, registering a growth level of 5.1% in 2011 (7.2% in 2010) mainly on stronger domestic demand as the global economic landscape continues to be challenging and volatile. Domestic demand in 2011 registered stronger growth compared to the previous year, driven by both household and business spending, and higher public sector consumption.

In view of the expected prolonged weakness in external economic conditions, Malaysia's economy is projected to experience slightly lower growth levels of between 4 % to 5% in 2012. Domestic demand is expected to remain resilient and continue to be the anchor for growth. The upward revision of public sector wages and the one-off financial assistance to low and middle-income groups announced in the 2012 Budget is expected to spur consumer spending whilst private investment will likely be supported by domestic-oriented industries and the ongoing implementation of projects under the Economic Transformation Programme (ETP).

In 2012, the focus will remain on growing the Premier and Advance propositions. The 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 58 branches [42 conventional and 16 Islamic branches] , 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.