

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
31 MARCH 2013

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 2013 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 : 26 April 2013

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

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AT 31 MARCH 2013

	Note	<i>Group</i>		<i>Bank</i>	
		31 Mar 2013 RM'000	31 Dec 2012 RM'000	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Assets					
Cash and short term funds	11	14,770,098	12,663,437	12,542,370	11,014,117
Securities purchased under resale agreements		-	2,433,346	-	2,433,346
Deposits and placements with banks and other financial institutions	12	4,879,492	2,992,993	6,518,984	4,645,468
Financial Assets Held-for-Trading	13	3,863,443	4,597,107	3,457,364	4,414,598
Financial Investments Available-for-Sale	14	8,966,883	7,546,325	7,760,978	6,281,042
Loans, advances and financing	15	42,158,494	42,265,895	33,696,849	33,782,016
Other assets	17	2,302,901	2,196,564	2,360,114	2,209,665
Statutory deposits with Bank Negara Malaysia	18	1,303,160	1,330,159	968,098	986,598
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		362,215	369,194	335,078	341,355
Intangible assets		53,219	53,525	53,195	53,496
Deferred tax assets		178,882	176,014	137,416	134,541
Total assets		78,838,787	76,624,559	68,490,467	66,956,263
Liabilities					
Deposits from customers	19	61,654,556	59,938,046	52,122,277	51,298,258
Deposits and placements from banks and other financial institutions	20	6,243,450	6,117,046	6,231,326	6,007,271
Bills and acceptances payable		491,803	504,349	481,988	488,923
Other liabilities	21	2,726,578	2,646,149	2,844,454	2,625,929
Provision for taxation		33,154	14,168	28,966	10,861
Multi-Currency Sukuk Programme	22	500,000	500,000	-	-
Subordinated bonds	23	1,012,109	1,012,591	1,012,109	1,012,591
Total liabilities		72,661,650	70,732,349	62,721,120	61,443,833
Equity					
Share capital		114,500	114,500	114,500	114,500
Reserves		5,762,637	5,477,710	5,354,847	5,097,930
Proposed dividend		300,000	300,000	300,000	300,000
Total equity attributable to owner of the Bank		6,177,137	5,892,210	5,769,347	5,512,430
Total liabilities and equity		78,838,787	76,624,559	68,490,467	66,956,263
Commitments and Contingencies	32	135,443,837	126,997,325	132,941,223	124,988,502

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 2012 and the accompanying explanatory notes on pages 6 to 27 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 26 April 2013.

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 2013

	Note	Group		Bank	
		31 Mar 2013 RM'000	31 Mar 2012 RM'000 Restated	31 Mar 2013 RM'000	31 Mar 2012 RM'000 Restated
Revenue		1,025,081	1,057,375	886,855	916,116
Interest income	24	569,041	572,815	578,544	589,675
Interest expense	24	(228,188)	(239,824)	(228,188)	(239,824)
Net interest income	24	340,853	332,991	350,356	349,851
Fee and commission income	25	113,736	134,118	113,736	134,118
Fee and commission expense	25	(10,648)	(6,125)	(10,648)	(6,125)
Net fee and commission income	25	103,088	127,993	103,088	127,993
Net trading income	26	150,828	160,550	150,113	160,910
Income from Islamic banking operations	27	127,371	140,096	-	-
Other operating income	28	13,527	5,758	44,462	31,413
Operating income before impairment losses		735,667	767,388	648,019	670,167
Loans / financing impairment charges and other credit risk provisions	29	(83,408)	(40,414)	(51,306)	(1,609)
Net operating income		652,259	726,974	596,713	668,558
Other operating expenses	30	(271,033)	(288,926)	(251,258)	(267,796)
Profit before income tax expense		381,226	438,048	345,455	400,762
Income tax expense		(97,316)	(112,038)	(88,427)	(102,645)
Profit for the period		283,910	326,010	257,028	298,117
Other comprehensive income					
Revaluation reserve:					
Cash flow hedge					
Effective portion of changes in fair value		(12)	(384)	(12)	(384)
Net amount transferred to profit or loss		(96)	-	(96)	-
Fair value reserve					
Change in fair value		5,423	(3,841)	4,090	(3,502)
Amount transferred to profit or loss		(7,631)	-	(7,631)	-
Income tax relating to components of other comprehensive income		579	960	912	875
Other comprehensive income for the period, net of income tax		(1,737)	(3,265)	(2,737)	(3,011)
Total comprehensive income for the period		282,173	322,745	254,291	295,106
Profit attributable to the owner of the Bank		283,910	326,010	257,028	298,117
Total comprehensive income attributable to the owner of the Bank		282,173	322,745	254,291	295,106
Basic earnings per RM0.50 ordinary share		124.0 sen	142.4 sen	112.2 sen	130.2 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 2012 and the accompanying explanatory notes on pages 6 to 27 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 26 April 2013.

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 2013

	Group												
	Non-distributable				Attributable to the owner (the ultimate holding company)					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	RM'000
Balance at 1 January 2012	114,500	741,375	164,500	148,597	190,000	10,914	854	89,811	-	3,404,225	4,750,276	300,000	5,164,776
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	326,010	326,010	-	326,010
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)	-	-	326,401	322,745	-	322,745
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	3,729,481	5,081,391	300,000	5,495,891
Balance at 1 January 2013	114,500	741,375	164,500	167,322	190,000	16,602	324	90,923	-	4,106,664	5,477,710	300,000	5,892,210
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	283,910	283,910	-	283,910
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(450)	-	-	-	-	-	450	-	-	-
Cash flow hedge													
Effective portion of charges in fair value	-	-	-	-	-	-	(9)	-	-	-	(9)	-	(9)
Net amount transferred to profit or loss	-	-	-	-	-	-	(73)	-	-	-	(73)	-	(73)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	4,069	-	-	-	-	4,069	-	4,069
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(5,724)	-	-	-	-	(5,724)	-	(5,724)
Total other comprehensive income	-	-	-	(450)	-	(1,655)	(82)	-	-	450	(1,737)	-	(1,737)
Total comprehensive income for the period	-	-	-	(450)	-	(1,655)	(82)	-	-	284,360	282,173	-	282,173
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	4,882	-	(2,128)	2,754	-	2,754
Balance at 31 March 2013	114,500	741,375	164,500	166,872	190,000	14,947	242	95,805	-	4,388,896	5,762,637	300,000	6,177,137

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 2012 and the accompanying explanatory notes on pages 6 to 27 attached to the unaudited condensed interim financial statements.

HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013 (CONT'D)

	Bank											
	Attributable to the owner (the ultimate holding company)											Total equity
	Non-distributable					Distributable						
Share capital	Share premium	Statutory reserve	Revaluation reserve	Capital redemption reserve	Available-for-sale reserve	Cash flow hedge reserve	Capital contribution reserve	Retained profit	Total reserves	Proposed dividends		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2012	114,500	741,375	114,500	148,597	190,000	10,766	854	89,115	3,213,401	4,508,608	300,000	4,923,108
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	298,117	298,117	-	298,117
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)	-	298,508	295,106	-	295,106
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	3,510,764	4,806,678	300,000	5,221,178
Balance at 1 January 2013	114,500	741,375	114,500	167,322	190,000	16,068	324	89,760	3,778,581	5,097,930	300,000	5,512,430
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	257,028	257,028	-	257,028
Other comprehensive income, net of income tax												
Revaluation reserve:												
Transfer to retained profit upon realisation of depreciation	-	-	-	(450)	-	-	-	-	450	-	-	-
Cash flow hedge												
Effective portion of changes in fair value	-	-	-	-	-	-	(9)	-	-	(9)	-	(9)
Net amount transferred to profit or loss	-	-	-	-	-	-	(73)	-	-	(73)	-	(73)
Available-for-sale reserve:												
Net change in fair value	-	-	-	-	-	3,069	-	-	-	3,069	-	3,069
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(5,724)	-	-	-	(5,724)	-	(5,724)
Total other comprehensive income	-	-	-	(450)	-	(2,655)	(82)	-	450	(2,737)	-	(2,737)
Total comprehensive income for the period	-	-	-	(450)	-	(2,655)	(82)	-	257,478	254,291	-	254,291
Transactions with the owner (the ultimate holding company), recorded directly in equity												
Share based payment transactions	-	-	-	-	-	-	-	4,754	(2,128)	2,626	-	2,626
Balance at 31 March 2013	114,500	741,375	114,500	166,872	190,000	13,413	242	94,514	4,033,931	5,354,847	300,000	5,769,347

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 2012 and the accompanying explanatory notes on pages 6 to 27 attached to the unaudited condensed interim financial statements.

HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Mar 2012	31 Mar 2013	31 Mar 2012
	RM'000	RM'000	RM'000	RM'000
Profit before income tax expense	381,226	438,048	345,455	400,762
Adjustments for non-operating and non-cash items	18,074	17,798	15,373	15,881
Operating profit before working capital changes	399,300	455,846	360,828	416,643
Changes in working capital:				
Net changes in operating assets	1,308,010	(2,231,556)	1,469,718	(2,096,789)
Net changes in operating liabilities	1,910,797	(7,228,949)	1,259,664	(8,807,544)
Income tax paid	(80,618)	(87,815)	(72,284)	(81,315)
Net cash generated from/(used in) operations	3,537,489	(9,092,474)	3,017,926	(10,569,005)
Net cash (used in)/generated from investing activities	(1,430,828)	(75,413)	(1,489,673)	191,874
	(1,430,828)	(75,413)	(1,489,673)	191,874
Net changes in cash and cash equivalents	2,106,661	(9,167,887)	1,528,253	(10,377,131)
Cash and cash equivalents at beginning of the period	12,663,437	21,603,227	11,014,117	20,292,272
Cash and cash equivalents at end of the period	14,770,098	12,435,340	12,542,370	9,915,141
Analysis of cash and cash equivalents				
Cash and short-term funds	14,770,098	12,435,340	12,542,370	9,915,141

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 2012 and the accompanying explanatory notes on pages 6 to 27 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 26 April 2013.

HSBC BANK MALAYSIA BERHAD
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Explanatory notes to the Unaudited Condensed Interim Financial Statements at 31 March 2013

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 2013 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ('MFRS') 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ('MASB').

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 and the Bank for the financial year ended 31 December 2012. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group and Bank since the financial year ended 31 December 2012. The Group's unaudited condensed interim financial statements include the financial statements of the Bank and its subsidiary companies.

All significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2012, except for the adoption of the following MFRSs, amendments to MFRSs, and Issues Committee ('IC') Interpretations.

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

2 Basis of Preparation (Cont'd)

IC Interpretation 20 did not 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 adoption of the remaining standards, amendments and interpretations did not have any material impact on the financial results of the Group and the Bank.

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

Effective for annual periods commencing on or after 1 January 2014

- Amendments to MFRS 10, MFRS 12 and MFRS 127, Investment Entities
- 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 and amendments from the annual period beginning 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 initial application of the above standards and amendments is not expected to have any material financial impact to the current and prior periods financial statements of the Group and the Bank upon their first adoption, except for those discussed below:-

MFRS 9, Financial Instruments

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

3 Auditors' Report On Preceding Annual Financial Statements

The audit report on the audited annual financial statements for the financial year ended 31 December 2012 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 2013.

6 Changes in Estimates

The preparation of financial information requires the use of estimates. The use of available information and the application of judgement are inherent in the formation of estimates; actual results in the future may differ from those reported. Management believes that critical accounting policies where judgement is necessarily applied are those which relate to impairment allowances for loans, advances and financing, the valuation of financial instruments and the impairment allowance of available-for-sale financial investments.

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and Bank for the financial period ended 31 March 2013, 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 31 March 2013.

8 Dividend

A final dividend of RM1.747 per ordinary share less tax at 25% amounting to RM300 million in respect of the financial year ended 31 December 2012 was paid on 11 April 2013. No dividend has been declared subsequent to 31 March 2013.

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 2013.

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 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	2,584,611	2,671,894	2,438,180	2,521,508
Money at call and deposit placements maturing within one month	12,185,487	9,991,543	10,104,190	8,492,609
	14,770,098	12,663,437	12,542,370	11,014,117

12 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Licensed banks	30,935	-	1,670,427	1,652,475
Bank Negara Malaysia	4,400,000	2,500,000	4,400,000	2,500,000
Other financial institutions	448,557	492,993	448,557	492,993
	4,879,492	2,992,993	6,518,984	4,645,468

13 Financial Assets Held-for-Trading

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government treasury bills	389,457	811,410	205,832	628,901
Bank Negara Malaysia bills and notes	1,595,665	641,602	1,595,665	641,602
Bank Negara Malaysia Islamic bills	11,896	543,464	11,896	543,464
Malaysian Government securities	1,198,818	1,988,396	1,198,818	1,988,396
Malaysian Government Islamic bonds	405,532	323,271	183,078	323,271
Cagamas bonds and notes	2,502	2,502	2,502	2,502
	3,603,870	4,310,645	3,197,791	4,128,136
Unquoted securities:				
Private debt securities	259,573	286,462	259,573	286,462
(including commercial paper)	3,863,443	4,597,107	3,457,364	4,414,598

14 Financial Investments Available-for-Sale

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government treasury bills	29,427	29,202	29,427	29,202
Bank Negara Malaysia bills and notes	57,296	56,871	57,296	56,871
Bank Negara Malaysia Islamic bills	3,480,001	652,556	3,480,001	652,556
Malaysian Government securities	945,382	1,788,709	945,382	1,788,709
Malaysian Government Islamic bonds	3,108,971	3,948,055	1,941,905	2,731,404
Bank Negara Malaysia Islamic bonds	35,626	35,627	35,626	35,627
Cagamas bonds and notes	45,261	45,320	45,261	45,320
Negotiable instruments of deposit	391,984	85,003	366,984	60,002
Bankers' acceptance and Islamic accepted bills	775,516	887,604	761,677	863,973
	8,869,464	7,528,947	7,663,559	6,263,664
Unquoted securities:				
Shares*	16,907	16,907	16,907	16,907
Private and Islamic debt securities	80,512	471	80,512	471
	97,419	17,378	97,419	17,378
	8,966,883	7,546,325	7,760,978	6,281,042

*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 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
Maturing within one year	5,155,555	2,142,323	4,891,374	1,838,418
More than one year to three years	1,424,447	2,976,974	1,012,837	2,645,173
More than three years to five years	1,557,351	1,640,606	1,511,894	1,495,194
Over five years	732,111	769,044	247,454	284,879
	8,869,464	7,528,947	7,663,559	6,263,664

15 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts	1,248,843	1,282,760	1,180,016	1,220,023
Term loans/ financing				
Housing loans/ financing	14,898,461	14,601,065	12,654,709	12,504,747
Syndicated term loans/ financing	62,667	67,372	62,667	67,372
Factoring receivables	147,109	157,134	147,109	157,134
Hire purchase receivables	295,800	296,825	183	184
Lease receivables	3,303	3,219	-	-
Other term loans/ financing*	12,326,464	12,453,945	7,734,220	7,741,682
Bills receivable	2,955,219	3,294,693	2,955,219	3,294,693
Trust receipts	1,119,312	1,229,690	1,077,262	1,180,473
Claims on customers under acceptance credits	2,930,787	2,990,604	2,154,073	2,126,056
Staff loans/ financing	394,922	401,676	351,951	360,603
Credit/ charge cards	2,726,721	2,884,343	2,293,145	2,441,572
Revolving credit	3,895,488	3,420,408	3,635,275	3,208,787
Other loans/ financing	9,458	9,880	9,458	9,880
Less: Unearned income	(114,620)	(121,297)	-	-
Gross loans, advances and financing	42,899,934	42,972,317	34,255,287	34,313,206
Less: Allowances for impaired loans, advances and financing				
- Collectively assessed	(437,646)	(401,441)	(288,317)	(256,588)
- Individually assessed	(303,794)	(304,981)	(270,121)	(274,602)
Total net loans, advances and financing	42,158,494	42,265,895	33,696,849	33,782,016

15 Loans, Advances and Financing (Cont'd)

(i) By type (Cont'd)

* Included in the loans, advances and financing of the Group and Bank at 31 March 2013 is a Risk Absorbent Profit Sharing Investment Account Type 2 (PSIA2) balance amounting to RM607.34m (2012: RM632.21m).

The PSIA 2 was implemented in 2012 in accordance with the requirements of the BNM Guideline on Recognition and Measurement of PSIA as Risk Absorbent. The accounts under the PSIA2 are classified as "Assets Under Management" in the books of the Bank's fully owned subsidiary, HSBC Amanah Malaysia Berhad. The balance of RM607.34m is fully performing, and no allowance for impaired loans, advances and financing is recognised on it.

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions				
Others	87,556	93,237	87,556	93,237
Domestic business enterprises				
Small medium enterprises	8,220,035	8,239,265	6,607,678	6,526,613
Others	10,209,278	10,399,494	7,811,584	7,980,962
Government and statutory bodies	21,652	20,193	-	-
Individuals	20,318,890	20,276,460	16,160,301	16,238,628
Other domestic entities	8,199	8,306	6,532	6,658
Foreign entities	4,034,324	3,935,362	3,581,636	3,467,108
	42,899,934	42,972,317	34,255,287	34,313,206

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	18,270,647	18,771,716	14,697,830	15,002,564
More than one year to three years	1,883,885	1,865,327	1,290,233	1,239,273
More than three years to five years	2,537,692	2,522,173	1,767,610	1,757,069
More than five years	20,207,710	19,813,101	16,499,614	16,314,300
	42,899,934	42,972,317	34,255,287	34,313,206

(iv) By interest/ profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
Housing loans/ financing	157,635	163,075	148,347	152,748
Hire purchase receivables	269,033	269,701	183	184
Other fixed rate loans/ financing	4,454,586	4,628,448	2,287,129	2,267,770
Variable rate				
BLR/BFR plus	31,656,683	31,817,963	25,891,207	26,242,145
Cost-plus	3,635,276	3,208,787	3,635,276	3,208,787
Other variable rates	2,726,721	2,884,343	2,293,145	2,441,572
	42,899,934	42,972,317	34,255,287	34,313,206

15 Loans, Advances and Financing (Cont'd)

(v) By sector

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	1,942,758	2,176,877	1,567,657	1,634,240
Mining and quarrying	501,048	474,355	351,753	323,128
Manufacturing	6,082,704	7,036,938	4,930,679	5,783,512
Electricity, gas and water	128,138	130,039	28,046	29,194
Construction	1,944,671	1,391,559	1,606,090	1,136,318
Real estate	2,037,971	1,779,334	1,431,840	1,250,039
Wholesale & retail trade and restaurants & hotels	2,744,928	2,861,976	2,152,064	2,247,830
Transport, storage and communication	512,019	502,279	218,851	217,321
Finance, insurance and business services	2,223,385	2,055,058	1,995,243	1,825,814
Household-retail	22,212,731	22,047,654	17,689,421	17,690,716
Others	2,569,581	2,516,248	2,283,643	2,175,094
	42,899,934	42,972,317	34,255,287	34,313,206

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Purchase of landed property:				
-Residential	15,080,355	14,820,899	12,993,950	12,854,809
-Non residential	1,283,941	1,304,992	1,184,297	1,230,965
Purchase of securities	7,704	11,835	7,704	11,835
Purchase of transport vehicles	39,882	40,029	38,296	38,542
Purchase of fixed assets excluding land & building	46,085	49,562	-	-
Consumption credit	6,661,813	6,744,514	4,228,717	4,357,008
Construction	1,944,671	1,391,559	1,606,090	1,136,318
Working capital	15,666,752	16,415,895	12,138,788	12,661,686
Other purpose	2,168,731	2,193,032	2,057,445	2,022,043
	42,899,934	42,972,317	34,255,287	34,313,206

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Northern region	7,189,909	7,254,377	5,645,475	5,611,567
Southern region	5,787,909	5,727,967	4,458,150	4,406,325
Central region	24,547,165	24,484,496	19,336,802	19,401,739
Eastern region	5,374,951	5,505,477	4,814,860	4,893,575
	42,899,934	42,972,317	34,255,287	34,313,206

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>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
At beginning of period/year	778,846	741,406	649,428	615,718
Classified as impaired during the period/year	202,359	928,022	140,672	697,321
Reclassified as performing	(144,369)	(294,200)	(120,594)	(270,485)
Amount recovered	(57,665)	(313,491)	(46,269)	(248,137)
Amount written off	(79,449)	(298,767)	(47,010)	(182,281)
Other movements	28,946	15,876	14,073	37,292
At end of period/year	728,668	778,846	590,300	649,428
Individual allowance for impairment	(303,794)	(304,981)	(270,121)	(274,602)
Collective allowance for impairment (impaired portion)	(108,943)	(108,362)	(50,967)	(51,236)
Net impaired loans, advances and financing	315,931	365,503	269,212	323,590

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Collective allowance for impairment				
At beginning of period/year	401,441	376,282	256,588	271,097
Made during the period/year	120,230	331,860	77,304	171,940
Amount released	(14,541)	(51,111)	(7,831)	(44,467)
Amount written off	(69,477)	(254,581)	(37,765)	(143,625)
Discount unwind	(7)	(1,009)	21	(1,027)
Other movements	-	-	-	2,670
At end of period/year	437,646	401,441	288,317	256,588

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Individual allowance for impairment				
At beginning of period/year	304,981	286,008	274,602	253,025
Made during the period/year	24,992	87,608	12,941	55,520
Amount released	(22,486)	(58,868)	(13,146)	(40,815)
Amount written off	(6,942)	(28,241)	(6,833)	(26,871)
Discount unwind	535	(1,997)	(210)	(1,414)
Other movements	2,714	20,471	2,767	35,157
At end of period/year	303,794	304,981	270,121	274,602

(iii) By sector

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	1,492	1,503	1,436	1,419
Mining and quarrying	2	1	2	1
Manufacturing	116,842	111,307	109,302	103,713
Construction	2,932	3,391	2,932	3,391
Real estate	11,306	16,222	11,306	16,222
Wholesale & retail trade, restaurants & hotels	52,198	56,390	44,830	49,477
Transport, storage and communication	6,390	6,510	5,572	5,681
Finance, insurance and business services	897	730	477	310
Household-retail	534,805	581,272	412,830	467,694
Others	1,804	1,520	1,613	1,520
	728,668	778,846	590,300	649,428

16 Impaired Loans, Advances and Financing (Cont'd)**(iv) By purpose**

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Purchase of landed property:				
-Residential	294,880	303,912	243,772	258,473
-Non residential	39,105	39,053	39,000	38,945
Purchase of transport vehicles	252	157	114	97
Consumption credit	231,601	264,825	160,872	196,746
Construction	2,932	3,391	2,932	3,391
Working capital	159,212	166,822	143,610	151,776
Other purpose	686	686	-	-
	728,668	778,846	590,300	649,428

(v) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Northern region	166,175	174,650	127,933	138,019
Southern region	196,115	215,342	166,257	185,236
Central region	286,147	305,716	222,180	248,679
Eastern region	80,231	83,138	73,930	77,494
	728,668	778,846	590,300	649,428

17 Other Assets

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Derivative financial assets (Note 32)	1,019,781	1,079,988	1,098,362	1,114,866
Interest/ income receivable	73,532	120,093	67,865	106,624
Other receivables, deposits and prepayments	1,209,588	996,483	1,193,887	988,175
	2,302,901	2,196,564	2,360,114	2,209,665

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 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Demand deposits	15,271,842	14,911,616	14,152,461	14,113,743
Savings deposits	10,541,667	10,293,923	9,558,285	9,351,051
Fixed / Investment deposits	26,945,425	26,029,899	21,180,315	20,583,641
Islamic repurchase agreements	286,879	223,467	-	-
Negotiable instruments of deposit	3,040,972	3,009,648	2,847,477	2,929,214
Wholesale money market deposits	1,490,065	1,384,134	1,490,065	1,384,134
Structured investments	4,077,706	4,085,359	2,893,674	2,936,475
	61,654,556	59,938,046	52,122,277	51,298,258

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
Due within six months	22,233,624	21,514,495	17,282,776	16,816,872
More than six months to one year	6,387,562	5,948,484	5,568,938	5,239,020
More than one year to three years	874,970	1,183,800	787,391	1,125,089
More than three years to five years	490,150	392,768	388,596	331,874
Over 5 years	91	-	91	-
	29,986,397	29,039,547	24,027,792	23,512,855

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
Government and statutory bodies	131,292	124,902	41,041	37,905
Business enterprises	20,991,894	21,414,070	18,961,599	19,360,238
Individuals	28,720,067	27,451,677	22,705,647	22,199,416
Others	11,811,303	10,947,397	10,413,990	9,700,699
	61,654,556	59,938,046	52,122,277	51,298,258

20 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Licensed banks	-	100,000	-	-
Bank Negara Malaysia	56,674	56,886	44,550	47,111
Other financial institutions	6,186,776	5,960,160	6,186,776	5,960,160
	6,243,450	6,117,046	6,231,326	6,007,271

21 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities	810,489	781,671	839,213	792,496
Interest/ profit payable	232,011	219,840	192,946	177,925
Profit equalisation reserve	1,340	1,340	-	-
Other creditors and accruals	1,682,738	1,643,298	1,812,295	1,655,508
	2,726,578	2,646,149	2,844,454	2,625,929

22 Multi-Currency Sukuk Programme

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

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

23 Subordinated Bonds

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
	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	12,109	12,591	12,109	12,591
	1,012,109	1,012,591	1,012,109	1,012,591

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

- (a) 4.35% coupon rate for RM 500 million due 2022 callable with a 100 bp step up coupon in 2017
- (b) 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 320 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. Under the revised Capital Adequacy Framework, the par value of the subordinated bonds are amortised on a straight line basis, with 10% of the par value phased out each year, with effect from 2013 for regulatory capital base purposes.

24 Net Interest Income

	Group		Bank	
	31 Mar 2013	31 Mar 2012	31 Mar 2013	31 Mar 2012
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	406,051	403,278	406,051	403,278
- Interest income recognised from impaired loans	189	738	189	738
Money at call and deposit placements with financial institutions	102,369	131,849	111,872	148,709
Financial investments available-for-sale	59,566	35,988	59,566	35,988
Fair value hedge derivative assets	866	962	866	962
	569,041	572,815	578,544	589,675
Interest expense				
Deposits and placements of banks and other financial institutions	(18,193)	(23,738)	(18,193)	(23,738)
Deposits from customers	(196,598)	(203,038)	(196,598)	(203,038)
Subordinated bonds	(11,589)	(11,718)	(11,589)	(11,718)
Others	(1,808)	(1,330)	(1,808)	(1,330)
	(228,188)	(239,824)	(228,188)	(239,824)
Net interest income	340,853	332,991	350,356	349,851

25 Net Fee and Commission Income

	Group		Bank	
	31 Mar 2013	31 Mar 2012	31 Mar 2013	31 Mar 2012
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Credit cards	41,508	42,043	41,508	42,043
Service charges and fees	37,425	46,748	37,425	46,748
Fees on credit facilities	8,712	8,006	8,712	8,006
Agency fee	12,359	20,307	12,359	20,307
Others	13,732	17,014	13,732	17,014
	113,736	134,118	113,736	134,118
Fee and commission expense				
Interbank and clearing fees	(363)	(347)	(363)	(347)
Brokerage	(873)	(790)	(873)	(790)
Others	(9,412)	(4,988)	(9,412)	(4,988)
	(10,648)	(6,125)	(10,648)	(6,125)
Net fee and commission income	103,088	127,993	103,088	127,993

26 Net Trading Income

	Group		Bank	
	31 Mar 2013 RM'000	31 Mar 2012 RM'000	31 Mar 2013 RM'000	31 Mar 2012 RM'000
Realised gains on financial assets/liabilities held-for-trading and other financial instruments	26,928	34,053	26,928	34,053
Net interest income/(expense) from financial assets held-for-trading	9,947	(1,396)	9,947	(1,396)
Net unrealised gains on revaluation of financial assets held-for-trading	3,998	1,059	3,998	1,059
Net realised gains arising from dealing in foreign currency	117,266	99,611	116,434	98,360
Net unrealised losses from dealing in foreign currency	(11,437)	(2,016)	(11,437)	(2,016)
Net realised gains arising from dealing in derivatives	77,355	42,616	77,238	42,537
Net unrealised losses on revaluation of derivatives	(73,212)	(13,356)	(72,978)	(11,666)
Losses arising from fair value hedges	(17)	(21)	(17)	(21)
	150,828	160,550	150,113	160,910

27 Income from Islamic Banking operations

	Group	
	31 Mar 2013 RM'000	31 Mar 2012 RM'000
Income derived from investment of depositor funds and others	145,511	158,185
Income derived from investment of shareholders funds	32,438	25,949
Income attributable to the depositors	(50,578)	(44,038)
	127,371	140,096

28 Other Operating Income

	Group		Bank	
	31 Mar 2013 RM'000	31 Mar 2012 RM'000	31 Mar 2013 RM'000	31 Mar 2012 RM'000
Disposal of financial investments available-for-sale	8,147	8	8,147	8
Dividend income from financial investments available-for-sale - Unquoted in Malaysia	-	120	-	120
Rental income	1,484	1,715	1,484	1,715
Net gains on disposal of property and equipment	25	1	25	1
Other operating income	3,871	3,914	34,806	29,569
	13,527	5,758	44,462	31,413

29 Loans/ Financing Impairment Charges and other Credit Risk Provisions

	Group		Bank	
	31 Mar 2013 RM'000	31 Mar 2012 RM'000	31 Mar 2013 RM'000	31 Mar 2012 RM'000
Impairment charges on loans and financing:				
(a) Individual impairment				
Made during the period	24,992	10,938	12,941	7,765
Written back	(22,486)	(4,954)	(13,146)	(3,398)
(b) Collective impairment				
Made during the period	120,230	98,050	77,304	49,609
Written back	(14,541)	(41,279)	(7,831)	(36,373)
Impaired loans and financing				
Recovered during the period	(28,039)	(26,525)	(20,406)	(20,032)
Written off	3,252	4,184	2,444	4,038
	83,408	40,414	51,306	1,609

30 Other Operating Expenses

	Group		Bank	
	31 Mar 2013 RM'000	31 Mar 2012 RM'000	31 Mar 2013 RM'000	31 Mar 2012 RM'000
Personnel expenses	138,869	157,292	130,807	147,810
Promotion and marketing related expenses	18,292	18,894	14,294	14,291
Establishment related expenses	34,671	36,831	29,343	32,533
General administrative expenses	79,201	75,909	76,814	73,162
	271,033	288,926	251,258	267,796

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	106,269	118,266	99,774	110,761
Employees Provident Fund contributions	17,188	19,071	16,407	18,021
Promotion and marketing related expenses				
Advertising and promotion	13,845	10,247	11,021	10,247
Establishment related expenses				
Depreciation of property and equipment	10,216	10,185	7,745	8,448
Amortisation of intangible assets	4,622	4,395	4,617	4,261
Information technology costs	2,145	3,070	1,886	2,844
Hire of equipment	2,330	1,966	2,313	1,954
Rental of premises	8,883	10,509	6,852	8,751
Property and equipment written off	506	329	492	329
General administrative expenses				
Intercompany expenses	69,530	55,616	57,537	52,184
Auditors' remuneration				
Statutory audit fees				
KPMG Malaysia	130	127	100	99
Other services				
KPMG Malaysia	175	174	132	126

31 Capital Adequacy

	<i>Group</i>	
	31 Mar 2013	31 Dec 2012
	RM'000	RM'000
		Restated
Tier 1 capital		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Retained profits (including proposed dividend)	4,406,664	4,406,664
Other reserves	662,866	660,751
Regulatory adjustments	(462,202)	(461,750)
Total Tier 1 capital	5,463,203	5,461,540
Tier 2 capital		
Subordinated bonds	900,000	1,000,000
Collective impairment allowance (unimpaired portion)	328,703	293,079
Regulatory adjustments	86,540	86,742
Total Tier 2 capital	1,315,243	1,379,821
Capital base	6,778,446	6,841,361
Common Equity Tier 1 (CET 1) and Tier 1 Capital ratio	11.2%	11.3%
Risk Weighted Capital ratio	13.8%	14.2%
CET 1 and Tier 1 Capital ratio (net of proposed dividend)	10.5%	10.7%
Risk Weighted Capital ratio (net of proposed dividend)	13.2%	13.6%

The risk weighted assets have been computed based on the Standardised Approach in accordance with the revised Capital Adequacy Framework, with effect from 1 January 2013.

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

	<i>Group</i>			
	31 Mar 2013		31 Dec 2012	
	Principal	Risk-weighted	Principal	Risk-weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	90,144,151 *	41,897,631 *	89,694,195 *	41,396,781 *
Total RWA for market risk	-	1,735,423	-	1,628,155
Total RWA for operational risk	-	5,338,558	-	5,211,149
	90,144,151	48,971,612	89,694,195	48,236,085

The comparative capital adequacy ratios and components of capital base have been restated in accordance with the guidelines of the revised Capital Adequacy Framework. Refer to Note 33 for comparative ratios and capital base prior to restatement.

* The principal and risk weighted amount of total RWA for credit risk relating to the PSIA2 (refer Note 15(i) for more details) is RM607.34m for both on 31 Mar 2013 (2012: RM632.21m).

31 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000 Restated
Tier 1 capital		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Retained profits (including proposed dividend)	4,078,581	4,078,581
Other reserves	609,531	608,877
Regulatory adjustments	(419,075)	(420,069)
Total Tier 1 capital	5,124,912	5,123,264
Tier 2 capital		
Subordinated bonds	900,000	1,000,000
Collective impairment allowance (unimpaired portion)	237,350	205,352
Regulatory adjustments	(573,481)	(573,279)
Total Tier 2 capital	563,869	632,073
Capital base	5,688,781	5,755,337
CET 1 and Tier 1 Capital ratio	12.5%	12.7%
Risk Weighted Capital ratio	13.9%	14.3%
CET 1 and Tier 1 Capital ratio (net of proposed dividend)	11.7%	12.0%
Risk Weighted Capital ratio (net of proposed dividend)	13.1%	13.6%

The risk weighted assets have been computed based on the Standardised Approach in accordance with the revised Capital Adequacy Framework, with effect from 1 January 2013.

Breakdown of gross RWA in the various categories of risk-weights:

	<i>Bank</i>			
	31 Mar 2013		31 Dec 2012	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	77,841,967 *	34,659,316 *	77,398,695 *	33,949,851 *
Total RWA for market risk	-	1,649,296	-	1,555,686
Total RWA for operational risk	-	4,761,273	-	4,691,534
	77,841,967	41,069,885	77,398,695	40,197,071

The comparative capital adequacy ratios and components of capital base have been restated in accordance with the guidelines of the revised Capital Adequacy Framework. Refer to Note 33 for comparative ratios and capital base prior to restatement.

* The principal and risk weighted amount of total RWA for credit risk relating to the PSIA2 (refer Note 15(i) for more details) is RM607.34m for both on 31 Mar 2013 (2012: RM632.21m).

32 Commitments and Contingencies

31 Mar 2013

	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	1,743,979	-	1,743,979	1,568,335
Transaction-related contingent items	5,285,850	-	2,642,925	2,005,795
Short-term self-liquidating trade-related contingencies	247,997	-	49,599	39,299
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	13,942,542	-	2,788,508	2,458,278
- Maturity exceeding one year	7,276,855	-	3,638,427	2,969,113
Unutilised credit card lines	7,765,253	-	1,553,051	1,164,788
Foreign exchange related contracts				
- Less than one year	40,058,036	233,316	673,468	362,535
- Over one year to less than five years	10,457,885	404,353	1,155,913	652,737
- Over five years	2,487,763	77,414	336,359	218,493
Interest/profit rate related contracts:				
- Less than one year	8,245,474	17,089	35,548	10,468
- Over one year to less than five years	31,212,197	176,885	872,700	330,768
- Over five years	3,013,836	47,170	265,455	107,168
Gold and other precious metals contracts				
- Less than one year	51,476	26,045	27,823	5,565
Other commodity contracts:				
- Less than one year	22,479	-	2,248	450
Equity related contracts				
- Less than one year	1,915,502	13,018	128,252	25,650
- Over one year to less than five years	1,341,694	18,431	125,869	25,174
- Over five years	375,019	6,060	43,562	8,712
	135,443,837	1,019,781	16,083,686	11,953,328

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 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 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 the guidelines of the revised Capital Adequacy Framework on the Standardised Approach.

Of the amounts included in the Commitment and Contingencies balances above, none relate to the PSIA2 arrangement entered into in 2012 (refer Note 15(i) for more details).

32 Commitments and Contingencies (Cont'd)
31 Mar 2013

	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	1,253,323	-	1,253,323	1,137,056
Transaction-related contingent items	4,629,413	-	2,314,706	1,730,694
Short-term self-liquidating trade-related contingencies	233,647	-	46,729	37,239
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	11,761,417	-	2,352,283	2,054,538
- Maturity exceeding one year	6,716,211	-	3,358,106	2,745,145
Unutilised credit card lines	6,770,292	-	1,354,058	1,015,544
Foreign exchange related contracts				
- Less than one year	40,070,902	233,234	672,791	360,610
- Over one year to less than five years	10,457,885	404,353	1,155,913	652,737
- Over five years	2,487,762	76,530	333,342	213,464
Interest rate related contracts:				
- Less than one year	8,270,974	20,549	35,611	10,500
- Over one year to less than five years	32,586,221	191,738	922,058	351,951
- Over five years	3,013,836	46,405	264,690	99,528
Gold and other precious metals contracts				
- Less than one year	51,476	26,045	27,823	5,565
Other commodity contracts:				
- Less than one year	22,479	-	2,248	450
Equity related contracts				
- Less than one year	2,717,549	42,979	206,337	65,245
- Over one year to less than five years	1,522,817	50,469	168,630	50,331
- Over five years	375,019	6,060	43,562	8,712
	132,941,223	1,098,362	14,512,210	10,539,309

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 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 at the statement of financial position date are shown above.

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Of the amounts included in the Commitment and Contingencies balances above, none relate to the PSIA2 arrangement entered into in 2012 (refer Note 15(i) for more details).

32 Commitments and Contingencies (Cont'd)
31 Dec 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	1,882,226	-	1,882,226	1,745,306
Transaction-related contingent items	5,384,900	-	2,692,450	2,020,812
Short-term self-liquidating trade-related contingencies	330,273	-	66,055	41,157
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	12,611,099	-	2,522,220	2,223,753
- Maturity exceeding one year	3,026,031	-	1,513,015	1,413,440
Unutilised credit card lines	7,900,096	-	1,580,019	1,185,014
Foreign exchange related contracts				
- Less than one year	36,985,063	176,877	602,755	313,985
- Over one year to less than five years	10,869,930	460,700	1,252,206	777,135
- Over five years	2,642,308	94,544	372,914	249,144
Interest/profit rate related contracts:				
- Less than one year	8,957,570	7,498	25,391	8,694
- Over one year to less than five years	29,512,995	211,040	847,259	319,445
- Over five years	3,215,881	64,348	303,439	122,486
Gold and other precious metals contracts				
- Less than one year	70,533	23,133	23,713	4,743
Other commodity contracts:				
- Less than one year	22,491	-	2,249	450
Equity related contracts				
- Less than one year	1,734,796	11,252	115,257	23,051
- Over one year to less than five years	1,432,169	19,660	134,739	26,948
- Over five years	418,964	10,936	52,833	10,567
	<u>126,997,325</u>	<u>1,079,988</u>	<u>13,988,740</u>	<u>10,486,130</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 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 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 RWCAF.

32 Commitments and Contingencies (Cont'd)
31 Dec 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	1,198,577	-	1,198,577	1,110,047
Transaction-related contingent items	4,710,695	-	2,355,348	1,759,010
Short-term self-liquidating trade-related contingencies	313,165	-	62,633	38,523
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	10,966,040	-	2,193,208	1,921,019
- Maturity exceeding one year	2,902,347	-	1,451,174	1,353,928
Unutilised credit card lines	6,867,431	-	1,373,486	1,030,115
Foreign exchange related contracts				
- Less than one year	36,933,092	176,485	601,270	312,925
- Over one year to less than five years	10,869,930	460,700	1,252,205	777,135
- Over five years	2,642,308	93,651	368,354	243,625
Interest rate related contracts:				
- Less than one year	8,967,570	11,331	25,416	8,706
- Over one year to less than five years	30,806,494	207,867	884,026	334,633
- Over five years	3,215,881	63,466	302,557	114,729
Gold and other precious metals contracts				
- Less than one year	70,533	23,133	23,713	4,743
Other commodity contracts:				
- Less than one year	22,491	-	2,249	450
Equity related contracts				
- Less than one year	2,466,209	26,580	174,552	52,968
- Over one year to less than five years	1,616,775	40,717	167,674	47,914
- Over five years	418,964	10,936	52,833	10,566
	<u>124,988,502</u>	<u>1,114,866</u>	<u>12,489,275</u>	<u>9,121,036</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 commodities price) of the underlying instruments. The table above shows the Bank's derivative financial instruments 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 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 RWCAF.

33 Comparative Figures

Restatement of Comparative Figures

The presentation and classification of items in the current financial statements are consistent with the previous financial year except for the following:

- (i) Reclassification/restatement to conform to current period's presentation.

	Group		Bank	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
<u>Statement of Comprehensive Income</u> <u>for the financial period ended 31 March 2012</u>				
a) Net Interest Income	332,991	292,715	349,851	309,575
<i>(of which the affected components are disclosed below):</i>				
<u>Interest income</u>				
Loans and advances				
- Interest income other than from impaired loans	403,278	403,620	403,278	403,620
- Interest income recognised from impaired loans	738	397	738	397
Money at call and deposit placements with financial institutions	131,849	132,620	148,709	149,480
<u>Interest expense</u>				
Deposits and placements of banks and other financial institutions	(23,738)	(34,457)	(23,738)	(34,457)
Deposits from customers	(203,038)	(230,567)	(203,038)	(230,567)
Others	(1,330)	(4,130)	(1,330)	(4,130)
b) Net Trading Income	160,550	200,825	160,910	201,185
<i>(of which the affected components are disclosed below):</i>				
Net interest (expense)/income from financial assets held-for-trading	(1,396)	38,879	(1,396)	38,879

- (ii) Restatement upon revision of collective impairment provision model used

[Regulatory Reserve Provision being replaced with revised Collective Impairment Provision model]

	Group		Bank	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
<u>Statement of Comprehensive Income</u> <u>for the financial period ended 31 March 2012</u>				
Profit before income tax expense	438,048	429,499	400,762	378,583
Profit for the period	326,010	319,653	298,117	281,482
<i>(of which the affected components are disclosed below):</i>				
a) Loans/Financing Impairment Charges and other Credit Risk Provisions	40,414	48,962	1,609	23,787
<i>(of which):</i>				
Collective Impairment				
- Made during the period	98,050	66,828	49,609	38,589
- Written back	(41,279)	(11,748)	(36,373)	(10,128)
Regulatory reserve provision on loans and financing				
- Made during the period	-	10,239	-	6,953
b) Income Tax Expense	(112,038)	(109,846)	(102,645)	(97,101)

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

Capital Adequacy at 31 December 2012

	Group		Bank	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
Total Tier 1 capital	5,461,540	5,413,790	5,123,264	5,077,359
Total Tier 2 capital	1,379,821	1,402,050	632,073	654,302
Capital base	6,841,361	6,815,840	5,755,337	5,731,661
Common Equity Tier 1 (CET 1) and Tier 1 Capital ratio	11.3%	11.2%	12.7%	12.6%
Risk Weighted Capital ratio	14.2%	14.1%	14.3%	14.3%
CET 1 and Tier 1 Capital ratio (net of proposed dividend)	10.7%	10.6%	12.0%	11.9%
Risk Weighted Capital ratio (net of proposed dividend)	13.6%	13.5%	13.6%	13.5%

34 Performance Review

The Group recorded profit before tax ('PBT') of RM381 million for the financial period ended 31 March 2013, a decrease of 13.0% or RM57 million compared against history. The decline was contributed by a decrease in operating income of RM32 million or 4.1% to RM736 million, followed by a rise in loan/financing impairment charges of RM43 million or >100% to RM83 million that was partly offset by a drop in operating expenses of RM18 million or 6.2% to RM271 million.

The decrease in operating income was mainly on lower net fee income (-RM25 million or 19.5%), income from Islamic banking (-RM13 million or 9.1%) and net trading income (-RM10 million or 6.1%), partly mitigated by higher net interest income (+RM8 million or 2.4%) and other operating income (+RM8 million or >100%). The contraction of non-fund income was the main reason for the decrease in profits, the largest decline of which was seen in fee income for the current period, primarily due to higher fee income earned in history on various corporate finance related deals. Income from Islamic banking fell, mainly on lower gains from sell down of Sukuk origination. Similarly, conventional trading profits also declined, principally on derivatives, but this was partly offset by higher foreign currency gains and trading net interest income. Meanwhile, net interest income improved on an expanded average loan base during the 3 months period from December 2012 to March 2013 compared against December 2011 to March 2012. The expansion of the average loan base also affected the loan/financing impairment charges, as collective impairment provisions rose in tandem with the growth.

Operating expenses decreased, mainly on lower personnel costs as ongoing global restructuring efforts resulted in a leaner organisational structure. As such, despite the lowered operating profits, cost income ratio shows an improvement, dropping to 36.8% from the previous 37.4%.

Total assets at 31 March 2013 stood at RM78.8 billion, RM2.2 billion higher compared against 31 December 2012 (RM76.6 billion), with the bulk of the increase mainly invested in the interbank lending market. The increase in total assets can be attributed primarily to higher deposits from customers (31 Mar 2013: RM61.7 billion ; 31 Dec 2012: RM59.9 billion).

35 Business Prospects

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

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

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