

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 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 30 September 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 2013.

BALDEV SINGH
Executive Director and Chief Financial Officer

Date : 24 October 2013

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

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AT 30 SEPTEMBER 2013

	Note	<i>Group</i>		<i>Bank</i>	
		30 Sep 2013 RM'000	31 Dec 2012 RM'000 Restated	30 Sep 2013 RM'000	31 Dec 2012 RM'000 Restated
Assets					
Cash and short term funds	11	19,392,159	12,663,437	16,158,191	11,014,117
Securities purchased under resale agreements		1,777,236	2,433,346	1,777,236	2,433,346
Deposits and placements with banks and other financial institutions	12	4,453,597	2,992,993	5,892,462	4,645,468
Financial assets held-for-trading	13	2,223,173	4,597,107	2,133,421	4,414,598
Financial investments available-for-sale	14	5,814,145	7,546,325	4,666,797	6,281,042
Loans, advances and financing	15	44,573,225	42,265,895	35,410,511	33,782,016
Derivative Financial Assets		1,358,286	1,079,988	1,460,664	1,114,866
Other assets	17	1,091,501	1,116,576	1,096,348	1,094,799
Statutory deposits with Bank Negara Malaysia	18	1,294,660	1,330,159	917,598	986,598
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		352,153	369,194	326,988	341,355
Intangible assets		54,447	53,525	54,432	53,496
Tax Recoverable		26,378	-	-	-
Deferred tax assets		70,373	176,014	63,762	134,541
Total assets		82,481,333	76,624,559	70,618,431	66,956,263
Liabilities					
Deposits from customers	19	63,000,962	59,938,046	52,185,162	51,298,258
Deposits and placements from banks and other financial institutions	20	7,976,536	6,383,891	7,966,016	6,274,116
Bills and acceptances payable		581,198	504,349	563,009	488,923
Derivative Financial Liabilities		916,869	781,671	973,579	792,496
Other liabilities	21	2,313,527	1,597,633	2,217,890	1,566,588
Provision for taxation		17,455	14,168	17,455	10,861
Multi-Currency Sukuk Programme	22	500,000	500,000	-	-
Subordinated bonds	23	1,008,554	1,012,591	1,008,554	1,012,591
Total liabilities		76,315,101	70,732,349	64,931,665	61,443,833
Equity					
Share capital		114,500	114,500	114,500	114,500
Reserves		6,051,732	5,477,710	5,572,266	5,097,930
Proposed dividend		-	300,000	-	300,000
Total equity attributable to owner of the Bank		6,166,232	5,892,210	5,686,766	5,512,430
Total liabilities and equity		82,481,333	76,624,559	70,618,431	66,956,263
Commitments and Contingencies	32	147,314,764	126,997,325	145,572,183	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 7 to 32 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 24 October 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 30 SEPTEMBER 2013

	<i>Note</i>	<i>Group</i>			
		3rd quarter		Nine Months Ended	
		30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
		RM'000	RM'000	RM'000	RM'000
			Restated		Restated
Revenue		1,044,165	1,045,273	3,084,828	3,124,816
Interest income	24	581,006	554,970	1,717,599	1,689,740
Interest expense	24	(216,200)	(229,913)	(669,196)	(700,458)
Net interest income	24	364,806	325,057	1,048,403	989,282
Fee and commission income	25	122,679	124,968	363,432	387,278
Fee and commission expense	25	(9,546)	(9,092)	(27,769)	(22,113)
Net fee and commission income	25	113,133	115,876	335,663	365,165
Net trading income	26	148,182	155,574	436,286	458,700
Income from Islamic banking operations	27	125,313	152,489	375,785	425,269
Other operating income	28	9,663	11,130	30,664	28,467
Operating income before impairment losses		761,097	760,126	2,226,801	2,266,883
Loans / financing impairment charges and other credit risk provisions	29	(62,339)	(66,301)	(178,077)	(150,080)
Net operating income		698,758	693,825	2,048,724	2,116,803
Other operating expenses	30	(318,558)	(278,986)	(905,056)	(899,113)
Profit before income tax expense		380,200	414,839	1,143,668	1,217,690
Income tax expense		(109,304)	(96,206)	(301,219)	(298,454)
Profit for the period		270,896	318,633	842,449	919,236
Other comprehensive income					
Cash flow hedge					
Effective portion of changes in fair value		7	(129)	2	(257)
Net amount transferred to profit or loss		(90)	(104)	(284)	(300)
Fair value reserve					
Change in fair value		(2,312)	(6,731)	(18,851)	530
Amount transferred to profit or loss		(1,988)	-	(7,950)	-
Income tax relating to components of other comprehensive income		1,095	1,750	6,771	16
Other comprehensive income for the period, net of income tax		(3,288)	(5,214)	(20,312)	(11)
Total comprehensive income for the period		267,608	313,419	822,137	919,225
Profit attributable to owner of the Bank		270,896	318,633	842,449	919,236
Total comprehensive income attributable to owner of the Bank		267,608	313,419	822,137	919,225
Basic earnings per RM0.50 ordinary share		118.3 sen	139.1 sen	367.9 sen	401.4 sen
Dividends per RM0.50 ordinary share (net)					
- final dividend paid in respect of prior year		-	-	131.0 sen	131.0 sen
- interim dividend paid		109.2 sen	87.3 sen	109.2 sen	87.3 sen

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2012 and the accompanying explanatory notes on pages 7 to 32 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 24 October 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 30 SEPTEMBER 2013

		<i>Bank</i>			
		3rd quarter		Nine Months Ended	
		30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
<i>Note</i>		RM'000	RM'000	RM'000	RM'000
			Restated		Restated
	Revenue	904,377	889,069	2,670,175	2,692,458
	Interest income	590,138	572,235	1,744,723	1,737,610
	Interest expense	(216,200)	(229,913)	(669,196)	(700,458)
	Net interest income	373,938	342,322	1,075,527	1,037,152
	Fee and commission income	122,709	124,968	363,462	387,278
	Fee and commission expense	(9,546)	(9,092)	(27,769)	(22,113)
	Net fee and commission income	113,163	115,876	335,693	365,165
	Net trading income	150,379	153,167	437,247	458,276
	Other operating income	41,151	38,699	124,743	109,294
	Operating income before impairment losses	678,631	650,064	1,973,210	1,969,887
	Loans / financing impairment charges and other credit risk provisions	(50,461)	(26,976)	(119,551)	(41,441)
	Net operating income	628,170	623,088	1,853,659	1,928,446
	Other operating expenses	(300,610)	(252,918)	(843,550)	(827,492)
	Profit before income tax expense	327,560	370,170	1,010,109	1,100,954
	Income tax expense	(97,507)	(90,020)	(270,104)	(277,312)
	Profit for the period	230,053	280,150	740,005	823,642
Other comprehensive income					
	Cash flow hedge				
	Effective portion of changes in fair value	7	(129)	2	(257)
	Net amount transferred to profit or loss	(90)	(104)	(284)	(300)
	Fair value reserve				
	Change in fair value	(2,267)	(5,981)	(14,992)	795
	Amount transferred to profit or loss	(2,096)	-	(8,058)	-
	Income tax relating to components of other comprehensive income	1,111	1,554	5,833	(59)
	Other comprehensive income for the period, net of income tax	(3,335)	(4,660)	(17,499)	179
	Total comprehensive income for the period	226,718	275,490	722,506	823,821
	Profit attributable to owner of the Bank	230,053	280,150	740,005	823,642
	Total comprehensive income attributable to owner of the Bank	226,718	275,490	722,506	823,821
	Basic earnings per RM0.50 ordinary share	100.5 sen	122.3 sen	323.1 sen	359.7 sen
	Dividends per RM0.50 ordinary share (net)				
	- final dividend paid in respect of prior year	-	-	131.0 sen	131.0 sen
	- interim dividend paid	109.2 sen	87.3 sen	109.2 sen	87.3 sen

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2012 and the accompanying explanatory notes on pages 7 to 32 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 24 October 2013.

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

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013

	Group												
	Attributable to the owner (the ultimate holding company)												
	Non-distributable				Distributable								
	Share capital	Share premium	Statutory reserve	Revaluation reserve	Capital redemption reserve	Available-for-sale reserve	Cash flow hedge reserve	Capital contribution reserve	Profit equalisation reserve	Retained profit	Total reserves	Proposed dividends	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2012													
Balance at 1 January	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	-	-	-	-	-	-	-	-	-	919,236*	919,236	-	919,236
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,173)	-	-	-	-	-	1,173	-	-	-
Cash flow hedge													
Effective portion of changes in fair value	-	-	-	-	-	-	(192)	-	-	-	(192)	-	(192)
Net amount transferred to profit or loss	-	-	-	-	-	-	(225)	-	-	-	(225)	-	(225)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	406	-	-	-	-	406	-	406
Total other comprehensive income	-	-	-	(1,173)	-	406	(417)	-	-	1,173	(11)	-	(11)
Total comprehensive income for the period	-	-	-	(1,173)	-	406	(417)	-	-	920,409	919,225	-	919,225
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	2,341	-	(4,123)	(1,782)	-	(1,782)
Dividends paid to owner - 2011 final	-	-	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Dividends paid to owner - 2012 interim	-	-	-	-	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Other Transactions, recorded directly in equity													
Reclassification of profit equalisation reserve to equity	-	-	-	-	-	-	-	-	5,360	-	5,360	-	5,360
Balance at 30 September	114,500	741,375	164,500	147,424	190,000	11,320	437	92,152	5,360	4,120,511	5,473,079	-	5,587,579
2013													
Balance at 1 January	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	-	-	-	-	-	-	-	-	-	842,449	842,449	-	842,449
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,349)	-	-	-	-	-	1,349	-	-	-
Cash flow hedge													
Effective portion of changes in fair value	-	-	-	-	-	-	1	-	-	-	1	-	1
Net amount transferred to profit or loss	-	-	-	-	-	-	(213)	-	-	-	(213)	-	(213)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	(14,056)	-	-	-	-	(14,056)	-	(14,056)
Net amount transferred to profit or loss	-	-	-	-	-	(6,044)	-	-	-	-	(6,044)	-	(6,044)
Total other comprehensive income	-	-	-	(1,349)	-	(20,100)	(212)	-	-	1,349	(20,312)	-	(20,312)
Total comprehensive income for the period	-	-	-	(1,349)	-	(20,100)	(212)	-	-	843,798	822,137	-	822,137
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	4,983	-	(3,098)	1,885	-	1,885
Dividends paid to owner - 2012 final	-	-	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Dividends paid to owner - 2013 interim	-	-	-	-	-	-	-	-	-	(250,000)	(250,000)	-	(250,000)
Balance at 30 September	114,500	741,375	164,500	165,973	190,000	(3,498)	112	95,906	-	4,697,364	6,051,732	-	6,166,232

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 7 to 32 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 24 October 2013.

* This number has been restated, refer to Note 33(ii) for further details.

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

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013 (CONT'D)

	<i>Bank</i>											
	<i>Non-distributable</i>				<i>Attributable to the owner (the ultimate holding company)</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	RM'000
2012												
Balance at 1 January	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	-	-	-	-	-	-	-	-	823,642*	823,642	-	823,642
Other comprehensive income, net of income tax												
Revaluation reserve:												
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,173)	-	-	-	-	1,173	-	-	-
Cash flow hedge												
Effective portion of changes in fair value	-	-	-	-	-	-	(192)	-	-	(192)	-	(192)
Net amount transferred to profit or loss	-	-	-	-	-	-	(225)	-	-	(225)	-	(225)
Available-for-sale reserve:												
Net change in fair value	-	-	-	-	-	596	-	-	-	596	-	596
Total other comprehensive income	-	-	-	(1,173)	-	596	(417)	-	1,173	179	-	179
Total comprehensive income for the period	-	-	-	(1,173)	-	596	(417)	-	824,815	823,821	-	823,821
Transactions with the owner (the ultimate holding company), recorded directly in equity												
Share based payment transactions	-	-	-	-	-	-	-	1,973	(4,123)	(2,150)	-	(2,150)
Dividends paid to owner - 2011 final	-	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Dividends paid to owner - 2012 interim	-	-	-	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Balance at 30 September	114,500	741,375	114,500	147,424	190,000	11,362	437	91,088	3,834,093	5,130,279	-	5,244,779
2013												
Balance at 1 January	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	-	-	-	-	-	-	-	-	740,005	740,005	-	740,005
Other comprehensive income, net of income tax												
Revaluation reserve:												
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,349)	-	-	-	-	1,349	-	-	-
Cash flow hedge												
Effective portion of changes in fair value	-	-	-	-	-	-	1	-	-	1	-	1
Net amount transferred to profit or loss	-	-	-	-	-	-	(213)	-	-	(213)	-	(213)
Available-for-sale reserve:												
Net change in fair value	-	-	-	-	-	(11,243)	-	-	-	(11,243)	-	(11,243)
Net amount transferred to profit or loss	-	-	-	-	-	(6,044)	-	-	-	(6,044)	-	(6,044)
Total other comprehensive income	-	-	-	(1,349)	-	(17,287)	(212)	-	1,349	(17,499)	-	(17,499)
Total comprehensive income for the period	-	-	-	(1,349)	-	(17,287)	(212)	-	741,354	722,506	-	722,506
Transactions with the owner (the ultimate holding company), recorded directly in equity												
Share based payment transactions	-	-	-	-	-	-	-	4,919	(3,089)	1,830	-	1,830
Dividends paid to owner - 2012 final	-	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Dividends paid to owner - 2013 interim	-	-	-	-	-	-	-	-	(250,000)	(250,000)	-	(250,000)
Balance at 30 September	114,500	741,375	114,500	165,973	190,000	(1,219)	112	94,679	4,266,846	5,572,266	-	5,686,766

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 7 to 32 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 24 October 2013.

* This number has been restated, refer to Note 33(ii) for further details.

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

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Profit before income tax expense	1,143,668	1,217,690	1,010,109	1,100,954
Adjustments for non-operating and non-cash items	47,524	49,400	39,617	38,037
Operating profit before working capital changes	1,191,192	1,267,090	1,049,726	1,138,991
Changes in working capital:				
Net changes in operating assets	(959,863)	(6,386,035)	(220,798)	(4,024,277)
Net changes in operating liabilities	5,583,502	(2,774,498)	3,485,275	(5,877,270)
Income tax paid	(211,897)	(247,854)	(186,897)	(230,521)
Net cash generated from/(used in) operations	5,602,934	(8,141,297)	4,127,306	(8,993,077)
Net cash generated from/(used in) investing activities	1,675,788	(1,259,084)	1,566,768	(741,610)
Net cash used in financing activity	(550,000)	(500,000)	(550,000)	(500,000)
	1,125,788	(1,759,084)	1,016,768	(1,241,610)
Net changes in cash and cash equivalents	6,728,722	(9,900,381)	5,144,074	(10,234,687)
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	19,392,159	11,702,846	16,158,191	10,057,585
Analysis of cash and cash equivalents				
Cash and short-term funds	19,392,159	11,702,846	16,158,191	10,057,585

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 7 to 32 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 24 October 2013.

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

Explanatory notes to the Unaudited Condensed Interim Financial Statements at 30 September 2013

1 General Information

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

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 30 September 2013 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial instruments held-for-trading, financial investments available-for-sale and derivative financial instruments.

The unaudited condensed interim financial statements for the financial period ended 30 September 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, Separate Financial Statements (IAS 27 as revised by IASB in May 2011)
- MFRS 128, Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
- Amendments to MFRS 1, (Government Loans)
- Amendments to MFRS 1, (Annual Improvements 2009-2011 Cycle)
- 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)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 132, Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine

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.

2 Basis of Preparation (Cont'd)

With effect from 1 January 2013, the Group and the Bank have adopted Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) ("the Framework"). This Framework outlines the general requirements on regulatory capital adequacy ratios, the components of eligible regulatory capital as well as the levels of those ratios at which banking institutions are required to operate.

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)
- Amendments to MFRS 136, Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting

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)
- Amendments to MFRS 7 - Mandatory Effective Date of MFRS 9 and Transition Disclosures.

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.

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 30 September 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.

6 Changes in Estimates (Cont'd)

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and Bank for the financial period ended 30 September 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 30 September 2013.

8 Dividend

The Group paid the following dividends during the financial period ended 30 September 2013:-

- a) 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.
- b) An interim dividend of RM1.456 per ordinary share less tax at 25% totalling RM250 million in respect of the current financial period was paid on 19 September 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 30 September 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>	
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	2,471,293	2,671,894	2,201,440	2,521,508
Money at call and deposit placements maturing within one month	16,920,866	9,991,543	13,956,751	8,492,609
	19,392,159	12,663,437	16,158,191	11,014,117

12 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Licensed banks	365,849	-	1,804,714	1,652,475
Bank Negara Malaysia	4,000,000	2,500,000	4,000,000	2,500,000
Other financial institutions	87,748	492,993	87,748	492,993
	4,453,597	2,992,993	5,892,462	4,645,468

13 Financial Assets Held-for-Trading

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government treasury bills	18,212	811,410	18,212	628,901
Bank Negara Malaysia bills and notes	683,276	641,602	683,276	641,602
Bank Negara Malaysia Islamic bills and notes	434,513	543,464	434,513	543,464
Malaysian Government securities	649,497	1,988,396	649,497	1,988,396
Malaysian Government Islamic bonds	246,891	323,271	157,139	323,271
Islamic fixed rate bonds	8,941	-	8,941	-
Cagamas bonds and notes	2,494	2,502	2,494	2,502
	2,043,824	4,310,645	1,954,072	4,128,136
Unquoted securities:				
Private debt securities (including commercial paper)	179,349	286,462	179,349	286,462
	2,223,173	4,597,107	2,133,421	4,414,598

14 Financial Investments Available-for-Sale

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
At fair value	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government treasury bills	29,888	29,202	29,888	29,202
Bank Negara Malaysia bills and notes	-	56,871	-	56,871
Bank Negara Malaysia Islamic bills	150,000	652,556	150,000	652,556
Malaysian Government securities	1,344,848	1,788,709	1,344,848	1,788,709
Malaysian Government Islamic bonds	3,005,468	3,948,055	1,883,120	2,731,404
Bank Negara Malaysia Islamic bonds	-	35,627	-	35,627
Cagamas bonds and notes	115,078	45,320	115,078	45,320
Negotiable instruments of deposit	305,001	85,003	280,001	60,002
Bankers' acceptance and Islamic accepted bills	846,484	887,604	846,484	863,973
	5,796,767	7,528,947	4,649,419	6,263,664
Unquoted securities:				
Shares*	16,907	16,907	16,907	16,907
Private and Islamic debt securities	471	471	471	471
	17,378	17,378	17,378	17,378
	5,814,145	7,546,325	4,666,797	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>	
Maturing within one year	2,233,537	2,142,323	1,729,579	1,838,418
More than one year to three years	1,279,896	2,976,974	1,129,933	2,645,173
More than three years to five years	2,088,036	1,640,606	1,789,907	1,495,194
Over five years	195,298	769,044	-	284,879
	5,796,767	7,528,947	4,649,419	6,263,664

15 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
At amortised cost	RM'000	RM'000	RM'000	RM'000
Overdrafts	1,066,510	1,282,760	986,017	1,220,023
Term loans/ financing				
Housing loans/ financing	15,606,944	14,601,065	13,079,209	12,504,747
Syndicated term loans/ financing	52,590	67,372	52,590	67,372
Factoring receivables	161,755	157,134	161,755	157,134
Hire purchase receivables	288,892	296,825	183	184
Lease receivables	2,922	3,219	-	-
Other term loans/ financing^	13,543,993	12,453,945	8,539,151	7,741,682
Bills receivable	3,769,205	3,294,693	3,769,205	3,294,693
Trust receipts	1,614,392	1,229,690	1,569,296	1,180,473
Claims on customers under acceptance credits	3,016,235	2,990,604	2,257,558	2,126,056
Staff loans/ financing	358,418	401,676	315,244	360,603
Credit/ charge cards	2,778,825	2,884,343	2,323,860	2,441,572
Revolving credit	3,157,631	3,420,408	2,925,130	3,208,787
Other loans/ financing	8,762	9,880	8,762	9,880
Less: Unearned income	(108,827)	(121,297)	-	-
Gross loans, advances and financing	45,318,247	42,972,317	35,987,960	34,313,206
Less: Allowances for impaired loans, advances and financing				
- Collectively assessed	(398,406)	(401,441)	(269,302)	(256,588)
- Individually assessed	(346,616)	(304,981)	(308,147)	(274,602)
Total net loans, advances and financing	44,573,225	42,265,895	35,410,511	33,782,016

15 Loans, Advances and Financing (Cont'd)

(i) By type (Cont'd)

[^] Included in the loans, advances and financing of the Bank at 30 September 2013 is a Risk Absorbent Profit Sharing Investment Account Type 2 (PSIA2) balance amounting to RM663.91m (2012: RM632.12m).

The PSIA 2 arrangement is 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 RM663.91m 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>	
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	78,015	93,237	78,015	93,237
Domestic business enterprises				
Small medium enterprises	8,545,011	8,239,265	6,785,674	6,526,613
Others	10,886,612	10,399,494	8,219,744	7,980,962
Government and statutory bodies	20,010	20,193	-	-
Individuals	20,684,489	20,276,460	16,295,619	16,238,628
Other domestic entities	8,109	8,306	6,328	6,658
Foreign entities	5,096,001	3,935,362	4,602,580	3,467,108
	45,318,247	42,972,317	35,987,960	34,313,206

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	19,536,450	18,771,716	15,552,650	15,002,564
More than one year to three years	2,537,986	1,865,327	1,958,673	1,239,273
More than three years to five years	2,493,377	2,522,173	1,755,610	1,757,069
More than five years	20,750,434	19,813,101	16,721,027	16,314,300
	45,318,247	42,972,317	35,987,960	34,313,206

(iv) By interest/ profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
Housing loans/ financing	149,306	163,075	140,322	152,748
Hire purchase receivables	263,041	269,701	183	184
Other fixed rate loans/ financing	4,370,550	4,628,448	2,361,078	2,267,770
Variable rate				
BLR/BFR plus	34,831,395	31,817,963	28,237,387	26,242,145
Cost-plus	2,925,130	3,208,787	2,925,130	3,208,787
Other variable rates	2,778,825	2,884,343	2,323,860	2,441,572
	45,318,247	42,972,317	35,987,960	34,313,206

15 Loans, Advances and Financing (Cont'd)

(v) By sector	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	1,692,906	2,221,670	1,316,150	1,659,225
Mining and quarrying	415,124	474,355	288,967	323,128
Manufacturing	6,307,905	6,291,892	5,135,629	5,129,046
Electricity, gas and water	125,841	130,039	33,530	29,194
Construction	2,547,455	1,634,788	1,900,509	1,368,358
Real estate	2,395,206	1,927,200	1,773,458	1,368,558
Wholesale & retail trade and restaurants & hotels	2,916,722	3,013,913	2,241,076	2,408,150
Transport, storage and communication	399,625	536,123	124,636	230,743
Finance, insurance and business services	2,293,207	2,128,551	2,045,343	1,894,162
Household-retail	22,895,950	22,047,654	18,064,936	17,690,716
Others	3,328,306	2,566,132	3,063,726	2,211,926
	45,318,247	42,972,317	35,987,960	34,313,206

(vi) By purpose	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Purchase of landed property:				
-Residential	15,796,258	14,820,899	13,385,455	12,854,809
-Non residential	1,149,075	1,304,992	1,074,025	1,230,965
Purchase of securities	8,905	11,835	8,905	11,835
Purchase of transport vehicles	39,129	40,029	37,584	38,542
Purchase of fixed assets excluding land & building	38,125	49,562	-	-
Consumption credit	6,657,148	6,744,514	4,240,804	4,357,008
Construction	2,547,455	1,391,559	1,900,509	1,136,318
Working capital	16,164,959	16,415,895	12,496,553	12,661,686
Other purpose	2,917,193	2,193,032	2,844,125	2,022,043
	45,318,247	42,972,317	35,987,960	34,313,206

(vii) By geographical distribution	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Northern Region	7,305,995	7,254,377	5,850,291	5,611,567
Southern Region	6,190,542	5,727,967	4,770,112	4,406,325
Central Region	26,878,656	24,484,496	21,027,255	19,401,739
Eastern Region	4,943,054	5,505,477	4,340,302	4,893,575
	45,318,247	42,972,317	35,987,960	34,313,206

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

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

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

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

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

16 Impaired Loans, Advances and Financing

(i) Movements in impaired loans, advances and financing

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	31 Dec 2012	30 Sep 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	808,911	928,022	612,832	697,321
Reclassified as performing	(376,542)	(294,200)	(318,967)	(270,485)
Amount recovered	(185,976)	(313,491)	(151,739)	(248,137)
Amount written off	(228,146)	(298,767)	(136,406)	(182,281)
Other movements	36,527	15,876	16,503	37,292
At end of period/year	833,620	778,846	671,651	649,428
Less: Individual allowance for impairment	(346,616)	(304,981)	(308,147)	(274,602)
Collective allowance for impairment (impaired portion)	(97,138)	(108,362)	(44,826)	(51,236)
Net impaired loans, advances and financing	389,866	365,503	318,678	323,590

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

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Collective allowance for impairment				
		Restated		Restated
At beginning of period/year	401,441	376,282	256,588	271,097
Made during the period/year	266,766	331,860	160,249	171,940
Amount released	(76,791)	(51,111)	(44,427)	(44,467)
Amount written off	(193,223)	(254,581)	(103,515)	(143,625)
Discount unwind	213	(1,009)	407	(1,027)
Other movements	-	-	-	2,670
At end of period/year	398,406	401,441	269,302	256,588

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	31 Dec 2012	30 Sep 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	116,693	87,608	85,574	55,520
Amount released	(62,829)	(58,868)	(36,946)	(40,815)
Amount written off	(27,187)	(28,241)	(24,143)	(26,871)
Discount unwind	5,272	(1,997)	(975)	(1,414)
Other movements	9,686	20,471	10,035	35,157
At end of period/year	346,616	304,981	308,147	274,602

(iii) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	1,354	1,503	1,345	1,419
Mining and quarrying	167	1	167	1
Manufacturing	143,252	111,307	135,063	103,713
Construction	53,701	3,391	50,995	3,391
Real estate	13,437	16,222	13,437	16,222
Wholesale & retail trade, restaurants & hotels	68,607	56,390	64,210	49,477
Transport, storage and communication	1,823	6,510	841	5,681
Finance, insurance and business services	883	730	463	310
Household-Retail	548,630	581,272	403,555	467,694
Others	1,766	1,520	1,575	1,520
	833,620	778,846	671,651	649,428

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

(iv) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Purchase of landed property:				
-Residential	316,014	303,912	256,790	258,473
-Non residential	36,659	39,053	36,557	38,945
Purchase of securities	21	-	21	-
Purchase of transport vehicles	180	157	163	97
Consumption credit	221,895	264,825	136,061	196,746
Construction	53,701	3,391	50,995	3,391
Working capital	204,465	166,822	191,064	151,776
Other purpose	685	686	-	-
	833,620	778,846	671,651	649,428

(v) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Northern Region	173,947	174,650	125,614	138,019
Southern Region	176,101	215,342	148,994	185,236
Central Region	407,353	305,716	325,959	248,679
Eastern Region	76,219	83,138	71,084	77,494
	833,620	778,846	671,651	649,428

17 Other Assets

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Interest/ income receivable	91,351	120,093	82,245	106,624
Other receivables, deposits and prepayments	1,000,150	996,483	1,014,103	988,175
	1,091,501	1,116,576	1,096,348	1,094,799

18 Statutory Deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)c and 26(3) of the Central Bank of Malaysia Act 2009, the amounts of which are determined at set percentages of total eligible liabilities.

19 Deposits from Customers

(i) By type of deposit

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Demand deposits	16,769,621	14,911,616	15,483,485	14,113,743
Savings deposits	11,374,359	10,293,923	10,195,162	9,351,051
Fixed / Investment deposits	26,207,042	26,029,899	19,885,947	20,583,641
Islamic repurchase agreements	238,673	223,467	-	-
Negotiable instruments of deposit	3,365,072	3,009,648	2,891,534	2,929,214
Wholesale money market deposits	1,117,195	1,384,134	1,117,195	1,384,134
Structured investments	3,929,000	4,085,359	2,611,839	2,936,475
	63,000,962	59,938,046	52,185,162	51,298,258

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

	<i>Group</i>		<i>Bank</i>	
Due within six months	22,995,189	21,514,495	17,440,732	16,816,872
More than six months to one year	5,377,554	5,948,484	4,531,746	5,239,020
More than one year to three years	399,741	1,183,800	305,010	1,125,089
More than three years to five years	796,820	392,768	497,183	331,874
Over 5 years	2,810	-	2,810	-
	29,572,114	29,039,547	22,777,481	23,512,855

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
Government and statutory bodies	125,964	124,902	35,399	37,905
Business enterprises	19,877,699	21,414,070	17,783,026	19,360,238
Individuals	29,724,858	27,451,677	23,078,625	22,199,416
Others	13,272,441	10,947,397	11,288,112	9,700,699
	63,000,962	59,938,046	52,185,162	51,298,258

20 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Licensed banks	-	100,000	-	-
Bank Negara Malaysia	45,542	56,886	35,022	47,111
Other financial institutions	7,930,994	6,227,005	7,930,994	6,227,005
	7,976,536	6,383,891	7,966,016	6,274,116

21 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Interest/ profit payable	241,314	219,840	194,893	177,925
Profit equalisation reserve	1,340	1,340	-	-
Other creditors and accruals	2,070,873	1,376,453	2,022,997	1,388,663
	2,313,527	1,597,633	2,217,890	1,566,588

22 Multi-Currency Sukuk Programme

	<i>Group</i>	
	30 Sep 2013	31 Dec 2012
	RM'000	RM'000
Multi-Currency Sukuk Programme ('MCSP')	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 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 accrual basis.

23 Subordinated Bonds

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2013	31 Dec 2012	30 Sep 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	8,554	12,591	8,554	12,591
	1,008,554	1,012,591	1,008,554	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 (Capital Components), 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.

25 Net Fee and Commission Income

	<i>Group</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Credit cards	44,745	42,653	130,230	127,954
Service charges and fees	39,898	43,152	119,568	128,716
Fees on credit facilities	8,844	10,302	27,030	25,638
Agency fee	15,624	21,411	45,163	60,378
Others	13,568	7,450	41,441	44,592
	122,679	124,968	363,432	387,278
Fee and commission expense				
Interbank and clearing fees	(267)	(281)	(936)	(941)
Brokerage	(853)	(768)	(2,523)	(2,390)
Others	(8,426)	(8,043)	(24,310)	(18,782)
	(9,546)	(9,092)	(27,769)	(22,113)
Net fee and commission income	113,133	115,876	335,663	365,165

	<i>Bank</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Credit cards	44,745	42,653	130,230	127,954
Service charges and fees	39,898	43,152	119,568	128,716
Fees on credit facilities	8,844	10,302	27,030	25,638
Agency fee	15,654	21,411	45,193	60,378
Others	13,568	7,450	41,441	44,592
	122,709	124,968	363,462	387,278
Fee and commission expense				
Interbank and clearing fees	(267)	(281)	(936)	(941)
Brokerage	(853)	(768)	(2,523)	(2,390)
Others	(8,426)	(8,043)	(24,310)	(18,782)
	(9,546)	(9,092)	(27,769)	(22,113)
Net fee and commission income	113,163	115,876	335,693	365,165

26 Net Trading Income

	<i>Group</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Realised gains on financial assets/liabilities held-for-trading and other financial instruments	10,503	21,484	52,572	86,164
Net interest (expense)/income from financial assets held-for-trading	(3,551)	(3,696)	13,758	(2,967)
Net unrealised gains/(losses) on revaluation of financial assets held-for-trading	5,684	(6,486)	4,495	5,760
Net (losses)/gains arising from dealing in foreign currency	(55,368)	81,169	159,962	268,526
Net unrealised gains from dealing in foreign currency	169,837	28,019	177,166	43,060
Net (losses)/gains arising from trading in derivatives	(42,669)	(14,159)	28,632	32,432
Net unrealised gains/(losses) on revaluation of derivatives	63,936	49,808	(47)	25,983
Losses arising from fair value hedges	(190)	(565)	(252)	(258)
	148,182	155,574	436,286	458,700

	<i>Bank</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	RM'000	RM'000	RM'000	RM'000
Realised gains on financial assets/liabilities held-for-trading and other financial instruments	10,503	21,484	52,572	86,164
Net interest (expense)/income from financial assets held-for-trading	(3,551)	(3,696)	13,758	(2,967)
Net unrealised gains/(losses) on revaluation of financial assets held-for-trading	5,684	(6,486)	4,495	5,760
Net (losses)/gains arising from dealing in foreign currency	(53,729)	79,811	160,637	267,003
Net unrealised gains from dealing in foreign currency	169,837	26,636	177,166	43,060
Net (losses)/gains arising from trading in derivatives	(42,794)	(15,173)	28,259	32,183
Net unrealised gains on revaluation of derivatives	64,330	51,156	323	27,331
Gains/(losses) arising from fair value hedges	99	(565)	37	(258)
	150,379	153,167	437,247	458,276

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

	<i>Bank</i>				
	3rd quarter		Nine Months Ended		
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012	
	RM'000	RM'000	RM'000	RM'000	
				Restated	Restated
Impairment charges on loans and financing:					
(a) Individual impairment					
Made during the period	45,588	8,613	85,574	29,160	
Written back	(13,616)	(5,419)	(36,946)	(30,083)	
(b) Collective impairment					
Made during the period	42,151	44,358	160,249	144,749	
Written back	(12,268)	(5,109)	(44,427)	(53,261)	
Impaired loans					
Recovered during the period	(15,452)	(18,649)	(54,134)	(59,087)	
Written off	4,058	3,182	9,235	9,963	
	50,461	26,976	119,551	41,441	

30 Other Operating Expenses

	<i>Group</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	164,913	124,134	466,767	447,181
Promotion and marketing related expenses	20,603	16,952	60,834	61,898
Establishment related expenses	38,856	38,605	114,400	113,699
General administrative expenses	94,186	99,295	263,055	276,335
	318,558	278,986	905,056	899,113

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	129,330	97,052	363,168	344,609
Employees Provident Fund contributions	21,387	15,988	59,768	56,531
Promotion and marketing related expenses				
Advertising and promotion	13,502	17,386	40,180	44,437
Establishment related expenses				
Depreciation of property and equipment	10,114	10,152	30,638	30,459
Amortisation of intangible assets	5,885	5,687	15,671	15,513
Information technology costs	3,869	3,360	10,669	9,383
Hire of equipment	2,609	2,358	7,910	7,669
Rental of premises	9,716	10,167	28,082	30,337
Property and equipment written off	11	30	544	683
General administrative expenses				
Intercompany expenses	57,780	61,598	170,657	166,537
Auditors' remuneration				
<u>Statutory audit fees</u>				
KPMG Malaysia	125	126	380	379
<u>Other services</u>				
KPMG Malaysia	245	134	520	447

30 Other Operating Expenses (Cont'd)

	<i>Bank</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	154,787	116,419	438,197	420,342
Promotion and marketing related expenses	17,211	11,865	47,179	47,861
Establishment related expenses	32,894	33,306	97,016	99,479
General administrative expenses	95,718	91,328	261,158	259,810
	300,610	252,918	843,550	827,492

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	121,000	91,043	339,939	323,552
Employees Provident Fund contributions	20,058	15,035	56,389	53,317
Promotion and marketing related expenses				
Advertising and promotion	10,816	8,702	29,882	30,400
Establishment related expenses				
Depreciation of property and equipment	7,551	8,149	22,897	25,044
Amortisation of intangible assets	5,879	5,578	15,654	15,149
Information technology costs	3,127	3,019	9,017	8,544
Hire of equipment	2,605	2,343	7,883	7,628
Rental of premises	7,768	8,226	22,140	24,764
Property and equipment written off	11	30	530	683
General administrative expenses				
Intercompany expenses	62,519	58,947	177,082	162,253
Auditors' remuneration				
<u>Statutory audit fees</u>				
KPMG Malaysia	95	98	290	296
<u>Other services</u>				
KPMG Malaysia	170	121	370	329

31 Capital Adequacy

	<i>Group</i>	
	30 Sep 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/dividend paid)	4,426,018	4,406,664
Other reserves	637,299	660,751
Regulatory adjustments	(336,395)	(461,750)
Total Common Equity Tier 1 (CET 1) and Tier 1 capital	5,582,797	5,461,540
Tier 2 capital		
Subordinated bonds	900,000	1,000,000
Collective impairment allowance (unimpaired portion)	301,268	293,079
Regulatory adjustments	86,135	86,742
Total Tier 2 capital	1,287,403	1,379,821
Capital base	6,870,200	6,841,361
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	11.022%	11.323%
Risk Weighted Capital ratio	13.563%	14.183%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	11.022%	10.701%
Risk Weighted Capital ratio	13.563%	13.561%

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Bank have been computed based on the Standardised Approach in accordance with the revised Capital Adequacy Framework (Capital Components).

For HSBC Amanah Malaysia Berhad (a fully owned subsidiary of the Bank), the total capital and capital adequacy ratios have been computed in accordance with the revised Capital Adequacy Framework for Islamic Banks (CAFIB), with effect from 1 January 2013. HSBC Amanah Malaysia Berhad has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

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

	<i>Group</i>			
	30 Sep 2013		31 Dec 2012	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	96,299,521 *	43,158,680 *	89,694,195 *	41,396,781 *
Total RWA for market risk	-	1,926,616	-	1,628,155
Total RWA for operational risk	-	5,568,042	-	5,211,149
	96,299,521	50,653,338	89,694,195	48,236,085

The comparative capital adequacy ratios and components of capital base have been restated in accordance with the revised guidelines stated above. Refer to Note 33(iii) 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 RM663.91m for both on 30 Sep 2013 (2012: RM632.12m).

31 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	30 Sep 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/dividend paid)	4,036,343	4,078,581
Other reserves	589,113	608,877
Regulatory adjustments	(330,528)	(420,069)
Total Common Equity Tier 1 (CET1) and Tier 1 capital	5,150,803	5,123,264
Tier 2 capital		
Subordinated bonds	900,000	1,000,000
Collective impairment allowance (unimpaired portion)	224,476	205,352
Regulatory adjustments	(573,886)	(573,279)
Total Tier 2 capital	550,590	632,073
Capital base	5,701,393	5,755,337
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	12.107%	12.745%
Risk Weighted Capital ratio	13.401%	14.318%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	12.107%	11.999%
Risk Weighted Capital ratio	13.401%	13.571%

With effect from 1 January 2013, the total capital and capital adequacy ratios have been computed based on the Standardised Approach in accordance with the revised Capital Adequacy Framework (Capital Components).

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

	<i>Bank</i>			
	30 Sep 2013		31 Dec 2012	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	82,146,100 *	35,714,667 *	77,398,695 *	33,949,851 *
Total RWA for market risk	-	1,844,411	-	1,555,686
Total RWA for operational risk	-	4,983,985	-	4,691,534
	82,146,100	42,543,063	77,398,695	40,197,071

The comparative capital adequacy ratios and components of capital base have been restated in accordance with the revised guidelines stated above. Refer to Note 33(iii) 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 RM663.91m for both on 30 Sep 2013 (2012: RM632.12m).

32 Commitments and Contingencies

30 Sep 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	1,665,048	-	1,665,048	1,498,714
Transaction-related contingent items	5,632,436	-	2,816,218	2,161,370
Short-term self-liquidating trade-related contingencies	292,129	-	58,426	49,436
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	13,538,316	-	2,707,663	2,371,452
- Maturity exceeding one year	8,277,665	-	4,138,832	3,313,741
Unutilised credit card lines	7,539,924	-	1,507,985	1,130,989
Foreign exchange related contracts				
- Less than one year	45,895,958	604,777	1,248,222	653,384
- Over one year to less than five years	10,672,819	386,642	1,145,192	604,891
- Over five years	2,320,229	97,227	336,541	195,811
Interest/profit rate related contracts:				
- Less than one year	12,830,936	27,447	51,510	15,728
- Over one year to less than five years	31,365,998	163,724	936,434	317,320
- Over five years	3,845,006	44,234	328,621	126,919
Gold and other precious metals contracts				
- Less than one year	21,186	1,198	1,187	237
Equity related contracts				
- Less than one year	2,003,777	16,759	143,237	28,647
- Over one year to less than five years	1,155,184	13,500	109,462	21,892
- Over five years	258,153	2,778	28,594	5,719
	147,314,764	1,358,286	17,223,172	12,496,250

^ The foreign exchange and equity related contracts, interest/profit rate related contracts, gold and other precious metals 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 for the Bank were based on the guidelines of the revised Capital Adequacy Framework on the Standardised Approach. The credit conversion factors and risk weighting rules for HSBC Amanah Malaysia Berhad were based on the revised Basel II CAFIB.

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

32 Commitments and Contingencies (Cont'd)

30 Sep 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	1,254,340	-	1,254,340	1,139,102
Transaction-related contingent items	4,843,768	-	2,421,884	1,865,443
Short-term self-liquidating trade-related contingencies	257,116	-	51,423	44,719
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	11,622,296	-	2,324,459	2,026,629
- Maturity exceeding one year	7,541,076	-	3,770,538	3,018,228
Unutilised credit card lines	6,538,341	-	1,307,668	980,751
Foreign exchange related contracts				
- Less than one year	45,974,447	604,045	1,248,072	643,901
- Over one year to less than five years	10,672,818	386,642	1,145,192	604,891
- Over five years	2,320,229	96,397	335,453	190,380
Interest rate related contracts:				
- Less than one year	12,886,436	27,447	51,600	15,773
- Over one year to less than five years	33,223,808	214,366	1,027,015	359,095
- Over five years	3,845,006	44,234	328,622	120,044
Gold and other precious metals contracts				
- Less than one year	21,187	1,198	1,187	237
Equity related contracts				
- Less than one year	2,953,569	64,885	251,189	83,131
- Over one year to less than five years	1,359,593	18,672	128,227	35,042
- Over five years	258,153	2,778	28,595	5,719
	145,572,183	1,460,664	15,675,464	11,133,085

^ The foreign exchange and equity related contracts, interest rate related contracts, gold and other precious metals 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 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 (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
	126,997,325	1,079,988	13,988,740	10,486,130

^ The foreign exchange and equity related contracts, interest/profit rate 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 for the Bank were based on Basel II Standardised Approach under the Risk Weighted Capital Adequacy Framework ('RWCAF'). For HSBC Amanah Malaysia Berhad, the credit conversion factors and risk weighting rules were based on Basel II CAFIB.

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

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
	124,988,502	1,114,866	12,489,275	9,121,036

^ The foreign exchange and equity related contracts, interest rate 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 II Standardised Approach under the RWCAF.

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

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 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
Statement of Financial Position at 31 December 2012				
a) Deposits and Placements from Banks and Other Financial Institutions <i>(of which the affected component is disclosed below) :</i> Other financial institutions	6,383,891	6,117,046	6,274,116	6,007,271
b) Other Liabilities <i>(of which the affected component is disclosed below) :</i> Other creditors and accruals	1,597,633	2,646,149	1,566,588	2,625,929
c) Loans, Advances and Financing <i>(of which the affected component is disclosed below) :</i> By sector	42,972,317	42,972,317	34,313,206	34,313,206
Agricultural, hunting, forestry and fishing	2,221,670	2,176,877	1,659,225	1,634,240
Manufacturing	6,291,892	7,036,938	5,129,046	5,783,512
Construction	1,634,788	1,391,559	1,368,358	1,136,318
Real estate	1,927,200	1,779,334	1,368,558	1,250,039
Wholesale & retail trade and restaurants & hotels	3,013,913	2,861,976	2,408,150	2,247,830
Transport, storage and communication	536,123	502,279	230,743	217,321
Finance, insurance and business services	2,128,551	2,055,058	1,894,162	1,825,814
Others	2,566,132	2,516,248	2,211,926	2,175,094

	Group			
	3rd quarter		Nine Months Ended	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
a) Income from Islamic banking operations <i>(of which the affected components are disclosed below) :</i>	152,489	152,489	425,269	425,269
Income derived from investment of depositor funds and others	161,252	161,020	468,471	468,483
Income derived from investment of shareholders funds	37,379	37,611	92,160	92,148
Income attributable to the depositors	(46,142)	(46,142)	(135,362)	(135,362)

	Group			
	3rd quarter		Nine Months Ended	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
b) Net Interest Income <i>(of which the affected components are disclosed below) :</i>	325,057	313,146	989,282	957,573
Interest income				
Loans and advances				
- Interest income other than from impaired loans	396,844	409,699	1,192,570	1,228,700
- Interest income recognised from impaired loans	13,721	866	38,502	2,372
Money at call and deposit placements with financial institutions	102,055	102,276	346,074	350,647
Interest expense				
Deposits and placements of banks and other financial institutions	(17,652)	(28,363)	(60,286)	(92,015)
Deposits from customers	(199,050)	(200,471)	(600,897)	(605,450)

33 Comparative Figures (Cont'd)

		Bank			
		342,322	330,411	1,037,152	1,005,443
b)	Net Interest Income (Cont'd)				
	<i>(of which the affected components are disclosed below) :</i>				
	<u>Interest income</u>				
	Loans and advances				
	- Interest income other than from impaired loans	396,844	409,699	1,192,570	1,228,700
	- Interest income recognised from impaired loans	13,721	866	38,502	2,372
	Money at call and deposit placements with financial institutions	119,320	119,541	393,944	398,517
	<u>Interest expense</u>				
	Deposits and placements of banks and other financial institutions	(17,652)	(28,363)	(60,286)	(92,015)
	Deposits from customers	(199,050)	(200,471)	(600,897)	(605,450)
		Group			
		3rd quarter		Nine Months Ended	
		RM'000	RM'000	RM'000	RM'000
		As restated	As previously stated	As restated	As previously stated
c)	Net Trading Income	155,574	167,485	458,700	490,409
	<i>(of which the affected components are disclosed below) :</i>				
	Net interest (expense)/income from financial assets held-for-trading	(3,696)	8,215	(2,967)	28,742
	Net (losses)/gains arising from trading in derivatives	(14,159)	(14,179)	32,432	32,412
	Losses arising from fair value hedges	(565)	(545)	(258)	(238)
		Bank			
	Net Trading Income	153,167	165,078	458,276	489,985
	<i>(of which the affected components are disclosed below) :</i>				
	Net interest (expense)/income from financial assets held-for-trading	(3,696)	8,215	(2,967)	28,742
	Net (losses)/gains arising from trading in derivatives	(15,173)	(15,193)	32,183	32,163
	Losses arising from fair value hedges	(565)	(545)	(258)	(238)
d)	Restatement on disclosure note under other operating expenses.				
	<i>(The change affected only the following disclosure note, without impact on the main operating expenses categories.)</i>				
		Group			
		3rd quarter		Nine Months Ended	
		RM'000	RM'000	RM'000	RM'000
		As restated	As previously stated	As restated	As previously stated
	<u>General administration expenses</u>				
	Intercompany expenses	61,598	66,530	166,537	180,464
		Bank			
	<u>General administration expenses</u>				
	Intercompany expenses	58,947	63,880	162,253	176,181
(ii)	Restatement upon revision of collective impairment provision model used				
	(Regulatory Reserve Provision being replaced with revised Collective Impairment Provision model)				
		Group			
		3rd quarter		Nine Months Ended	
		RM'000	RM'000	RM'000	RM'000
		As restated	As previously stated	As restated	As previously stated
	Profit before income tax expense	414,839	418,062	1,217,690	1,192,704
	Profit for the period	318,633	320,994	919,236	899,634
	<i>(of which the affected components are disclosed in note a) and b) below) :</i>				
		Bank			
	Profit before income tax expense	370,170	366,713	1,100,954	1,061,439
	Profit for the period	280,150	277,557	823,642	794,006
	<i>(of which the affected components are disclosed in note a) and b) below) :</i>				

33 Comparative Figures (Cont'd)

	Group			
	3rd quarter		Nine Months Ended	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
a) Loans/Financing Impairment Charges and other Credit Risk Provisions <i>(of which the affected components are disclosed below) :</i>	66,301	63,078	150,080	175,066
Collective Impairment				
- Made during the period	86,951	78,249	274,744	222,969
- Written back	(6,738)	(3,970)	(65,873)	(17,461)
Regulatory reserve provision on loans and financing				
- Made during the period	-	9,410	-	53,976
- Written back	-	(6,699)	-	(25,627)
	Bank			
Loans/Financing Impairment Charges and other Credit Risk Provisions <i>(of which the affected components are disclosed below) :</i>	26,976	30,433	41,441	80,956
Collective Impairment				
- Made during the period	44,358	43,830	144,749	131,965
- Written back	(5,109)	(3,445)	(53,261)	(14,998)
Regulatory reserve provision on loans and financing				
- Made during the period	-	9,020	-	39,663
- Written back	-	(6,699)	-	(25,627)
	Group			
	3rd quarter		Nine Months Ended	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
	(96,206)	(97,068)	(298,454)	(293,070)
b) Income Tax Expense				
	Bank			
Income Tax Expense	(90,020)	(89,156)	(277,312)	(267,433)
(iii) Restatement to conform with the revised Capital Adequacy Framework (Capital Components)				
<u>Capital Adequacy at 31 December 2012</u>				
	Group		Bank	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
Total Common Equity Tier 1 (CET 1) and 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
<u>Inclusive of proposed dividend</u>				
CET 1 and Tier 1 Capital ratio	11.323%	11.224%	12.745%	12.631%
Risk Weighted Capital ratio	14.183%	14.130%	14.318%	14.259%
<u>Net of proposed dividend</u>				
CET 1 and Tier 1 Capital ratio	10.701%	10.602%	11.999%	11.885%
Risk Weighted Capital ratio	13.561%	13.508%	13.571%	13.513%

34 Performance Review

The Group recorded profit before tax of RM1,144 million for the nine months ended 30 September 2013, a decrease of 6.1% or RM74 million compared against history. The decline in year to date profits was contributed by a decrease in operating income of RM40 million or 1.8% (Sep13: RM2,227 million, Sep12: RM2,267 million) followed by a rise in loan/financing impairment charges of RM28 million or 18.7% (Sep13: RM178 million, Sep12: RM150 million), coupled with marginally higher operating expenses of RM6 million or 0.7% (Sep13: RM905 million, Sep12: RM899 million).

Profit before tax for the Bank declined by RM91 million or 8.25% to RM1,010 million arising from higher loans impairment charges and other credit risk provisions (rose RM78 million or 188.5%), lower net fee income (fell RM29 million or 8.1%) and net trading income (fell RM21 million or 4.6%) and higher operating expenses (rose RM16 million or 1.9%), moderated by higher net interest income (rose RM38 million or 3.7%) and other operating income (rose RM15 million or 14.1%). Loans impairment charges and other credit risk provisions increased on account of impairment charges on corporates while net fee income declined on lower wealth management related fees in the current period. Net trading income decreased arising from lower gains on debt securities, coupled with smaller gains on derivatives, partly mitigated by higher foreign currency gains and trading net interest income. Operating expenses increased arising mainly from higher employee compensation and benefit expenses. Meanwhile, net interest income improved on an expanded average loan base and lower cost of funds, while other operating income rose on higher gains from disposal of financial investments available-for-sale.

Income from Islamic banking fell RM49 million or 11.6%, mainly due to lower net trading income on lower gains from sell down of debt securities.

Total balance sheet size at 30 September 2013 stood at RM82.5 billion, RM5.9 billion higher compared against 31 December 2012 (RM76.6 billion), with the bulk of the increase in total assets invested in the interbank lending market or deployed as loans, advances and financing. The increase in total balance sheet size was funded by growth in customer deposits, followed by higher interbank borrowings.

35 Business Prospects

The Malaysian economy rose at a modest pace of 4.2% y-o-y in 1H 2013, significantly lower than that registered during the same period last year (1H 2012: 5.4%). The domestic economy grew by 4.1% in 1Q and improved slightly to 4.2% in 2Q. The prolonged weakness in the external environment has had a dampening effect on many emerging economies, prompting Bank Negara Malaysia to revise downwards the overall growth of the Malaysian economy to 4.5% - 5.0% from 5% - 6% earlier. Domestically, the increase in public consumption has mitigated the continued moderation in external demand, and is expected to continue being the buffer against external weakness, as it remains supported by higher Government spending on infrastructure projects, supplies and services, coupled with sustained civil service emoluments.

The focus in the final quarter of 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 put more emphasis on secured lending/financing on the retail end, while at the same time capitalising 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.

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 under the backdrop of these standards and requirements.