

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 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 June 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 : 26 July 2013

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

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2013

	Note	<i>Group</i>		<i>Bank</i>	
		30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
		RM'000	RM'000	RM'000	RM'000
			Restated		Restated
Assets					
Cash and short term funds	11	15,000,146	12,663,437	12,308,590	11,014,117
Securities purchased under resale agreements		2,399,725	2,433,346	2,399,725	2,433,346
Deposits and placements with banks and other financial institutions	12	4,742,374	2,992,993	6,179,216	4,645,468
Financial Assets Held-for-Trading	13	3,815,653	4,597,107	3,701,921	4,414,598
Financial Investments Available-for-Sale	14	6,378,116	7,546,325	5,178,137	6,281,042
Loans, advances and financing	15	43,874,604	42,265,895	35,293,852	33,782,016
Other assets	17	1,548,951	2,196,564	1,657,830	2,209,665
Statutory deposits with Bank Negara Malaysia	18	1,368,160	1,330,159	1,032,098	986,598
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		360,151	369,194	332,463	341,355
Intangible assets		53,591	53,525	53,571	53,496
Deferred tax assets		186,223	176,014	145,650	134,541
Total assets		79,727,694	76,624,559	68,943,074	66,956,263
Liabilities					
Deposits from customers	19	59,986,808	59,938,046	49,948,047	51,298,258
Deposits and placements from banks and other financial institutions	20	8,969,331	6,383,891	8,952,096	6,274,116
Bills and acceptances payable		483,241	504,349	471,637	488,923
Other liabilities	21	2,594,072	2,379,304	2,815,487	2,359,084
Provision for taxation		34,689	14,168	34,751	10,861
Multi-Currency Sukuk Programme	22	500,000	500,000	-	-
Subordinated bonds	23	1,009,921	1,012,591	1,009,921	1,012,591
Total liabilities		73,578,062	70,732,349	63,231,939	61,443,833
Equity					
Share capital		114,500	114,500	114,500	114,500
Reserves		5,785,132	5,477,710	5,346,635	5,097,930
Proposed dividend		250,000	300,000	250,000	300,000
Total equity attributable to owner of the Bank		6,149,632	5,892,210	5,711,135	5,512,430
Total liabilities and equity		79,727,694	76,624,559	68,943,074	66,956,263
Commitments and Contingencies	32	133,559,755	126,997,325	131,188,815	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 37 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 26 July 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 JUNE 2013

	<i>Note</i>	<i>Group</i>			
		2nd quarter		Half Year To	
		30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
		RM'000	RM'000	RM'000	RM'000
			Restated		Restated
Revenue		1,015,582	1,022,168	2,040,663	2,079,543
Interest income	24	567,552	561,955	1,136,593	1,134,770
Interest expense	24	(224,808)	(230,721)	(452,996)	(470,545)
Net interest income	24	342,744	331,234	683,597	664,225
Fee and commission income	25	127,017	128,192	240,753	262,310
Fee and commission expense	25	(7,575)	(6,896)	(18,223)	(13,021)
Net fee and commission income	25	119,442	121,296	222,530	249,289
Net trading income	26	137,276	142,576	288,104	303,126
Income from Islamic banking operations	27	123,101	132,684	250,472	272,780
Other operating income	28	7,474	11,579	21,001	17,337
Operating income before impairment losses		730,037	739,369	1,465,704	1,506,757
Loans / financing impairment charges and other credit risk provisions	29	(32,330)	(43,365)	(115,738)	(83,779)
Net operating income		697,707	696,004	1,349,966	1,422,978
Other operating expenses	30	(315,465)	(331,201)	(586,498)	(620,127)
Profit before income tax expense		382,242	364,803	763,468	802,851
Income tax expense		(94,599)	(90,210)	(191,915)	(202,248)
Profit for the period		287,643	274,593	571,553	600,603
Other comprehensive income					
Cash flow hedge					
Effective portion of changes in fair value		7	256	(5)	(128)
Net amount transferred to profit or loss		(98)	(196)	(194)	(196)
Fair value reserve					
Change in fair value		(21,962)	11,102	(16,539)	7,261
Amount transferred to profit or loss		1,669	-	(5,962)	-
Income tax relating to components of other comprehensive income		5,097	(2,694)	5,676	(1,734)
Other comprehensive income for the period, net of income tax		(15,287)	8,468	(17,024)	5,203
Total comprehensive income for the period		272,356	283,061	554,529	605,806
Profit attributable to owner of the Bank		287,643	274,593	571,553	600,603
Total comprehensive income attributable to owner of the Bank		272,356	283,061	554,529	605,806
Basic earnings per RM0.50 ordinary share		125.6 sen	119.9 sen	249.6 sen	262.3 sen
Dividends per RM0.50 ordinary share (net)					
- final dividend paid in respect of prior year		131.0 sen	131.0 sen	131.0 sen	131.0 sen
- proposed interim dividend in respect of current year		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 37 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 26 July 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 JUNE 2013

		<i>Bank</i>			
		2nd quarter		Half Year To	
		30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
Note		RM'000	RM'000	RM'000	RM'000
			Restated		Restated
	Revenue	878,943	887,273	1,765,798	1,803,389
	Interest income	24 576,041	575,700	1,154,585	1,165,375
	Interest expense	24 (224,808)	(230,721)	(452,996)	(470,545)
	Net interest income	24 351,233	344,979	701,589	694,830
	Fee and commission income	25 127,017	128,192	240,753	262,310
	Fee and commission expense	25 (7,575)	(6,896)	(18,223)	(13,021)
	Net fee and commission income	25 119,442	121,296	222,530	249,289
	Net trading income	26 136,755	144,199	286,868	305,109
	Other operating income	28 39,130	39,182	83,592	70,595
	Operating income before impairment losses	646,560	649,656	1,294,579	1,319,823
	Loans / financing impairment charges and other credit risk provisions	29 (17,784)	(12,856)	(69,090)	(14,465)
	Net operating income	628,776	636,800	1,225,489	1,305,358
	Other operating expenses	30 (291,682)	(306,778)	(542,940)	(574,574)
	Profit before income tax expense	337,094	330,022	682,549	730,784
	Income tax expense	(84,170)	(84,647)	(172,597)	(187,292)
	Profit for the period	252,924	245,375	509,952	543,492
	Other comprehensive income				
	Cash flow hedge				
	Effective portion of changes in fair value	7	256	(5)	(128)
	Net amount transferred to profit or loss	(98)	(196)	(194)	(196)
	Fair value reserve				
	Change in fair value	(16,815)	10,278	(12,725)	6,776
	Amount transferred to profit or loss	1,669	-	(5,962)	-
	Income tax relating to components of other comprehensive income	3,810	(2,488)	4,722	(1,613)
	Other comprehensive income for the period, net of income tax	(11,427)	7,850	(14,164)	4,839
	Total comprehensive income for the period	241,497	253,225	495,788	548,331
	Profit attributable to owner of the Bank	252,924	245,375	509,952	543,492
	Total comprehensive income attributable to owner of the Bank	241,497	253,225	495,788	548,331
	Basic earnings per RM0.50 ordinary share	110.4 sen	107.2 sen	222.7 sen	237.3 sen
	Dividends per RM0.50 ordinary share (net)				
	- final dividend paid in respect of prior year	131.0 sen	131.0 sen	131.0 sen	131.0 sen
	- proposed interim dividend in respect of current year	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 37 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 26 July 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 JUNE 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	-	-	-	-	-	-	-	-	-	600,603*	600,603	-	600,603
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(782)	-	-	-	-	-	782	-	-	-
Cash flow hedge													
Effective portion of charges in fair value	-	-	-	-	-	-	(95)	-	-	-	(95)	-	(95)
Net amount transferred to profit or loss	-	-	-	-	-	-	(148)	-	-	-	(148)	-	(148)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	5,446	-	-	-	-	5,446	-	5,446
Total other comprehensive income	-	-	-	(782)	-	5,446	(243)	-	-	782	5,203	-	5,203
Total comprehensive income for the period	-	-	-	(782)	-	5,446	(243)	-	-	601,385	605,806	-	605,806
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	1,974	-	(3,003)	(1,029)	-	(1,029)
Dividends paid to owner - 2011 final	-	-	-	-	-	-	-	-	-	-	(300,000)	-	(300,000)
Proposed dividend - 2012 interim	-	-	-	-	-	-	-	-	-	(200,000)	(200,000)	200,000	-
Other Transactions, recorded directly in equity													
Reclassification of profit equalisation reserve to equity	-	-	-	-	-	-	-	-	5,360	-	5,360	-	5,360
Balance at 30 June 2012	114,500	741,375	164,500	147,815	190,000	16,360	611	91,785	5,360	3,802,607	5,160,413	200,000	5,474,913
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	-	-	-	-	-	-	-	-	-	571,553	571,553	-	571,553
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(899)	-	-	-	-	-	899	-	-	-
Cash flow hedge													
Effective portion of charges in fair value	-	-	-	-	-	-	(4)	-	-	-	(4)	-	(4)
Net amount transferred to profit or loss	-	-	-	-	-	-	(146)	-	-	-	(146)	-	(146)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	(12,404)	-	-	-	-	(12,404)	-	(12,404)
Net amount transferred to profit or loss	-	-	-	-	-	(4,470)	-	-	-	-	(4,470)	-	(4,470)
Total other comprehensive income	-	-	-	(899)	-	(16,874)	(150)	-	-	899	(17,024)	-	(17,024)
Total comprehensive income for the period	-	-	-	(899)	-	(16,874)	(150)	-	-	572,452	554,529	-	554,529
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	5,991	-	(3,098)	2,893	-	2,893
Dividends paid to owner - 2012 final	-	-	-	-	-	-	-	-	-	-	(300,000)	-	(300,000)
Proposed dividend - 2013 interim	-	-	-	-	-	-	-	-	-	(250,000)	(250,000)	250,000	-
Balance at 30 June 2013	114,500	741,375	164,500	166,423	190,000	(272)	174	96,914	-	4,426,018	5,785,132	250,000	6,149,632

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 37 attached to the unaudited condensed interim financial statements.

* This number has been restated. Refer to Note 35(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 JUNE 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
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	-	-	-	-	-	-	-	-	543,492*	543,492	-	543,492
Other comprehensive income, net of income tax												
Revaluation reserve:												
Transfer to retained profit upon realisation of depreciation	-	-	-	(782)	-	-	-	-	782	-	-	-
Cash flow hedge												
Effective portion of changes in fair value	-	-	-	-	-	-	(95)	-	-	(95)	-	(95)
Net amount transferred to profit or loss	-	-	-	-	-	-	(148)	-	-	(148)	-	(148)
Available-for-sale reserve:												
Net change in fair value	-	-	-	-	-	5,082	-	-	-	5,082	-	5,082
Total other comprehensive income	-	-	-	(782)	-	5,082	(243)	-	782	4,839	-	4,839
Total comprehensive income for the period	-	-	-	(782)	-	5,082	(243)	-	544,274	548,331	-	548,331
Transactions with the owner (the ultimate holding company), recorded directly in equity												
Share based payment transactions	-	-	-	-	-	-	-	1,687	(3,003)	(1,316)	-	(1,316)
Proposed dividend - 2011 final	-	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Dividends paid to owner - 2012 interim	-	-	-	-	-	-	-	-	(200,000)	(200,000)	200,000	-
Balance at 30 June 2012	114,500	741,375	114,500	147,815	190,000	15,848	611	90,802	3,554,672	4,855,623	200,000	5,170,123
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	-	-	-	-	-	-	-	-	509,952	509,952	-	509,952
Other comprehensive income, net of income tax												
Revaluation reserve:												
Transfer to retained profit upon realisation of depreciation	-	-	-	(899)	-	-	-	-	899	-	-	-
Cash flow hedge												
Effective portion of changes in fair value	-	-	-	-	-	-	(4)	-	-	(4)	-	(4)
Net amount transferred to profit or loss	-	-	-	-	-	-	(146)	-	-	(146)	-	(146)
Available-for-sale reserve:												
Net change in fair value	-	-	-	-	-	(9,544)	-	-	-	(9,544)	-	(9,544)
Net amount transferred to profit or loss	-	-	-	-	-	(4,470)	-	-	-	(4,470)	-	(4,470)
Total other comprehensive income	-	-	-	(899)	-	(14,014)	(150)	-	899	(14,164)	-	(14,164)
Total comprehensive income for the period	-	-	-	(899)	-	(14,014)	(150)	-	510,851	495,788	-	495,788
Transactions with the owner (the ultimate holding company), recorded directly in equity												
Share based payment transactions	-	-	-	-	-	-	-	6,006	(3,089)	2,917	-	2,917
Dividends paid to owner - 2012 final	-	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Proposed dividend - 2013 interim	-	-	-	-	-	-	-	-	(250,000)	(250,000)	250,000	-
Balance at 30 June 2013	114,500	741,375	114,500	166,423	190,000	2,054	174	95,766	4,036,343	5,346,635	250,000	5,711,135

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 37 attached to the unaudited condensed interim financial statements.

* This number has been restated. Refer to Note 35(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 JUNE 2013

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Profit before income tax expense	763,468	802,851	682,549	730,784
Adjustments for non-operating and non-cash items	32,988	28,883	27,727	25,073
Operating profit before working capital changes	796,456	831,734	710,276	755,857
Changes in working capital:				
Net changes in operating assets	(1,936,223)	(4,890,306)	(1,795,771)	(4,640,940)
Net changes in operating liabilities	2,827,862	(3,348,941)	1,766,886	(4,891,354)
Income tax paid	(175,926)	(174,320)	(155,093)	(161,321)
Net cash generated from/(used in) operations	1,512,169	(7,581,833)	526,298	(8,937,758)
Net cash generated from investing activities	1,124,540	64,630	1,068,175	318,589
Net cash used in financing activity	(300,000)	(300,000)	(300,000)	(300,000)
	824,540	(235,370)	768,175	18,589
Net changes in cash and cash equivalents	2,336,709	(7,817,203)	1,294,473	(8,919,169)
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	15,000,146	13,786,024	12,308,590	11,373,103
Analysis of cash and cash equivalents				
Cash and short-term funds	15,000,146	13,786,024	12,308,590	11,373,103

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 37 attached to the unaudited condensed interim financial statements.

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

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

Explanatory notes to the Unaudited Condensed Interim Financial Statements at 30 June 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 June 2013 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale and derivative financial instruments.

The unaudited condensed interim financial statements for the financial period ended 30 June 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 3, Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- 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 2004)
- MFRS 127, Consolidated and 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: 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.

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)

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 9, ((IFRS 9 issued by IASB in November 2009), MFRS 9 (IFRS 9 issued by IASB in October 2010) and 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. 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 30 June 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 30 June 2013, except for those arising from the change in accounting treatment as disclosed in Note 35.

7 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period 30 June 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.

The directors now recommend an interim dividend of RM1.456 per ordinary share less tax at 25% totalling RM250 million in respect of the current financial period on the fully issued and paid up ordinary shares of the Bank.

9 Carrying Amount of Revalued Assets

Property and equipment are stated at cost/valuation less accumulated depreciation and impairment losses (if any) except for freehold land which is stated at professional valuation. There was no change in the valuation of property and equipment that was brought forward from the previous audited financial statements for the financial period ended 30 June 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 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,958,032	2,671,894	1,742,521	2,521,508
Money at call and deposit placements maturing within one month	13,042,114	9,991,543	10,566,069	8,492,609
	15,000,146	12,663,437	12,308,590	11,014,117

12 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Licensed banks	139,013	-	1,575,855	1,652,475
Bank Negara Malaysia	4,000,000	2,500,000	4,000,000	2,500,000
Other financial institutions	603,361	492,993	603,361	492,993
	4,742,374	2,992,993	6,179,216	4,645,468

13 Financial Assets Held-for-Trading

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government treasury bills	243,632	811,410	219,654	628,901
Bank Negara Malaysia bills and notes	1,285,015	641,602	1,285,015	641,602
Bank Negara Malaysia Islamic bills	161,416	543,464	161,416	543,464
Malaysian Government securities	1,578,836	1,988,396	1,578,836	1,988,396
Malaysian Government Islamic bonds	257,632	323,271	167,878	323,271
Cagamas bonds and notes	2,502	2,502	2,502	2,502
	3,529,033	4,310,645	3,415,301	4,128,136
Unquoted securities:				
Private debt securities	286,620	286,462	286,620	286,462
(including commercial paper)	3,815,653	4,597,107	3,701,921	4,414,598

14 Financial Investments Available-for-Sale

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
At fair value	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government treasury bills	29,657	29,202	29,657	29,202
Bank Negara Malaysia bills and notes	-	56,871	-	56,871
Bank Negara Malaysia Islamic bills	1,204,716	652,556	1,204,716	652,556
Malaysian Government securities	947,073	1,788,709	947,073	1,788,709
Malaysian Government Islamic bonds	3,093,903	3,948,055	1,932,874	2,731,404
Bank Negara Malaysia Islamic bonds	35,630	35,627	35,630	35,627
Cagamas bonds and notes	90,133	45,320	90,133	45,320
Negotiable instruments of deposit	210,001	85,003	185,001	60,002
Bankers' acceptance and Islamic accepted bills	749,625	887,604	735,675	863,973
	6,360,738	7,528,947	5,160,759	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
	6,378,116	7,546,325	5,178,137	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	2,706,025	2,142,323	2,441,904	1,838,418
More than one year to three years	1,355,373	2,976,974	944,537	2,645,173
More than three years to five years	1,574,832	1,640,606	1,529,734	1,495,194
Over five years	724,508	769,044	244,584	284,879
	6,360,738	7,528,947	5,160,759	6,263,664

15 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
At amortised cost	RM'000	RM'000	RM'000	RM'000
Overdrafts	1,204,294	1,282,760	1,127,989	1,220,023
Term loans/ financing				
Housing loans/ financing	15,258,700	14,601,065	12,867,502	12,504,747
Syndicated term loans/ financing	57,286	67,372	57,286	67,372
Factoring receivables	180,978	157,134	180,978	157,134
Hire purchase receivables	279,523	296,825	183	184
Lease receivables	3,113	3,219	-	-
Other term loans/ financing^	12,367,157	12,453,945	7,734,742	7,741,682
Bills receivable	3,952,656	3,294,693	3,952,656	3,294,693
Trust receipts	1,579,890	1,229,690	1,534,691	1,180,473
Claims on customers under acceptance credits	2,965,303	2,990,604	2,208,195	2,126,056
Staff loans/ financing	388,761	401,676	343,063	360,603
Credit/ charge cards	2,751,532	2,884,343	2,308,285	2,441,572
Revolving credit	3,713,746	3,420,408	3,517,878	3,208,787
Other loans/ financing	8,969	9,880	8,969	9,880
Less: Unearned income	(110,860)	(121,297)	-	-
Gross loans, advances and financing	44,601,048	42,972,317	35,842,417	34,313,206
Less: Allowances for impaired loans, advances and financing				
- Collectively assessed	(411,819)	(401,441)	(270,978)	(256,588)
- Individually assessed	(314,625)	(304,981)	(277,587)	(274,602)
Total net loans, advances and financing	43,874,604	42,265,895	35,293,852	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 30 June 2013 is a Risk Absorbent Profit Sharing Investment Account Type 2 (PSIA2) balance amounting to RM431.85m (2012: RM632.12m).

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 RM431.85m 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 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	82,547	93,237	82,547	93,237
Domestic business enterprises				
Small medium enterprises	8,465,548	8,239,265	6,701,081	6,526,613
Others	10,433,140	10,399,494	8,143,756	7,980,962
Government and statutory bodies	20,835	20,193	-	-
Individuals	20,458,407	20,276,460	16,234,405	16,238,628
Other domestic entities	8,188	8,306	6,405	6,658
Foreign entities	5,132,383	3,935,362	4,674,223	3,467,108
	44,601,048	42,972,317	35,842,417	34,313,206

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	19,299,787	18,771,716	15,772,574	15,002,564
More than one year to three years	2,524,128	1,865,327	1,935,437	1,239,273
More than three years to five years	2,361,173	2,522,173	1,629,696	1,757,069
More than five years	20,415,960	19,813,101	16,504,710	16,314,300
	44,601,048	42,972,317	35,842,417	34,313,206

(iv) By interest/ profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
Housing loans/ financing	151,793	163,075	142,913	152,748
Hire purchase receivables	255,246	269,701	183	184
Other fixed rate loans/ financing	4,441,032	4,628,448	2,333,985	2,267,770
Variable rate				
BLR/BFR plus	33,483,566	31,817,963	27,539,172	26,242,145
Cost-plus	3,517,879	3,208,787	3,517,879	3,208,787
Other variable rates	2,751,532	2,884,343	2,308,285	2,441,572
	44,601,048	42,972,317	35,842,417	34,313,206

15 Loans, Advances and Financing (Cont'd)

(v) By sector	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	1,768,992	2,221,670	1,374,523	1,659,225
Mining and quarrying	430,600	474,355	298,461	323,128
Manufacturing	6,394,870	6,291,892	5,185,972	5,129,046
Electricity, gas and water	132,122	130,039	35,051	29,194
Construction	1,950,194	1,634,788	1,687,050	1,368,358
Real estate	2,164,761	1,927,200	1,525,359	1,368,558
Wholesale & retail trade and restaurants & hotels	2,967,611	3,013,913	2,342,861	2,408,150
Transport, storage and communication	489,937	536,123	215,241	230,743
Finance, insurance and business services	2,264,537	2,128,551	2,006,388	1,894,162
Household-retail	22,491,148	22,047,654	17,872,855	17,690,716
Others	3,546,276	2,566,132	3,298,656	2,211,926
	44,601,048	42,972,317	35,842,417	34,313,206

(vi) By purpose	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Purchase of landed property:				
-Residential	15,464,993	14,820,899	13,202,054	12,854,809
-Non residential	1,192,986	1,304,992	1,116,264	1,230,965
Purchase of securities	7,697	11,835	7,697	11,835
Purchase of transport vehicles	39,073	40,029	37,586	38,542
Purchase of fixed assets excluding land & building	42,513	49,562	-	-
Consumption credit	6,570,256	6,744,514	4,219,080	4,357,008
Construction	1,950,194	1,391,559	1,687,050	1,136,318
Working capital	16,202,131	16,415,895	12,527,968	12,661,686
Other purpose	3,131,205	2,193,032	3,044,718	2,022,043
	44,601,048	42,972,317	35,842,417	34,313,206

(vii) By geographical distribution	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Northern Region	7,252,884	7,254,377	5,784,015	5,611,567
Southern Region	6,186,866	5,727,967	4,798,926	4,406,325
Central Region	26,157,365	24,484,496	20,819,845	19,401,739
Eastern Region	5,003,933	5,505,477	4,439,631	4,893,575
	44,601,048	42,972,317	35,842,417	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 Jun 2013	31 Dec 2012	30 Jun 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	566,137	928,022	439,014	697,321
Reclassified as performing	(248,021)	(294,200)	(212,909)	(270,485)
Amount recovered	(121,746)	(313,491)	(99,879)	(248,137)
Amount written off	(155,607)	(298,767)	(95,910)	(182,281)
Other movements	42,434	15,876	28,971	37,292
At end of period/year	862,043	778,846	708,715	649,428
Less: Individual allowance for impairment	(314,625)	(304,981)	(277,587)	(274,602)
Collective allowance for impairment (impaired portion)	(105,576)	(108,362)	(49,082)	(51,236)
Net impaired loans, advances and financing	441,842	365,503	382,046	323,590

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

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 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	194,620	331,860	118,098	171,940
Amount released	(51,272)	(51,111)	(32,159)	(44,467)
Amount written off	(132,951)	(254,581)	(71,620)	(143,625)
Discount unwind	(19)	(1,009)	71	(1,027)
Other movements	-	-	-	2,670
At end of period/year	411,819	401,441	270,978	256,588

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 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	59,746	87,608	39,986	55,520
Amount released	(39,612)	(58,868)	(23,330)	(40,815)
Amount written off	(24,338)	(28,241)	(24,103)	(26,871)
Discount unwind	(257)	(1,997)	(82)	(1,414)
Other movements	14,105	20,471	10,514	35,157
At end of period/year	314,625	304,981	277,587	274,602

(iii) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	1,433	1,503	1,397	1,419
Mining and quarrying	5	1	5	1
Manufacturing	166,188	111,307	157,877	103,713
Construction	53,091	3,391	49,824	3,391
Real estate	16,897	16,222	16,897	16,222
Wholesale & retail trade, restaurants & hotels	76,966	56,390	70,134	49,477
Transport, storage and communication	2,225	6,510	1,232	5,681
Finance, insurance and business services	1,170	730	748	310
Household-Retail	542,190	581,272	408,915	467,694
Others	1,878	1,520	1,686	1,520
	862,043	778,846	708,715	649,428

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

(iv) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Purchase of landed property:				
-Residential	308,317	303,912	254,300	258,473
-Non residential	41,362	39,053	41,259	38,945
Purchase of securities	21	-	21	-
Purchase of transport vehicles	184	157	166	97
Consumption credit	224,353	264,825	145,113	196,746
Construction	53,091	3,391	49,824	3,391
Working capital	234,027	166,822	218,032	151,776
Other purpose	688	686	-	-
	862,043	778,846	708,715	649,428

(v) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Northern Region	171,607	174,650	127,808	138,019
Southern Region	185,967	215,342	157,211	185,236
Central Region	426,344	305,716	352,012	248,679
Eastern Region	78,125	83,138	71,684	77,494
	862,043	778,846	708,715	649,428

17 Other Assets

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Derivative financial assets (Note 32)	1,048,427	1,079,988	1,186,102	1,114,866
Interest/ income receivable	104,836	120,093	88,782	106,624
Other receivables, deposits and prepayments	395,688	996,483	382,946	988,175
	1,548,951	2,196,564	1,657,830	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>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Demand deposits	15,538,156	14,911,616	14,302,493	14,113,743
Savings deposits	10,783,267	10,293,923	9,707,337	9,351,051
Fixed / Investment deposits	24,795,598	26,029,899	18,887,293	20,583,641
Islamic repurchase agreements	209,238	223,467	-	-
Negotiable instruments of deposit	3,230,119	3,009,648	2,920,165	2,929,214
Wholesale money market deposits	1,422,577	1,384,134	1,422,577	1,384,134
Structured investments	4,007,853	4,085,359	2,708,182	2,936,475
	59,986,808	59,938,046	49,948,047	51,298,258

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

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
Due within six months	21,215,136	21,514,495	16,168,588	16,816,872
More than six months to one year	5,570,400	5,948,484	4,644,191	5,239,020
More than one year to three years	630,990	1,183,800	534,856	1,125,089
More than three years to five years	559,099	392,768	409,731	331,874
Over 5 years	50,092	-	50,092	-
	28,025,717	29,039,547	21,807,458	23,512,855

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
Government and statutory bodies	134,098	124,902	44,331	37,905
Business enterprises	19,060,629	21,414,070	16,824,648	19,360,238
Individuals	28,918,705	27,451,677	22,946,400	22,199,416
Others	11,873,376	10,947,397	10,132,668	9,700,699
	59,986,808	59,938,046	49,948,047	51,298,258

20 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Licensed banks	-	100,000	-	-
Bank Negara Malaysia	58,315	56,886	41,080	47,111
Other financial institutions	8,911,016	6,227,005	8,911,016	6,227,005
	8,969,331	6,383,891	8,952,096	6,274,116

21 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities	967,899	781,671	996,409	792,496
Interest/ profit payable	226,661	219,840	179,906	177,925
Profit equalisation reserve	1,340	1,340	-	-
Other creditors and accruals	1,398,172	1,376,453	1,639,172	1,388,663
	2,594,072	2,379,304	2,815,487	2,359,084

22 Multi-Currency Sukuk Programme

	<i>Group</i>	
	30 Jun 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 Jun 2013	31 Dec 2012	30 Jun 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	9,921	12,591	9,921	12,591
	1,009,921	1,012,591	1,009,921	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.

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

	<i>Bank</i>			
	2nd quarter		Half Year To	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
		Restated	Restated	
Impairment charges on loans and financing:				
(a) Individual impairment				
Made during the period	27,045	12,782	39,986	20,547
Written back	(10,184)	(21,266)	(23,330)	(24,664)
(b) Collective impairment				
Made during the period	40,794	50,782	118,098	100,391
Written back	(24,328)	(11,779)	(32,159)	(48,152)
Impaired loans				
Recovered during the period	(18,276)	(20,406)	(38,682)	(40,438)
Written off	2,733	2,743	5,177	6,781
	17,784	12,856	69,090	14,465

30 Other Operating Expenses

	<i>Group</i>			
	2nd quarter		Half Year To	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	162,985	165,755	301,854	323,047
Promotion and marketing related expenses	21,939	26,052	40,231	44,946
Establishment related expenses	40,873	38,263	75,544	75,094
General administrative expenses	89,668	101,131	168,869	177,040
	315,465	331,201	586,498	620,127

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	127,569	129,291	233,838	247,557
Employees Provident Fund contributions	21,193	21,472	38,381	40,543
Promotion and marketing related expenses				
Advertising and promotion	12,833	16,804	26,678	27,051
Establishment related expenses				
Depreciation of property and equipment	10,308	10,122	20,524	20,307
Amortisation of intangible assets	5,164	5,431	9,786	9,826
Information technology costs	4,655	2,953	6,800	6,023
Hire of equipment	2,971	3,345	5,301	5,311
Rental of premises	9,483	9,661	18,366	20,170
Property and equipment written off	27	324	533	653
General administrative expenses				
Intercompany expenses	60,469	53,526	112,877	104,939
Auditors' remuneration				
<u>Statutory audit fees</u>				
KPMG Malaysia	125	126	255	253
<u>Other services</u>				
KPMG Malaysia	100	139	275	313

30 Other Operating Expenses (Cont'd)

	<i>Bank</i>			
	2nd quarter		Half Year To	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	152,603	156,113	283,410	303,923
Promotion and marketing related expenses	15,674	21,705	29,968	35,996
Establishment related expenses	34,779	33,640	64,122	66,173
General administrative expenses	88,626	95,320	165,440	168,482
	291,682	306,778	542,940	574,574

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	119,165	121,748	218,939	232,509
Employees Provident Fund contributions	19,924	20,261	36,331	38,282
Promotion and marketing related expenses				
Advertising and promotion	8,045	11,451	19,066	21,698
Establishment related expenses				
Depreciation of property and equipment	7,601	8,447	15,346	16,895
Amortisation of intangible assets	5,158	5,310	9,775	9,571
Information technology costs	4,004	2,681	5,890	5,525
Hire of equipment	2,965	3,331	5,278	5,285
Rental of premises	7,520	7,787	14,372	16,538
Property and equipment written off	27	324	519	653
General administrative expenses				
Intercompany expenses	61,312	55,325	114,563	103,306
Auditors' remuneration				
<u>Statutory audit fees</u>				
KPMG Malaysia	95	99	195	198
<u>Other services</u>				
KPMG Malaysia	68	82	200	208

31 Capital Adequacy

	<i>Group</i>	
	30 Jun 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)	4,676,018	4,406,664
Other reserves	643,140	660,751
Regulatory adjustments	(454,672)	(461,750)
Total Common Equity Tier 1 (CET 1) and Tier 1 capital	5,720,361	5,461,540
Tier 2 capital		
Subordinated bonds	900,000	1,000,000
Collective impairment allowance (unimpaired portion)	306,243	293,079
Regulatory adjustments	86,337	86,742
Total Tier 2 capital	1,292,580	1,379,821
Capital base	7,012,941	6,841,361
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	11.554%	11.323%
Risk Weighted Capital ratio	14.165%	14.183%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	11.049%	10.701%
Risk Weighted Capital ratio	13.660%	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 Jun 2013		31 Dec 2012	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	91,009,415 *	42,061,114 *	89,694,195 *	41,396,781 *
Total RWA for market risk	-	1,970,435	-	1,628,155
Total RWA for operational risk	-	5,479,063	-	5,211,149
	91,009,415	49,510,612	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 35(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 RM431.85m for both on 30 Jun 2013 (2012: RM632.12m).

31 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	30 Jun 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)	4,286,343	4,078,581
Other reserves	595,096	608,877
Regulatory adjustments	(414,854)	(420,069)
Total Common Equity Tier 1 (CET1) and Tier 1 capital	5,322,460	5,123,264
Tier 2 capital		
Subordinated bonds	900,000	1,000,000
Collective impairment allowance (unimpaired portion)	221,896	205,352
Regulatory adjustments	(573,684)	(573,279)
Total Tier 2 capital	548,212	632,073
Capital base	5,870,672	5,755,337
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	12.746%	12.745%
Risk Weighted Capital ratio	14.059%	14.318%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	12.147%	11.999%
Risk Weighted Capital ratio	13.460%	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 Jun 2013		31 Dec 2012	
	Principal	Risk-weighted	Principal	Risk-weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	78,014,503 *	34,980,980 *	77,398,695 *	33,949,851 *
Total RWA for market risk	-	1,865,122	-	1,555,686
Total RWA for operational risk	-	4,911,190	-	4,691,534
	78,014,503	41,757,292	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 35(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 RM431.85m for both on 30 Jun 2013 (2012: RM632.12m).

32 Commitments and Contingencies

30 Jun 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	1,545,746	-	1,545,746	1,426,043
Transaction-related contingent items	5,583,562	-	2,791,781	2,163,771
Short-term self-liquidating trade-related contingencies	568,186	-	113,637	102,618
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	13,443,925	-	2,688,785	2,361,707
- Maturity exceeding one year	7,471,209	-	3,735,605	3,039,653
Unutilised credit card lines	7,605,630	-	1,521,126	1,140,845
Foreign exchange related contracts				
- Less than one year	35,511,611	385,685	782,913	492,459
- Over one year to less than five years	10,910,571	340,520	1,126,710	651,536
- Over five years	2,237,224	49,657	287,500	186,915
Interest/profit rate related contracts:				
- Less than one year	11,812,807	23,326	45,044	13,281
- Over one year to less than five years	29,583,956	153,947	859,596	316,003
- Over five years	3,597,902	66,545	307,190	118,784
Gold and other precious metals contracts				
- Less than one year	24,307	512	1,208	242
Equity related contracts				
- Less than one year	2,130,862	15,904	143,552	28,710
- Over one year to less than five years	1,208,469	9,420	107,691	21,538
- Over five years	323,788	2,911	35,289	7,058
	133,559,755	1,048,427	16,093,373	12,071,163

Note 17

^ 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 Jun 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	1,137,933	-	1,137,933	1,065,963
Transaction-related contingent items	4,903,241	-	2,451,620	1,885,168
Short-term self-liquidating trade-related contingencies	522,035	-	104,407	95,795
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	11,242,063	-	2,248,413	1,953,913
- Maturity exceeding one year	6,810,657	-	3,405,329	2,774,304
Unutilised credit card lines	6,618,217	-	1,323,644	992,732
Foreign exchange related contracts				
- Less than one year	35,472,257	385,034	781,324	489,460
- Over one year to less than five years	10,910,571	340,520	1,126,710	651,536
- Over five years	2,237,224	48,799	286,162	182,630
Interest rate related contracts:				
- Less than one year	11,838,307	23,375	45,168	13,343
- Over one year to less than five years	31,058,782	193,369	915,288	341,716
- Over five years	3,597,902	45,467	307,136	111,855
Gold and other precious metals contracts				
- Less than one year	24,307	512	1,208	242
Equity related contracts				
- Less than one year	3,095,778	81,540	267,287	91,061
- Over one year to less than five years	1,395,752	64,575	173,944	58,426
- Over five years	323,789	2,911	35,289	7,058
	131,188,815	1,186,102	14,610,862	10,715,202

Note 17

^ 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
	<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 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

Note 17

^ 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 Credit exposure to connected parties

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

	Group		Bank	
	30 Jun 2013 RM'000	31 Dec 2012 RM'000	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Aggregate value of outstanding credit exposures to connected parties	2,103,623	2,473,475	2,018,161	2,378,046
As a percentage of total credit exposures	3.5%	4.3%	4.0%	5.1%
Aggregate value of total outstanding credit exposures to connected parties which is impaired or in default	-	-	-	-
As a percentage of total credit exposures	-	-	-	-

34 Liquidity Risk

The following tables summarise the Group and the Bank's exposure to liquidity risk. The asset and liabilities at carrying amount are allocated to time bands by reference to the remaining contractual maturity and/or their behavioral profile.

Group 30 Jun 2013	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
ASSETS								
Cash and short term funds	15,000,146	-	-	-	-	-	-	15,000,146
Securities purchased under resale agreements	299,902	799,999	1,299,824	-	-	-	-	2,399,725
Deposits and placements with banks and other financial institutions	-	4,736,347	6,027	-	-	-	-	4,742,374
Financial assets held-for-trading	-	-	-	-	-	-	3,815,653	3,815,653
Financial investments available-for-sale	1,721,584	674,578	218,836	3,021,231	724,979	16,908	-	6,378,116
Loans, advances and financing	10,861,583	6,130,248	1,759,015	4,853,791	20,269,967	-	-	43,874,604
Others	22,797	62,082	-	-	-	2,087,190	1,345,007	3,517,076
Total Assets	27,906,012	12,403,254	3,283,702	7,875,022	20,994,946	2,104,098	5,160,660	79,727,694
LIABILITIES AND EQUITY								
Deposits from customers	40,458,147	5,154,606	8,992,510	349,827	-	-	5,031,718	59,986,808
Deposits and placements from banks and other financial institutions	5,812,106	1,516,443	1,430,765	206,422	3,595	-	-	8,969,331
Bills and acceptances payable	483,241	-	-	-	-	-	-	483,241
Multi-Currency Sukuk Programme	-	-	-	500,000	-	-	-	500,000
Subordinated bonds	-	-	-	500,000	509,921	-	-	1,009,921
Others	101,588	155,388	11,409	75,885	-	858,095	1,426,396	2,628,761
Total Liabilities	46,855,082	6,826,437	10,434,684	1,632,134	513,516	858,095	6,458,114	73,578,062
Equity	-	-	-	-	-	6,149,632	-	6,149,632
Total Liabilities and Equity	46,855,082	6,826,437	10,434,684	1,632,134	513,516	7,007,727	6,458,114	79,727,694
Net maturity mismatches	(18,949,070)	5,576,817	(7,150,982)	6,242,888	20,481,430	(4,903,629)		
Off-balance sheet liabilities								
Commitments and Contingencies	40,435,354	17,296,631	22,852,342	46,168,525	6,806,903	-	-	133,559,755

34 Liquidity Risk (Cont'd)

Bank 30 Jun 2013	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
ASSETS								
Cash and short term funds	12,308,590	-	-	-	-	-	-	12,308,590
Securities purchased under resale agreements	299,902	799,999	1,299,824	-	-	-	-	2,399,725
Deposits and placements with banks and other financial institutions	-	5,657,139	522,077	-	-	-	-	6,179,216
Financial assets held-for-trading	-	-	-	-	-	-	3,701,921	3,701,921
Financial investments available-for-sale	1,556,566	595,612	198,699	2,565,297	245,055	16,908	-	5,178,137
Loans, advances and financing	8,959,147	4,935,733	1,460,233	3,545,240	16,393,499	-	-	35,293,852
Others	18,916	51,172	-	-	-	2,331,024	1,480,521	3,881,633
Total Assets	23,143,121	12,039,655	3,480,833	6,110,537	16,638,554	2,347,932	5,182,442	68,943,074
LIABILITIES AND EQUITY								
Deposits from customers	34,290,744	3,902,641	7,729,461	293,154	-	-	3,732,047	49,948,047
Deposits and placements from banks and other financial institutions	5,794,871	1,516,443	1,430,765	206,422	3,595	-	-	8,952,096
Bills and acceptances payable	471,637	-	-	-	-	-	-	471,637
Subordinated bonds	-	-	-	500,000	509,921	-	-	1,009,921
Others	85,753	450,938	11,409	72,902	-	774,394	1,454,842	2,850,238
Total Liabilities	40,643,005	5,870,022	9,171,635	1,072,478	513,516	774,394	5,186,889	63,231,939
Equity	-	-	-	-	-	5,711,135	-	5,711,135
Total Liabilities and Equity	40,643,005	5,870,022	9,171,635	1,072,478	513,516	6,485,529	5,186,889	68,943,074
Net maturity mismatches	(17,499,884)	6,169,633	(5,690,802)	5,038,059	16,125,038	(4,137,597)		
Off-balance sheet liabilities								
Commitments and Contingencies	38,050,965	16,423,202	23,171,140	46,738,718	6,804,790	-	-	131,188,815

34 Liquidity Risk (Cont'd)

Group 31 Dec 2012	Non-trading book					Non-specific maturity RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000			
ASSETS								
Cash and short term funds	12,663,437	-	-	-	-	-	-	12,663,437
Securities purchased under resale agreements	2,033,384	399,962	-	-	-	-	-	2,433,346
Deposits and placements with banks and other financial institutions	-	2,610,617	382,376	-	-	-	-	2,992,993
Financial assets held-for-trading	-	-	-	-	-	-	4,597,107	4,597,107
Financial investments available-for-sale	582,523	579,904	950,692	4,646,782	769,516	16,908	-	7,546,325
Loans, advances and financing	10,186,871	6,021,096	2,022,956	4,358,628	19,676,344	-	-	42,265,895
Others	30,639	70,446	-	-	-	2,086,952	1,937,419	4,125,456
Total Assets	25,496,854	9,682,025	3,356,024	9,005,410	20,445,860	2,103,860	6,534,526	76,624,559
LIABILITIES AND EQUITY								
Deposits from customers	40,524,645	4,942,065	8,519,559	757,076	-	-	5,194,701	59,938,046
Deposits and placements from banks and other financial institutions	5,160,947	893,481	54,323	271,464	3,676	-	-	6,383,891
Bills and acceptances payable	503,112	1,237	-	-	-	-	-	504,349
Multi-Currency Sukuk Programme	-	-	-	500,000	-	-	-	500,000
Subordinated bonds	-	-	-	500,000	512,591	-	-	1,012,591
Others	99,061	145,809	4,389	79,829	-	993,547	1,070,837	2,393,472
Total Liabilities	46,287,765	5,982,592	8,578,271	2,108,369	516,267	993,547	6,265,538	70,732,349
Equity	-	-	-	-	-	5,892,210	-	5,892,210
Total Liabilities and Equity	46,287,765	5,982,592	8,578,271	2,108,369	516,267	6,885,757	6,265,538	76,624,559
Net maturity mismatches	(20,790,911)	3,699,433	(5,222,247)	6,897,041	19,929,593	(4,781,897)		
Off-balance sheet liabilities								
Commitments and Contingencies	36,066,473	16,587,154	21,787,664	45,820,811	6,735,223	-	-	126,997,325

34 Liquidity Risk (Cont'd)

Bank 31 Dec 2012	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
ASSETS								
Cash and short term funds	11,014,117	-	-	-	-	-	-	11,014,117
Securities purchased under resale agreements	2,033,384	399,962	-	-	-	-	-	2,433,346
Deposits and placements with banks and other financial institutions	-	2,630,501	2,014,967	-	-	-	-	4,645,468
Financial assets held-for-trading	-	-	-	-	-	-	4,414,598	4,414,598
Financial investments available-for-sale	558,892	504,842	745,480	4,169,570	285,350	16,908	-	6,281,042
Loans, advances and financing	8,550,939	4,350,224	1,690,059	2,980,329	16,210,465	-	-	33,782,016
Others	26,879	76,425	-	-	-	2,315,410	1,966,962	4,385,676
Total Assets	22,184,211	7,961,954	4,450,506	7,149,899	16,495,815	2,332,318	6,381,560	66,956,263
LIABILITIES AND EQUITY								
Deposits from customers	35,414,846	3,767,087	7,433,037	717,905	-	-	3,965,383	51,298,258
Deposits and placements from banks and other financial institutions	5,051,172	893,481	54,323	271,464	3,676	-	-	6,274,116
Bills and acceptances payable	487,686	1,237	-	-	-	-	-	488,923
Subordinated bonds	-	-	-	500,000	512,591	-	-	1,012,591
Others	86,302	210,220	4,389	77,374	-	916,276	1,075,384	2,369,945
Total Liabilities	41,040,006	4,872,025	7,491,749	1,566,743	516,267	916,276	5,040,767	61,443,833
Equity	-	-	-	-	-	5,512,430	-	5,512,430
Total Liabilities and Equity	41,040,006	4,872,025	7,491,749	1,566,743	516,267	6,428,706	5,040,767	66,956,263
Net maturity mismatches	(18,855,795)	3,089,929	(3,041,243)	5,583,156	15,979,548	(4,096,388)		
Off-balance sheet liabilities								
Commitments and Contingencies	34,131,332	16,125,618	21,704,585	46,294,708	6,732,259	-	-	124,988,502

35 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	6,227,005	5,960,160	6,227,005	5,960,160
c) Loans, Advances and Financing <i>(of which the affected component is disclosed below) :</i>				
By sector				
Agricultural, hunting, forestry and fishing	2,379,304	2,646,149	2,359,084	2,625,929
Manufacturing	1,376,453	1,643,298	1,388,663	1,655,508
Construction	42,972,317	42,972,317	34,313,206	34,313,206
Real estate	2,221,670	2,176,877	1,659,225	1,634,240
Wholesale & retail trade and restaurants & hotels	6,291,892	7,036,938	5,129,046	5,783,512
Transport, storage and communication	1,634,788	1,391,559	1,368,358	1,136,318
Finance, insurance and business services	1,927,200	1,779,334	1,368,558	1,250,039
Others	3,013,913	2,861,976	2,408,150	2,247,830
	536,123	502,279	230,743	217,321
	2,128,551	2,055,058	1,894,162	1,825,814
	2,566,132	2,516,248	2,211,926	2,175,094

	Group			
	2nd quarter		Half Year To	
	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>				
Income derived from investment of depositor funds and others	132,684	132,684	272,780	272,780
Income derived from investment of shareholders funds	149,034	147,530	307,219	307,073
Income attributable to the depositors	28,832	29,133	54,781	54,927
	(45,182)	(43,979)	(89,220)	(89,220)

	Group			
	2nd quarter		Half Year To	
	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>				
Interest income				
Loans and advances				
- Interest income other than from impaired loans	331,234	322,958	664,225	644,427
- Interest income recognised from impaired loans	401,614	415,381	795,726	819,001
Money at call and deposit placements with financial institutions	14,876	1,109	24,781	1,506
	112,171	115,751	244,019	248,371
Interest expense				
Deposits and placements of banks and other financial institutions	(18,896)	(29,195)	(42,634)	(63,652)
Deposits from customers	(198,809)	(200,365)	(401,847)	(404,979)
Others	(1,298)	(1,299)	(2,628)	(2,628)

35 Comparative Figures (Cont'd)

		Bank			
		344,979	336,703	694,830	675,032
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	401,614	415,381	795,726	819,001
	- Interest income recognised from impaired loans	14,876	1,109	24,781	1,506
	Money at call and deposit placements with financial institutions	125,916	129,496	274,624	278,976
	<u>Interest expense</u>				
	Deposits and placements of banks and other financial institutions	(18,896)	(29,195)	(42,634)	(63,652)
	Deposits from customers	(198,809)	(200,365)	(401,847)	(404,979)
	Others	(1,298)	(1,299)	(2,628)	(2,628)
		Group			
		2nd quarter		Half Year To	
		RM'000	RM'000	RM'000	RM'000
		As restated	As previously stated	As restated	As previously stated
c)	Net Trading Income	142,576	150,853	303,126	322,924
	<i>(of which the affected components are disclosed below) :</i>				
	Net interest income from financial assets held-for-trading	2,125	10,402	729	20,527
		Bank			
	Net Trading Income	144,199	152,476	305,109	324,907
	<i>(of which the affected components are disclosed below) :</i>				
	Net interest income from financial assets held-for-trading	2,125	10,402	729	20,527
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			
		2nd quarter		Half Year To	
		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	53,526	58,318	104,939	113,934
		Bank			
	<u>General administration expenses</u>				
	Intercompany expenses	55,325	60,117	103,306	112,301
(ii)	Restatement upon revision of collective impairment provision model used				
	(Regulatory Reserve Provision being replaced with revised Collective Impairment Provision model)				
		Group			
		2nd quarter		Half Year To	
		RM'000	RM'000	RM'000	RM'000
		As restated	As previously stated	As restated	As previously stated
	Profit before income tax expense	364,803	345,143	802,851	774,642
	Profit for the period	274,593	258,987	600,603	578,640
	<i>(of which the affected components are disclosed in note a) and b) below) :</i>				
		Bank			
	Profit before income tax expense	330,022	316,143	730,784	694,726
	Profit for the period	245,375	234,967	543,492	516,449
	<i>(of which the affected components are disclosed in note a) and b) below) :</i>				

35 Comparative Figures (Cont'd)

	Group			
	2nd quarter		Half Year To	
	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>	43,365	63,026	83,779	111,988
Collective Impairment				
- Made during the period	89,743	77,892	187,793	144,720
- Written back	(17,856)	(1,743)	(59,135)	(13,491)
Regulatory reserve provision on loans and financing				
- Made during the period	-	34,327	-	44,566
- Written back	-	(18,928)	-	(18,928)
	Bank			
Loans/Financing Impairment Charges and other Credit Risk Provisions <i>(of which the affected components are disclosed below) :</i>	12,856	26,736	14,465	50,523
Collective Impairment				
- Made during the period	50,782	49,546	100,391	88,135
- Written back	(11,779)	(1,425)	(48,152)	(11,553)
Regulatory reserve provision on loans and financing				
- Made during the period	-	23,690	-	30,643
- Written back	-	(18,928)	-	(18,928)
	Group			
	2nd quarter		Half Year To	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
b) Income Tax Expense	(90,210)	(86,156)	(202,248)	(196,002)
	Bank			
Income Tax Expense	(84,647)	(81,176)	(187,292)	(178,277)
(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%

36 Performance Review

The Group recorded profit before tax ('PBT') of RM763 million for the half year ended 30 June 2013, a decrease of 4.9% or RM39 million compared against history. Quarter to date (QTD) PBT in second quarter 2013 was RM17m or 4.8% higher against the corresponding period last year, and relatively stable against first quarter 2013 (QTD 2Q 2013: RM382m, QTD 1Q 2013: RM381m). The decline in year to date (YTD) profits in the first half of 2013 was contributed by a decrease in operating income of RM41 million or 2.7% to RM1,466 million, followed by a rise in loan/financing impairment charges of RM32 million or 38% to RM116 million, partly offset by lower operating expenses of RM34 million or 5.4% to RM586 million.

The drop in YTD operating income was mainly on lower net fee income (-RM27 million or 10.7%), income from Islamic banking (-RM23 million or 8.4%) and net trading income (-RM15 million or 5.0%), partly mitigated by higher net interest income (+RM19 million or 3.0%). 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, and lower wealth management related fees in the current period. Income from Islamic banking fell, mainly on lower gains from debt securities arising from the sell down of Sukuk origination. Conventional trading profits also declined from lower gains on debt securities due to reasons similar to that of the decline in Islamic banking, coupled with smaller gains on derivatives though these were partly mitigated by higher foreign currency gains and trading net interest income.

Meanwhile, net interest income improved on an expanded average loan base and smaller average deposit base during the 6 months period from December 2012 to June 2013 compared against December 2011 to June 2012. Loan/financing impairment charges increased, as individual impairment charges rose on account of impairment on corporates, coupled with higher collective impairment provisions that increased in tandem with the expansion of the average loan base.

Operating expenses decreased, mainly on lower personnel costs as ongoing restructuring efforts resulted in a leaner organisational structure. As such, despite the lowered operating profits, cost income ratio shows an improvement, dropping to 40.0% from the previous 41.2%.

Total balance sheet size at 30 June 2013 stood at RM79.7 billion, RM3.1 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.

37 Business Prospects

The Malaysian economy rose at a modest pace of 4.1% y-o-y in 1Q 2013, the slowest pace of growth since 2009. The external environment remains volatile, with its prolonged weakness beginning to take its toll on emerging economies. Nevertheless in Malaysia, the local economy continues to be propped up by domestic demand, mitigating the continued moderation in external demand. Bank Negara Malaysia has maintained its forecast of a growth expansion of between 5.0-6.0% in 2013. Similarly, the local financial and insurance sectors are expected to remain resilient in 2013, though growth and margins for these sectors would be under increased pressure from heightened competition and the enforcement of additional responsible lending practices by Bank Negara Malaysia.

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.

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.