

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 September 2014

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 2014 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 Guidelines on Financial Reporting for Banking Institutions issued by Bank Negara Malaysia in 2013.

BALDEV SINGH
Executive Director and Chief Financial Officer

Date : 31 October 2014

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

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AT 30 SEPTEMBER 2014

	Note	<i>Group</i>		<i>Bank</i>	
		30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Assets					
Cash and short-term funds	11	14,774,571	15,454,507	12,084,616	12,558,786
Securities purchased under resale agreements		5,455,136	2,877,270	5,455,136	2,877,270
Deposits and placements with banks and other financial institutions	12	4,706,596	4,011,340	6,441,417	5,203,425
Financial assets held-for-trading	13	5,628,622	2,333,390	5,608,528	2,243,731
Financial investments available-for-sale	14	7,166,319	6,499,601	5,893,816	5,158,595
Loans, advances and financing	15	44,205,202	44,659,904	34,083,815	35,484,730
Derivative financial assets	33	1,070,755	1,320,144	1,160,324	1,413,325
Other assets	17	3,250,101	761,686	3,214,406	738,904
Statutory deposits with Bank Negara Malaysia	18	1,341,060	1,384,160	913,498	993,598
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		334,987	355,047	317,360	332,254
Intangible assets		59,335	55,352	59,331	55,343
Tax recoverable		7,483	14,472	7,483	-
Deferred tax assets		58,322	86,976	51,681	79,883
Total assets		88,058,489	79,813,849	75,951,432	67,799,865
Liabilities					
Deposits from customers	19	60,788,633	59,914,419	49,747,755	48,883,876
Deposits and placements from banks and other financial institutions	20	12,141,181	8,297,828	12,072,683	8,270,879
Bills and acceptances payable		684,445	906,595	669,864	895,623
Derivative financial liabilities	33	1,094,382	1,098,453	1,174,371	1,160,067
Other liabilities	21	4,851,226	1,636,295	4,927,102	1,646,543
Provision for taxation		8,819	16,055	-	16,055
Multi-Currency Sukuk Programme	22	500,000	500,000	-	-
Subordinated liabilities	23	1,259,193	1,005,071	1,259,193	1,005,071
Total liabilities		81,327,879	73,374,716	69,850,968	61,878,114
Equity					
Share capital		114,500	114,500	114,500	114,500
Reserves		6,616,110	6,024,633	5,985,964	5,507,251
Proposed dividend		-	300,000	-	300,000
Total equity attributable to owner of the Bank		6,730,610	6,439,133	6,100,464	5,921,751
Total liabilities and equity		88,058,489	79,813,849	75,951,432	67,799,865
Commitments and Contingencies	32	140,336,745	140,001,374	138,212,965	138,108,215

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 2013 and the accompanying explanatory notes on pages 7 to 34 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 31 October 2014.

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 2014

	<i>Note</i>	<i>Group</i>			
		3rd quarter		Nine Months Ended	
		30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
		RM'000	RM'000	RM'000	RM'000
Revenue		1,048,021	1,043,303	3,041,689	3,082,252
Interest income	24	627,432	580,144	1,794,625	1,715,023
Interest expense	24	(233,339)	(215,338)	(664,854)	(666,620)
Net interest income	24	394,093	364,806	1,129,771	1,048,403
Fee and commission income	25	124,957	122,679	368,283	363,432
Fee and commission expense	25	(11,307)	(9,546)	(26,089)	(27,769)
Net fee and commission income	25	113,650	113,133	342,194	335,663
Net trading income	26	72,127	148,182	273,352	436,286
Income from Islamic banking operations	27	150,025	125,313	396,966	375,785
Other operating income	28	11,700	9,663	26,170	30,664
Operating income before impairment losses		741,595	761,097	2,168,453	2,226,801
Loans / financing impairment charges and other credit risk provisions	29	(31,245)	(62,339)	(68,096)	(178,077)
Net operating income		710,350	698,758	2,100,357	2,048,724
Other operating expenses	30	(339,794)	(318,558)	(986,913)	(905,056)
Profit before income tax expense		370,556	380,200	1,113,444	1,143,668
Income tax expense		(93,534)	(109,304)	(284,490)	(301,219)
Profit for the period		277,022	270,896	828,954	842,449
Other comprehensive income/ (expense)					
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i>					
Cash flow hedge					
Effective portion of changes in fair value		-	7	1	2
Net amount transferred to profit or loss		-	(90)	(64)	(284)
Available-for-sale reserve:					
Change in fair value		4,274	(2,312)	16,215	(18,851)
Amount transferred to profit or loss		(6,169)	(1,988)	(4,616)	(7,950)
Income tax credit/ (expense) relating to components of other comprehensive income		474	1,095	(2,884)	6,771
Other comprehensive (expense)/ income for the period, net of income tax		(1,421)	(3,288)	8,652	(20,312)
Total comprehensive income for the period		275,601	267,608	837,606	822,137
Profit attributable to owner of the Bank		277,022	270,896	828,954	842,449
Total comprehensive income attributable to owner of the Bank		275,601	267,608	837,606	822,137
Basic earnings per RM0.50 ordinary share		121 sen	118.3 sen	362 sen	367.9 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 in respect of current year		109.2 sen	109.2 sen	109.2 sen	109.2 sen

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2013 and the accompanying explanatory notes on pages 7 to 34 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 31 October 2014.

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 2014

	<i>Note</i>	<i>Bank</i>			
		3rd quarter		Nine Months Ended	
		30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
		RM'000	RM'000	RM'000	RM'000
			Restated		Restated
Revenue		896,559	903,515	2,589,049	2,667,599
Interest income	24	640,454	589,276	1,822,585	1,742,147
Interest expense	24	(233,339)	(215,338)	(664,854)	(666,620)
Net interest income	24	407,115	373,938	1,157,731	1,075,527
Fee and commission income	25	124,987	122,709	368,313	363,462
Fee and commission expense	25	(11,307)	(9,546)	(26,089)	(27,769)
Net fee and commission income	25	113,680	113,163	342,224	335,693
Net trading income	26	87,093	150,379	274,212	437,247
Other operating income	28	44,025	41,151	123,939	124,743
Operating income before impairment losses		651,913	678,631	1,898,106	1,973,210
Loans impairment charges and other credit risk provisions	29	(9,863)	(50,461)	(14,682)	(119,551)
Net operating income		642,050	628,170	1,883,424	1,853,659
Other operating expenses	30	(314,094)	(300,610)	(911,315)	(843,550)
Profit before income tax expense		327,956	327,560	972,109	1,010,109
Income tax expense		(85,023)	(97,507)	(253,266)	(270,104)
Profit for the period		242,933	230,053	718,843	740,005
Other comprehensive income/ (expense)					
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i>					
Cash flow hedge					
Effective portion of changes in fair value		-	7	1	2
Net amount transferred to profit or loss		-	(90)	(64)	(284)
Available-for-sale reserve:					
Change in fair value		2,578	(2,267)	12,663	(14,992)
Amount transferred to profit or loss		(6,169)	(2,096)	(4,616)	(8,058)
Income tax (expense)/ credit relating to components of other comprehensive income		898	1,111	(1,996)	5,833
Other comprehensive income/ (expense) for the period, net of income tax		(2,693)	(3,335)	5,988	(17,499)
Total comprehensive income for the period		240,240	226,718	724,831	722,506
Profit attributable to owner of the Bank		242,933	230,053	718,843	740,005
Total comprehensive income attributable to owner of the Bank		240,240	226,718	724,831	722,506
Basic earnings per RM0.50 ordinary share		106.1 sen	100.5 sen	313.9 sen	323.1 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 in respect of current year		109.2 sen	109.2 sen	109.2 sen	109.2 sen

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2013 and the accompanying explanatory notes on pages 7 to 34 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 31 October 2014.

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 2014

	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	Regulatory reserve*	Retained profit	Total reserves		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	
2014													
Balance at 1 January	114,500	741,375	164,500	166,049	190,000	(6,871)	48	95,470	-	4,674,062	6,024,633	300,000	6,439,133
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	828,954	828,954	-	828,954
Other comprehensive income, net of income tax													
Deferred tax adjustment on revaluation reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,398)	-	-	-	-	-	1,398	-	-	-
Cash flow hedge:													
Net amount transferred to profit or loss	-	-	-	-	-	-	(48)	-	-	-	(48)	-	(48)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	12,162	-	-	-	-	12,162	-	12,162
Net amount transferred to profit or loss	-	-	-	-	-	(3,462)	-	-	-	-	(3,462)	-	(3,462)
Total other comprehensive (expense)/ income	-	-	-	(1,398)	-	8,700	(48)	-	-	1,398	8,652	-	8,652
Total comprehensive income for the period	-	-	-	(1,398)	-	8,700	(48)	-	-	830,352	837,606	-	837,606
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	2,647	-	1,224	3,871	-	3,871
Transfer relating to regulatory reserves	-	-	-	-	-	-	-	-	180,000	(180,000)	-	-	-
Dividends paid to owner - 2013 final	-	-	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Dividends paid to owner - 2014 interim	-	-	-	-	-	-	-	-	-	(250,000)	(250,000)	-	(250,000)
Balance at 30 September	114,500	741,375	164,500	164,651	190,000	1,829	-	98,117	180,000	5,075,638	6,616,110	-	6,730,610
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 on disposal	-	-	-	-	-	(6,044)	-	-	-	-	(6,044)	-	(6,044)
Total other comprehensive (expense)/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 Group and the Bank maintain a regulatory reserve to satisfy local regulatory requirements; the effect of this requirement is to restrict the amount of reserves that can be distributed to shareholders.

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 2013 and the accompanying explanatory notes on pages 7 to 34 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 31 October 2014.

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 2014 (Cont'd)

	Bank												
	Attributable to the owner (the ultimate holding company)											Total equity	
	Non-distributable					Distributable							
Share capital	Share premium	Statutory reserve	Revaluation reserve	Capital redemption reserve	Available-for-sale reserve	Cash flow hedge reserve	Capital contribution reserve	Regulatory reserve*	Retained profit	Total reserves	Dividends		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014													
Balance at 1 January	114,500	741,375	114,500	166,049	190,000	(911)	48	94,178	-	4,202,012	5,507,251	300,000	5,921,751
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	718,843	718,843	-	718,843
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,398)	-	-	-	-	-	1,398	-	-	-
Cash flow hedge:													
Net amount transferred to profit or loss	-	-	-	-	-	-	(48)	-	-	(48)	-	-	(48)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	9,498	-	-	-	9,498	-	-	9,498
Net amount transferred to profit or loss	-	-	-	-	-	(3,462)	-	-	-	(3,462)	-	-	(3,462)
Total other comprehensive (expense)/ income	-	-	-	(1,398)	-	6,036	(48)	-	-	1,398	5,988	-	5,988
Total comprehensive income for the period	-	-	-	(1,398)	-	6,036	(48)	-	-	720,241	724,831	-	724,831
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	2,461	-	1,421	3,882	-	3,882
Transfer relating to regulatory reserves	-	-	-	-	-	-	-	-	167,000	(167,000)	-	-	-
Dividends paid to owner - 2013 final	-	-	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Dividends paid to owner - 2014 interim	-	-	-	-	-	-	-	-	-	(250,000)	(250,000)	-	(250,000)
Balance at 30 September	114,500	741,375	114,500	164,651	190,000	5,125	-	96,639	167,000	4,506,674	5,985,964	-	6,100,464
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 on disposal	-	-	-	-	-	(6,044)	-	-	-	(6,044)	-	-	(6,044)
Total other comprehensive (expense)/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 Bank maintains a regulatory reserve to satisfy local regulatory requirements; the effect of this requirement is to restrict the amount of reserves that can be distributed to shareholders.

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 2013 and the accompanying explanatory notes on pages 7 to 34 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 31 October 2014.

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

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
Profit before income tax expense	1,113,444	1,143,668	972,109	1,010,109
Adjustments for non-operating and non-cash items	46,281	47,524	39,858	39,617
Operating profit before working capital changes	1,159,725	1,191,192	1,011,967	1,049,726
Changes in working capital:				
Net changes in operating assets	(8,055,520)	(959,863)	(7,668,083)	(220,798)
Net changes in operating liabilities	7,706,277	5,583,502	7,734,787	3,485,275
Income tax paid	(258,966)	(211,897)	(250,597)	(186,897)
Net cash generated from operations	551,516	5,602,934	828,074	4,127,306
Net cash (used in)/ generated from investing activities	(681,452)	1,675,788	(752,244)	1,566,768
Net cash used in financing activity	(550,000)	(550,000)	(550,000)	(550,000)
	(1,231,452)	1,125,788	(1,302,244)	1,016,768
Net changes in cash and cash equivalents	(679,936)	6,728,722	(474,170)	5,144,074
Cash and cash equivalents at beginning of the period	15,454,507	12,663,437	12,558,786	11,014,117
Cash and cash equivalents at end of the period	14,774,571	19,392,159	12,084,616	16,158,191
Analysis of cash and cash equivalents				
Cash and short-term funds	14,774,571	19,392,159	12,084,616	16,158,191

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 2013 and the accompanying explanatory notes on pages 7 to 34 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 31 October 2014.

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

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

HSBC Bank Malaysia Berhad ('the Bank') is principally engaged in the provision of banking and other related financial services. The subsidiaries of the Bank are principally engaged in the businesses of Islamic Banking and nominee services. Islamic Banking operations refer generally to the acceptance of deposits and granting of financing under the principles of Shariah. The Bank and its subsidiaries are collectively known as the Group. 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 2014 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, derivative financial instruments, and financial instruments fair-valued through profit and loss.

The unaudited condensed interim financial statements for the financial period ended 30 September 2014 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 incorporate those activities relating to Islamic Banking which have been undertaken by the Bank's Islamic subsidiary.

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 2013. 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 2013.

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 2013, except for the adoption of the following amendments to MFRSs, and Issues Committee ('IC') Interpretations.

- Amendments to MFRS 10, MFRS 12 and MFRS 127, Investment Entities
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011): 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 MFRS136)
- Amendments to MFRS 139, Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS139)
- IC Interpretation 21, Levies

The adoption of the above amendments and interpretations did not have any material impact on the financial results of the Group and the Bank.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2 Basis of Preparation (Cont'd)

The following are amendments to MFRSs that have been issued by the MASB but have not been adopted by the Group and Bank as they are either not applicable or not yet effective:-

Effective for annual periods commencing on or after 1 July 2014

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
- Amendments to MFRS 2, Share-based Payment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 3, Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 8, Operating Segments (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 13, Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 119, Employee Benefits – Defined Benefit Plans: Employee Contributions
- Amendments to MFRS 124, Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 138, Intangible Assets (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140, Investment Property (Annual Improvements 2011-2013 Cycle)

The Group and the Bank plan to apply the abovementioned amendments from the annual period beginning 1 July 2014.

Effective for annual periods commencing on or after 1 January 2016

- Amendments to MFRS 11, Accounting for Acquisitions of Interests in Joint Operations
- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 116, Property, Plant and Equipment (Amendments to the Basis for Conclusions)
- Amendments to MFRS 138, Intangible Assets (Amendments to the Basis for Conclusions)
- Amendments to MFRS 141, Agricultural (amendments to the Basis for Conclusions)

Effective for annual periods commencing on or after 1 January 2017

- MFRS 15, Revenue from Contracts with Customers

MFRSs and Amendments effective for a date yet to be confirmed

- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)
- MFRS 9, Financial Instruments (2013)
- Amendments to MFRS 7 – Financial Instruments: Disclosures -Mandatory Effective Date of MFRS 9 and Transition Disclosures.

The initial application of the above accounting standards and amendments are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Bank upon their first adoption, except as mentioned 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 and financial liabilities, and on hedge accounting.

Amendments to MFRS 141, Agricultural

MFRS 141 does 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.

3 Auditors' Report On Preceding Annual Financial Statements

The audit report on the audited annual financial statements for the financial year ended 31 December 2013 was not subject to any qualification.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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 2014.

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 September 2014.

7 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 30 September 2014.

8 Dividend

The Group paid the following dividends during the financial period ended 30 September 2014:

- a) A final dividend of RM1.31 per ordinary share amounting to RM300 million in respect of the financial year ended 31 December 2013 was paid on 15 April 2014.
- b) An interim dividend of RM1.092 per ordinary share amounting to RM250 million in respect of the current financial period was paid on 22 September 2014.

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 2014.

10 Significant and Subsequent Events

HSBC Amanah Berhad, a subsidiary of the Bank, issued its 2nd series of a RM500 million Sukuk under its RM3 billion Multi-Currency Sukuk Programme (MCSP), on 16 October 2014. The Sukuk's maturity date is 16 October 2019 and bears a distribution rate of 4.22% per annum payable semi-annually in arrears. The Sukuk is measured at fair value through profit and loss.

Other than the above, there were no other material events subsequent to the date of the statement of financial position that require disclosure or adjustments to the unaudited condensed interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11 Cash and Short Term Funds

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,598,631	1,625,703	1,405,164	1,482,497
Money at call and interbank placements maturing within one month	13,175,940	13,828,804	10,679,452	11,076,289
	14,774,571	15,454,507	12,084,616	12,558,786

12 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Licensed banks	406,596	212,790	2,141,417	1,568,825
Bank Negara Malaysia	4,300,000	3,500,000	4,300,000	3,500,000
Other financial institutions	-	298,550	-	134,600
	4,706,596	4,011,340	6,441,417	5,203,425

13 Financial Assets Held-for-Trading

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government treasury bills	149,356	56,941	149,356	56,941
Bank Negara Malaysia bills and notes	707,836	1,201,505	707,836	1,201,505
Bank Negara Malaysia Islamic bills and notes	1,091,076	149,605	1,091,076	149,605
Malaysian Government securities	3,314,279	482,409	3,314,279	482,409
Malaysian Government Islamic bonds	201,010	243,211	180,916	153,552
Islamic fixed rate bonds	8,880	8,915	8,880	8,915
Cagamas bonds and notes	7,287	7,393	7,287	7,393
	5,479,724	2,149,979	5,459,630	2,060,320
Unquoted securities:				
Private and Islamic debt securities (including commercial paper)	148,898	183,411	148,898	183,411
	5,628,622	2,333,390	5,608,528	2,243,731

14 Financial Investments Available-for-Sale

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government securities	2,020,955	1,482,060	2,020,955	1,482,060
Malaysian Government Islamic bonds	3,330,840	3,353,160	2,124,295	2,037,145
Islamic fixed rate Sukuk	111,287	-	111,287	-
Cagamas bonds and notes	259,733	204,966	259,733	204,966
Negotiable instruments of deposit	633,016	584,868	567,058	559,877
Bankers' acceptance and Islamic accepted bills	793,110	857,169	793,110	857,169
	7,148,941	6,482,223	5,876,438	5,141,217
Unquoted securities:				
Shares*	16,907	16,907	16,907	16,907
Private and Islamic debt securities (including commercial paper)	471	471	471	471
	17,378	17,378	17,378	17,378
	7,166,319	6,499,601	5,893,816	5,158,595

*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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Financial Investments Available-for-Sale (Cont'd)

The maturity structure of money market instruments held as financial investments available-for-sale is as follows:

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	2,666,618	3,001,459	2,480,591	2,427,608
More than one year to three years	2,519,907	1,367,339	2,135,691	1,062,631
More than three years to five years	1,554,015	1,951,855	861,671	1,509,191
Over five years	408,401	161,570	398,485	141,787
	7,148,941	6,482,223	5,876,438	5,141,217

15 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts	1,243,458	1,369,460	1,154,159	1,279,184
Term loans/ financing:				
Housing loans/ financing	17,424,554	16,042,710	14,062,102	13,382,715
Syndicated term loans/ financing	-	45,077	-	45,077
Factoring receivables	155,149	160,206	155,149	160,206
Hire purchase receivables	229,001	252,743	180	183
Lease receivables	4,748	2,442	-	-
Other term loans/ financing [^]	12,371,796	13,014,906	7,752,813	8,155,998
Bills receivable	1,865,058	3,499,558	1,865,058	3,499,558
Trust receipts	1,861,040	1,704,541	1,594,384	1,649,502
Claims on customers under acceptance credits	2,632,024	2,640,571	2,052,614	1,979,888
Staff loans/ financing	301,355	311,218	257,104	264,703
Credit/ charge cards	2,672,732	2,849,038	2,203,181	2,378,204
Revolving credit	4,087,622	3,459,069	3,462,570	3,220,720
Other loans/ financing	7,665	8,793	7,665	8,793
Gross loans, advances and financing	44,856,202	45,360,332	34,566,979	36,024,731
Less: Allowances for impaired loans, advances and financing				
- Collectively assessed	(371,198)	(382,316)	(250,980)	(263,026)
- Individually assessed	(279,802)	(318,112)	(232,184)	(276,975)
Total net loans, advances and financing	44,205,202	44,659,904	34,083,815	35,484,730

[^] Included in the loans, advances and financing of the Bank at 30 Sep 2014 is a Restricted Profit Sharing Investment Account ("RPSIA") balance amounting to RM424.14m (Dec 2013: RM629.76m). The balance of RM424.14m residing under other term loans/financing is performing.

The RPSIA arrangement is with the Bank's fully owned subsidiary, HSBC Amanah Malaysia Berhad ("HBMS"), and the contract is based on the Mudharabah principle where the Bank (as the investor) solely provides capital, whilst the assets are managed by HBMS (as the agent). The profits of the underlying assets are shared based on pre-agreed ratios, whilst risks on the financing are borne by the Bank. Hence, the underlying assets and allowances for impairment arising thereon, if any, are recognised and accounted for by the Bank. The recognition and derecognition treatment is in accordance to Note 3(g) on financial instruments in the audited financial statements of the Group and Bank for the financial year ended 31 December 2013.

The accounts under the RPSIA are classified as "Assets Under Management" in the financial statements of HBMS.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Loans, Advances and Financing (Cont'd)

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Domestic non-bank financial institutions	635,487	400,323	49,845	71,300
Domestic business enterprises:				
Small medium enterprises	8,313,667	8,487,088	6,856,417	6,773,868
Others	10,493,432	10,293,570	7,844,832	8,026,000
Government and statutory bodies	16,727	19,190	-	-
Individuals	21,340,805	21,096,135	16,633,648	16,596,000
Other domestic entities	7,774	7,803	6,090	6,081
Foreign entities	4,048,310	5,056,223	3,176,147	4,551,482
	44,856,202	45,360,332	34,566,979	36,024,731

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Maturity within one year	18,443,931	19,491,559	13,961,904	15,669,765
More than one year to three years	2,108,955	2,342,115	1,692,075	1,770,767
More than three years to five years	2,545,789	2,316,503	1,836,235	1,650,358
More than five years	21,757,527	21,210,155	17,076,765	16,933,841
	44,856,202	45,360,332	34,566,979	36,024,731

(iv) By interest/ profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Fixed rate:				
Housing loans/ financing	133,137	143,971	125,228	134,983
Hire purchase receivables	229,001	252,743	180	183
Other fixed rate loans/ financing	3,932,781	3,868,536	2,142,948	2,061,327
Variable rate:				
BLR/BFR plus	33,798,435	34,785,081	26,632,872	28,229,313
Cost-plus	4,090,116	3,460,963	3,462,570	3,220,721
Other variable rates	2,672,732	2,849,038	2,203,181	2,378,204
	44,856,202	45,360,332	34,566,979	36,024,731

(v) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Agricultural, hunting, forestry and fishing	1,140,341	1,633,395	853,676	1,266,036
Mining and quarrying	434,016	452,303	256,687	348,615
Manufacturing	7,103,028	6,365,423	5,967,069	5,246,909
Electricity, gas and water	85,094	124,127	8,882	33,559
Construction	2,234,051	2,509,216	1,535,393	1,844,232
Real estate	1,561,786	1,776,310	1,304,308	1,521,834
Wholesale & retail trade and restaurants & hotels	3,021,209	2,773,077	2,245,164	2,115,250
Transport, storage and communication	361,662	388,873	133,482	114,614
Finance, insurance and business services	3,050,206	2,782,322	2,191,511	2,206,259
Household-retail	24,287,382	23,530,114	18,901,545	18,530,442
Others	1,577,427	3,025,172	1,169,262	2,796,981
	44,856,202	45,360,332	34,566,979	36,024,731

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Loans, Advances and Financing (Cont'd)

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Purchase of property:				
Residential	17,408,089	16,182,395	14,326,530	13,673,133
Non residential	1,299,960	1,396,926	987,160	1,106,459
Purchase of securities	7,634	8,279	7,634	8,279
Purchase of transport vehicles	43,510	38,328	41,101	36,794
Purchase of fixed assets excluding land & building	23,156	20,199	-	-
Consumption credit	6,184,013	6,643,061	4,131,323	4,371,941
Construction	2,234,051	2,509,216	1,535,393	1,844,232
Working capital	16,521,817	15,909,437	12,615,760	12,357,518
Other purpose	1,133,972	2,652,491	922,078	2,626,375
	44,856,202	45,360,332	34,566,979	36,024,731

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Northern Region	7,320,622	7,291,747	5,993,720	5,888,394
Southern Region	6,454,912	6,376,203	4,933,125	4,962,327
Central Region	27,149,289	27,029,963	20,173,312	21,033,874
Eastern Region	3,931,379	4,662,419	3,466,822	4,140,136
	44,856,202	45,360,332	34,566,979	36,024,731

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 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
At beginning of period/year	792,365	778,846	625,459	649,428
Classified as impaired during the period/year	772,828	1,054,807	571,233	793,055
Reclassified as performing	(437,456)	(510,999)	(334,459)	(425,654)
Amount recovered	(242,207)	(311,818)	(191,323)	(264,503)
Amount written off	(199,128)	(314,999)	(124,585)	(195,002)
Other movements	57,804	96,528	37,316	68,135
At end of period/year	744,206	792,365	583,641	625,459
Less: Individual allowance for impairment	(279,802)	(318,112)	(232,184)	(276,975)
Collective allowance for impairment (impaired portion)	(80,591)	(86,829)	(40,197)	(43,189)
Net impaired loans, advances and financing	383,813	387,424	311,260	305,295

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Collective allowance for impairment				
At beginning of period/year	382,316	401,441	263,026	256,588
Made during the period/year	205,424	367,233	115,178	209,273
Amount released	(60,086)	(136,546)	(37,927)	(69,637)
Amount written off	(156,414)	(249,858)	(90,151)	(134,005)
Other movements	(42)	46	854	807
At end of period/year	371,198	382,316	250,980	263,026

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Individual allowance for impairment				
		Restated		Restated
At beginning of period/year	318,112	304,981	276,975	274,602
Made during the period/year	176,317	249,778	132,968	207,354
Amount released	(198,849)	(201,659)	(161,150)	(164,836)
Amount written off	(44,383)	(56,778)	(37,901)	(52,073)
Discount unwind	(1,826)	(1,593)	(1,390)	(1,164)
Other movements	30,431	23,383	22,682	13,092
At end of period/year	279,802	318,112	232,184	276,975

(iii) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	70,346	471	70,346	471
Mining and quarrying	1	163	1	163
Manufacturing	56,826	107,060	45,364	100,702
Construction	49,312	55,318	48,333	52,863
Real estate	6	-	6	-
Wholesale & retail trade, restaurants & hotels	72,103	61,238	69,369	59,146
Transport, storage and communication	5,045	1,767	793	807
Finance, insurance and business services	1,914	1,871	1,287	1,525
Household-Retail	487,602	562,711	347,687	408,207
Others	1,051	1,766	455	1,575
	744,206	792,365	583,641	625,459

(iv) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Purchase of property:				
Residential	281,263	329,546	225,084	263,846
Non residential	23,607	21,615	15,489	21,513
Purchase of securities	1	1	1	1
Purchase of transport vehicles	703	403	349	334
Consumption credit	184,603	217,890	109,237	130,115
Construction	49,312	55,318	48,333	52,863
Working capital	204,031	166,879	185,148	156,787
Other purpose	686	713	-	-
	744,206	792,365	583,641	625,459

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

(v) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Northern Region	142,439	168,164	105,756	129,556
Southern Region	86,208	166,026	64,903	139,817
Central Region	389,415	398,485	296,315	301,703
Eastern Region	126,144	59,690	116,667	54,383
	744,206	792,365	583,641	625,459

17 Other Assets

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Interest/ income receivable	102,668	113,990	88,508	98,036
Other receivables, deposits and prepayments	3,147,433	647,696	3,125,898	640,868
	3,250,101	761,686	3,214,406	738,904

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 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Demand deposits	16,687,536	16,281,709	15,224,830	15,030,335
Savings deposits	12,029,385	11,795,447	10,733,690	10,566,897
Fixed / Investment deposits	26,525,102	25,947,729	20,150,319	19,395,419
Islamic repurchase agreements	170,080	152,660	-	-
Negotiable instruments of deposit	1,683,322	1,719,359	978,020	1,181,951
Wholesale money market deposits	705,084	979,445	705,084	979,445
Structured investments	2,988,124	3,038,070	1,955,812	1,729,829
	60,788,633	59,914,419	49,747,755	48,883,876

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

Due within six months	20,890,621	21,126,243	15,378,460	15,399,451
More than six months to one year	5,697,355	5,281,421	4,677,501	4,372,052
More than one year to three years	972,286	323,652	875,260	231,633
More than three years to five years	648,162	931,858	197,118	570,320
Over five years	-	3,914	-	3,914
	28,208,424	27,667,088	21,128,339	20,577,370

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 Deposits from Customers (Cont'd)

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
(ii) By type of customer	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	95,208	124,171	56,956	36,960
Business enterprises	19,541,356	19,230,475	17,483,918	17,300,476
Individuals	29,927,566	29,662,946	23,154,401	22,624,464
Others	11,224,503	10,896,827	9,052,480	8,921,976
	60,788,633	59,914,419	49,747,755	48,883,876

20 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Licensed banks	372,073	-	372,073	-
Bank Negara Malaysia	8,498	155,953	-	129,138
Other financial institutions	11,760,610	8,141,875	11,700,610	8,141,741
	12,141,181	8,297,828	12,072,683	8,270,879

21 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Interest/ profit payable	250,805	219,767	198,162	168,674
Allowance for commitments and contingencies	208	13,936	208	13,936
Profit equalisation reserve	1,075	1,290	-	-
Other creditors and accruals	4,599,138	1,401,302	4,728,732	1,463,933
	4,851,226	1,636,295	4,927,102	1,646,543

Movement in allowance for commitments and contingencies is as follows:

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
At the beginning of the period/year	13,936	-	13,936	-
Allowance made during the period/year	208	13,936	208	13,936
Amount released	(830)	-	(830)	-
	(622)	13,936	(622)	13,936
Other movements	(13,106)	-	(13,106)	-
At the end of the period/year	208	13,936	208	13,936

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22 Multi-Currency Sukuk Programme

	<i>Group</i>	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Multi-Currency Sukuk Programme ('MCSP')	500,000	500,000

HSBC Amanah Malaysia Berhad, a subsidiary of the Bank, issued its 1st series of a RM500 million 5-year 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. This 1st series of Sukuk issued is carried at amortised cost, with profit payable recognised on an accrual basis.

23 Subordinated Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Subordinated Liabilities	1,259,193	1,005,071	1,259,193	1,005,071
(i) Subordinated bonds, at par	1,000,000	1,000,000	1,000,000	1,000,000
Fair value changes arising from fair value hedge	4,376	5,071	4,376	5,071
	1,004,376	1,005,071	1,004,376	1,005,071

- (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 subordinated bonds qualify as a component of Tier 2 capital of the Bank. Under the 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.

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
(ii) Subordinated term loan				
- At amortised costs	254,817	-	254,817	-
	254,817	-	254,817	-

This is a Basel III compliant Tier 2 subordinated loan of USD equivalent of RM250 million from the Bank's immediate holding company, HBAP (Hongkong and Shanghai Banking Corporation Limited). The Bank further invested a similar amount into HSBC Amanah Malaysia Berhad. The tenor of the facility is 10 years with the interest payable quarterly in arrears from the utilisation date.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24 Net Interest Income

	<i>Group</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2014 RM'000	30 Sep 2013 RM'000 Restated	30 Sep 2014 RM'000	30 Sep 2013 RM'000 Restated
Interest income				
Loans and advances				
- Interest income other than from impaired loans	406,577	399,659	1,176,999	1,190,349
- Interest income recognised from impaired loans	16,318	9,849	38,723	28,395
Money at call and deposit placements with financial institutions	148,190	134,080	424,071	349,769
Financial investments available-for-sale	56,347	36,556	154,832	146,510
	627,432	580,144	1,794,625	1,715,023
Interest expense				
Deposits and placements of banks and other financial institutions	(19,645)	(17,130)	(67,180)	(50,813)
Deposits from customers	(198,146)	(184,693)	(554,997)	(575,961)
Subordinated liabilities	(12,798)	(10,988)	(34,631)	(32,581)
Others	(2,750)	(2,527)	(8,046)	(7,265)
	(233,339)	(215,338)	(664,854)	(666,620)
Net interest income	394,093	364,806	1,129,771	1,048,403
	<i>Bank</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2014 RM'000	30 Sep 2013 RM'000 Restated	30 Sep 2014 RM'000	30 Sep 2013 RM'000 Restated
Interest income				
Loans and advances				
- Interest income other than from impaired loans	406,577	399,659	1,176,999	1,190,349
- Interest income recognised from impaired loans	16,318	9,849	38,723	28,395
Money at call and deposit placements with financial institutions	161,212	143,155	452,031	376,836
Financial investments available-for-sale	56,347	36,613	154,832	146,567
	640,454	589,276	1,822,585	1,742,147
Interest expense				
Deposits and placements of banks and other financial institutions	(19,645)	(17,130)	(67,180)	(50,813)
Deposits from customers	(198,146)	(184,693)	(554,997)	(575,961)
Subordinated liabilities	(12,798)	(10,988)	(34,631)	(32,581)
Others	(2,750)	(2,527)	(8,046)	(7,265)
	(233,339)	(215,338)	(664,854)	(666,620)
Net interest income	407,115	373,938	1,157,731	1,075,527

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

25 Net Fee and Commission Income

	<i>Group</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Credit cards	42,565	44,745	129,600	130,230
Service charges and fees	40,531	39,898	118,127	119,568
Fees on credit facilities	8,489	8,844	31,112	27,030
Agency fee	18,550	15,624	51,717	45,163
Others	14,822	13,568	37,727	41,441
	124,957	122,679	368,283	363,432
Fee and commission expense				
Interbank and clearing fees	(586)	(267)	(1,093)	(936)
Brokerage	(600)	(853)	(1,853)	(2,523)
Others	(10,121)	(8,426)	(23,143)	(24,310)
	(11,307)	(9,546)	(26,089)	(27,769)
Net fee and commission income	113,650	113,133	342,194	335,663
	<i>Bank</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Credit cards	42,565	44,745	129,600	130,230
Service charges and fees	40,531	39,898	118,127	119,568
Fees on credit facilities	8,489	8,844	31,112	27,030
Agency fee	18,550	15,654	51,717	45,193
Others	14,852	13,568	37,757	41,441
	124,987	122,709	368,313	363,462
Fee and commission expense				
Interbank and clearing fees	(586)	(267)	(1,093)	(936)
Brokerage	(600)	(853)	(1,853)	(2,523)
Others	(10,121)	(8,426)	(23,143)	(24,310)
	(11,307)	(9,546)	(26,089)	(27,769)
Net fee and commission income	113,680	113,163	342,224	335,693

26 Net Trading Income

	<i>Group</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
Realised gains on financial assets/liabilities held-for-trading and other financial instruments	15,894	10,503	32,250	52,572
Net interest income/ (expense) from financial assets held-for-trading	6,605	(3,551)	24,739	13,758
Net unrealised gains on revaluation of financial assets held-for-trading	9,989	5,684	13,653	4,495
Net gains/ (losses) arising from dealing in foreign currency	70,765	(55,368)	318,725	159,962
Net unrealised (losses)/ gains from dealing in foreign currency	(27,733)	169,837	(105,556)	177,166
Net gains/(losses) arising from trading in derivatives	58,796	(42,669)	112,367	28,632
Net unrealised (losses)/gains on revaluation of derivatives	(62,226)	63,936	(122,578)	(47)
Gains/ (Losses) arising from fair value hedges	37	(190)	(248)	(252)
	72,127	148,182	273,352	436,286
	<i>Bank</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
Realised gains on financial assets/liabilities held-for-trading and other financial instruments	15,894	10,503	32,250	52,572
Net interest income/ (expense) from financial assets held-for-trading	6,605	(3,551)	24,739	13,758
Net unrealised gains on revaluation of financial assets held-for-trading	9,989	5,684	13,653	4,495
Net gains/ (losses) arising from dealing in foreign currency	92,134	(53,729)	323,765	160,637
Net unrealised (losses)/ gains from dealing in foreign currency	(26,205)	169,837	(103,653)	177,166
Net gains/ (losses) arising from trading in derivatives	57,499	(42,794)	111,679	28,259
Net unrealised (losses)/ gains on revaluation of derivatives	(68,905)	64,330	(128,018)	323
Gains/ (Losses) arising from fair value hedges	82	99	(203)	37
	87,093	150,379	274,212	437,247

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27 Income from Islamic Banking operations

	<i>Group</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositor funds and others	177,837	153,806	479,425	442,835
Income derived from investment of shareholders funds	33,968	28,829	99,834	94,012
Income attributable to the depositors	(61,780)	(57,322)	(182,293)	(161,062)
Income from Islamic Banking operations	150,025	125,313	396,966	375,785

28 Other Operating Income

	<i>Group</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
Disposal of financial investments available-for-sale	6,091	3,162	6,091	11,309
Dividend income from financial investments available-for-sale				
- Unquoted in Malaysia	175	245	1,105	943
Rental income	1,798	1,813	5,210	5,211
Net (loss)/ gains on disposal of property and equipment	(477)	221	(385)	271
Other operating income	4,113	4,222	14,149	12,930
	11,700	9,663	26,170	30,664
	<i>Bank</i>			
Disposal of financial investments available-for-sale	6,091	3,162	6,091	11,309
Dividend income from financial investments available-for-sale				
- Unquoted in Malaysia	175	245	1,105	943
Rental income	1,798	1,813	5,210	5,211
Net (loss)/ gains on disposal of property and equipment	(477)	221	(385)	271
Other operating income	36,438	35,710	111,918	107,009
	44,025	41,151	123,939	124,743

29 Loans/ Financing Impairment Charges and other Credit Risk Provisions

	<i>Group</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Impairment charges on loans and financing:				
(a) Individual impairment				
Made during the period	55,390	84,874	176,317	195,858
Written back	(66,631)	(51,144)	(198,849)	(141,994)
(b) Collective impairment				
Made during the period	75,860	72,146	205,424	266,766
Written back	(15,524)	(25,519)	(60,086)	(76,791)
Impaired loans				
Recovered during the period	(24,602)	(22,957)	(66,804)	(77,186)
Written off	6,752	4,939	12,924	11,424
Impairment charges on other credit related items				
Made during the period	-	-	(830)	-
	31,245	62,339	68,096	178,077

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	<i>Bank</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2014 RM'000	30 Sep 2013 RM'000 Restated	30 Sep 2014 RM'000	30 Sep 2013 RM'000 Restated
Impairment charges on loans and financing:				
(a) Individual impairment				
Made during the period	42,328	73,515	132,968	164,739
Written back	(52,168)	(41,543)	(161,150)	(116,111)
(b) Collective impairment				
Made during the period	41,212	42,151	115,178	160,249
Written back	(11,100)	(12,268)	(37,927)	(44,427)
Impaired loans				
Recovered during the period	(16,812)	(15,452)	(43,775)	(54,134)
Written off	6,403	4,058	10,218	9,235
Impairment charges on other credit related items				
Made during the period	-	-	(830)	-
	9,863	50,461	14,682	119,551

30 Other Operating Expenses

	<i>Group</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2014 RM'000	30 Sep 2013 RM'000 Restated	30 Sep 2014 RM'000	30 Sep 2013 RM'000 Restated
Personnel expenses	168,232	163,379	475,799	462,974
Promotion and marketing related expenses	19,768	19,494	70,334	58,119
Establishment related expenses	40,530	38,856	113,025	114,400
General administrative expenses	111,264	96,829	327,755	269,563
	339,794	318,558	986,913	905,056
Personnel expenses				
Salaries, allowances and bonuses	134,451	129,330	374,045	363,168
Employees Provident Fund contributions	22,322	21,387	61,971	59,768
Others	11,459	12,662	39,783	40,038
	168,232	163,379	475,799	462,974
Promotion and marketing related expenses	19,768	19,494	70,334	58,119
Establishment related expenses				
Depreciation of property and equipment	8,756	10,114	27,032	30,638
Amortisation of intangible assets	6,083	5,885	16,084	15,671
Information technology costs	3,718	3,869	10,431	10,669
Hire of equipment	2,139	2,609	7,062	7,910
Rental	12,345	9,716	31,204	28,082
Property and equipment written off	-	11	14	544
General repairs and maintenance	562	1,894	5,270	6,086
Utilities	5,024	3,512	11,284	11,080
Others	1,903	1,246	4,644	3,720
	40,530	38,856	113,025	114,400
General administrative expenses				
Intercompany expenses	73,820	57,780	215,485	170,657
Auditors' remuneration				
Statutory audit fees				
KPMG Malaysia	132	125	385	380
Other services				
KPMG Malaysia	233	245	533	520
Professional fees	2,160	2,325	7,026	6,221
Communication	5,537	4,836	16,841	16,880
Entertainment	1,560	1,204	4,429	3,709
Others	27,822	30,314	83,056	71,195
	111,264	96,829	327,755	269,562

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Other Operating Expenses (Cont'd)

	<i>Bank</i>			
	3rd quarter		Nine Months Ended	
	30 Sep 2014 RM'000	30 Sep 2013 RM'000 Restated	30 Sep 2014 RM'000	30 Sep 2013 RM'000 Restated
Personnel expenses	156,907	153,443	443,061	434,594
Promotion and marketing related expenses	14,529	16,286	53,530	44,648
Establishment related expenses	34,563	32,894	96,270	97,016
General administrative expenses	108,095	97,987	318,454	267,292
	314,094	300,610	911,315	843,550
Personnel expenses				
Salaries, allowances and bonuses	125,125	121,000	347,145	339,939
Employees Provident Fund contributions	20,786	20,058	57,577	56,389
Others	10,996	12,385	38,339	38,266
	156,907	153,443	443,061	434,594
Promotion and marketing related expenses	14,529	16,286	53,530	44,648
Establishment related expenses				
Depreciation of property and equipment	6,612	7,551	20,604	22,897
Amortisation of intangible assets	6,081	5,879	16,078	15,654
Information technology costs	2,935	3,127	8,526	9,017
Hire of equipment	2,139	2,605	7,059	7,883
Rental	10,171	7,768	25,028	22,140
Property and equipment written off	-	11	14	530
General repairs and maintenance	562	1,894	5,270	6,086
Utilities	4,444	3,063	9,950	9,757
Others	1,619	996	3,741	3,052
	34,563	32,894	96,270	97,016
General administrative expenses				
Intercompany expenses	74,644	62,519	218,004	177,082
Auditors' remuneration				
<u>Statutory audit fees</u>				
KPMG Malaysia	102	95	295	290
<u>Other services</u>				
KPMG Malaysia	160	170	365	370
Professional fees	1,688	2,090	5,731	5,128
Communication	5,113	4,652	15,791	15,708
Entertainment	1,456	1,123	4,123	3,447
Others	24,932	27,338	74,145	65,267
	108,095	97,987	318,454	267,292

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Capital Adequacy

	<i>Group</i>	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Tier 1 capital		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Retained profits (including proposed dividend)	4,795,810	4,974,062
Other reserves	828,247	638,066
Regulatory adjustments	(541,521)	(364,017)
Total Common Equity Tier 1 (CET 1) and Tier 1 capital	<u>5,938,411</u>	<u>6,103,986</u>
Tier 2 capital		
Subordinated bonds	800,000	900,000
Subordinated term loan	254,817	-
Collective impairment allowance (unimpaired portion) & regulatory reserves	470,607	295,487
Regulatory adjustments	86,936	88,738
Total Tier 2 capital	<u>1,612,360</u>	<u>1,284,225</u>
Capital base	<u>7,550,771</u>	<u>7,388,211</u>
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	11.609%	11.893%
Total Capital ratio	14.761%	14.395%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	11.609%	11.308%
Total Capital ratio	14.761%	13.811%

The total capital and capital adequacy ratios of the Group have been computed based on the Standardised Approach in accordance with the 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 Capital Adequacy Framework for Islamic Banks (CAFIB). 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 2014		31 Dec 2013	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	97,455,529 *	43,938,255 *	92,358,223 *	43,621,505 *
Total RWA for market risk	-	1,535,085	-	2,069,891
Total RWA for operational risk	-	5,680,158	-	5,632,809
	<u>97,455,529</u>	<u>51,153,498</u>	<u>92,358,223</u>	<u>51,324,205</u>

* The principal and risk weighted amount for credit risk relating to the RPSIA (refer Note 15(i) for more details) is RM424.14m for both on 30 September 2014 (2013: RM629.76m).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Tier 1 capital		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Retained profits (including proposed dividend)	4,260,739	4,502,012
Other reserves	768,164	594,721
Regulatory adjustments	(652,965)	(358,901)
Total Common Equity Tier 1 (CET1) and Tier 1 capital	5,231,813	5,593,707
Tier 2 capital		
Subordinated bonds	800,000	900,000
Subordinated term loan	254,817	-
Collective impairment allowance (unimpaired portion) & regulatory reserves	377,783	219,837
Regulatory adjustments	(695,898)	(571,283)
Total Tier 2 capital	736,702	548,554
Capital base	5,968,515	6,142,261
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	12.538%	12.961%
Total Capital ratio	14.303%	14.232%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	12.538%	12.266%
Total Capital ratio	14.303%	13.537%

The total capital and capital adequacy ratios have been computed based on the Standardised Approach in accordance with the Capital Adequacy Framework (Capital Components).

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

	<i>Bank</i>			
	30 Sep 2014		31 Dec 2013	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	82,641,573 *	35,264,541 *	78,044,530 *	36,133,709 *
Total RWA for market risk	-	1,414,599	-	1,991,640
Total RWA for operational risk	-	5,050,102	-	5,033,713
	82,641,573	41,729,242	78,044,530	43,159,062

* The principal and risk weighted amount for credit risk relating to the RPSIA (refer Note 15(i) for more details) is RM424.14m for both on 30 September 2014 (2013: RM629.76m).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Commitments and Contingencies

The table below shows the contracts or underlying principal amounts, positive fair value of derivative contracts, credit equivalent amounts and risk weighted amounts of unmatured off-balance sheet transactions at the statement of financial position date. The underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

30 September 2014

	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	2,094,528	-	2,094,528	1,839,265
Transaction-related contingent items	7,066,324	-	3,533,162	2,782,954
Short-term self-liquidating trade-related contingencies	309,981	-	61,996	54,471
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	14,708,569	-	2,941,714	2,619,016
- Maturity exceeding one year	7,551,669	-	3,775,835	3,276,004
Unutilised credit card lines	7,865,599	-	1,573,120	1,179,840
Foreign exchange related contracts				
- Less than one year	46,283,473	439,326	956,604	508,767
- Over one year to less than five years	8,198,004	341,851	929,089	392,611
- Over five years	1,937,342	93,363	316,243	149,177
Interest/profit rate related contracts:				
- Less than one year	9,087,347	39,013	29,529	10,411
- Over one year to less than five years	28,799,185	127,962	818,240	300,797
- Over five years	3,765,228	19,362	274,595	101,378
Gold and other precious metals contracts				
- Less than one year	24,640	13	-	-
Equity related contracts				
- Less than one year	508,200	5,398	33,933	6,787
- Over one year to less than five years	2,122,091	3,952	176,921	35,384
- Over five years	14,565	515	1,660	332
	140,336,745	1,070,755	17,517,169	13,257,194

Note 33

[^] 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 Capital Adequacy Framework on the Standardised Approach. The credit conversion factors and risk weighting rules for HSBC Amanah Malaysia Berhad were based on the Basel II Capital Adequacy Framework for Islamic Bank (CAFIB).

Of the amounts included in the Commitment and Contingencies balances above, none relate to the RPSIA2 arrangement (refer Note 15(i) for more details).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Commitments and Contingencies (Cont'd)

The table below shows the contracts or underlying principal amounts, positive fair value of derivative contracts, credit equivalent amounts and risk weighted amounts of unmatured off-balance sheet transactions at the statement of financial position date. The underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

31 December 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	2,465,200	-	2,465,200	2,220,317
Transaction-related contingent items	5,492,236	-	2,746,118	2,125,241
Short-term self-liquidating trade-related contingencies	335,070	-	67,014	55,690
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	13,889,190	-	2,777,838	2,429,856
- Maturity exceeding one year	7,109,109	-	3,554,554	2,998,411
Unutilised credit card lines	7,498,000	-	1,499,600	1,124,700
Foreign exchange related contracts				
- Less than one year	40,404,219	486,910	1,110,031	583,573
- Over one year to less than five years	9,510,501	385,096	1,081,810	547,580
- Over five years	2,293,105	123,138	362,966	207,866
Interest/profit rate related contracts:				
- Less than one year	12,560,652	30,226	49,694	15,034
- Over one year to less than five years	31,948,817	189,767	975,652	333,899
- Over five years	3,731,860	70,429	344,401	128,387
Gold and other precious metals contracts				
- Less than one year	60,712	-	-	-
Equity related contracts				
- Less than one year	1,162,877	13,679	84,297	16,859
- Over one year to less than five years	1,399,288	20,214	134,176	26,835
- Over five years	140,538	685	14,739	2,948
	140,001,374	1,320,144	17,268,090	12,817,196

Note 33

^ 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 RPSIA2 arrangement (refer Note 15(i) for more details).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Commitments and Contingencies (Cont'd)

The table below shows the contracts or underlying principal amounts, positive fair value of derivative contracts, credit equivalent amounts and risk weighted amounts of unmatured off-balance sheet transactions at the statement of financial position date. The underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

30 September 2014

	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	1,605,388	-	1,605,387	1,438,594
Transaction-related contingent items	6,037,308	-	3,018,653	2,423,970
Short-term self-liquidating trade-related contingencies	264,076	-	52,815	49,077
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	12,633,800	-	2,526,760	2,278,735
- Maturity exceeding one year	6,446,590	-	3,223,295	2,740,579
Unutilised credit card lines	6,598,294	-	1,319,659	989,744
Foreign exchange related contracts				
- Less than one year	46,967,857	445,559	961,056	507,083
- Over one year to less than five years	8,198,004	333,947	921,185	353,637
- Over five years	1,937,342	92,756	315,636	141,691
Interest rate related contracts:				
- Less than one year	9,170,247	39,012	29,642	10,467
- Over one year to less than five years	31,050,732	195,664	921,288	317,990
- Over five years	3,765,228	19,362	274,595	101,378
Gold and other precious metals contracts				
- Less than one year	24,640	13	-	-
Equity related contracts				
- Less than one year	446,356	4,724	30,045	7,647
- Over one year to less than five years	3,052,538	28,772	272,976	78,963
- Over five years	14,565	515	1,660	332
	138,212,965	1,160,324	15,474,652	11,439,887

Note 33

[^] 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 Capital Adequacy Framework on the Standardised Approach.

Of the amounts included in the Commitment and Contingencies balances above, none relate to the RPSIA2 arrangement (refer Note 15(i) for more details).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Commitments and Contingencies (Cont'd)

The table below shows the contracts or underlying principal amounts, positive fair value of derivative contracts, credit equivalent amounts and risk weighted amounts of unmatured off-balance sheet transactions at the statement of financial position date. The underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

31 December 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	1,971,835	-	1,971,835	1,772,082
Transaction-related contingent items	4,659,536	-	2,329,768	1,831,314
Short-term self-liquidating trade-related contingencies	315,459	-	63,092	52,402
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	12,015,264	-	2,403,053	2,096,693
- Maturity exceeding one year	6,248,092	-	3,124,046	2,581,501
Unutilised credit card lines	6,467,160	-	1,293,432	970,074
Foreign exchange related contracts				
- Less than one year	40,500,738	486,226	1,108,716	575,166
- Over one year to less than five years	9,510,501	385,096	1,081,810	547,580
- Over five years	2,293,105	122,468	361,951	202,525
Interest rate related contracts:				
- Less than one year	12,659,151	30,226	49,872	15,123
- Over one year to less than five years	33,893,539	251,732	1,076,624	375,693
- Over five years	3,731,860	70,429	344,401	128,387
Gold and other precious metals contracts				
- Less than one year	60,712	-	-	-
Equity related contracts				
- Less than one year	1,675,863	39,812	141,527	46,660
- Over one year to less than five years	1,964,862	26,651	184,325	54,404
- Over five years	140,538	685	14,739	2,948
	138,108,215	1,413,325	15,549,191	11,252,552

Note 33

^ 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)

* 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 RPSIA2 arrangement (refer Note 15(i) for more details).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Derivative Financial Instruments

Details of derivative financial instruments outstanding are as follows:

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts:

Group At 30 Sept 2014	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	40,771,033	770,999	-	41,542,032	368,170	6,876	-	375,046	422,382	8,613	-	430,995
- Swaps	4,272,223	7,289,245	1,937,342	13,498,810	59,717	332,187	89,961	481,865	116,423	246,445	45,452	408,320
- Options	1,240,217	137,760	-	1,377,977	14,923	2,706	-	17,629	8,263	-	-	8,263
Interest/profit rate related contracts												
- Futures	32,800	-	-	32,800	2	-	-	2	-	-	-	-
- Options	200,000	869,839	-	1,069,839	-	12,276	-	12,276	1,093	3,894	-	4,987
- Swaps	8,576,564	26,703,129	3,284,428	38,564,121	11,915	107,436	36,278	155,629	16,150	111,339	43,966	171,455
Equity related contracts												
- Options	508,200	2,122,091	14,565	2,644,856	2,879	6,783	203	9,865	5,101	65,056	57	70,214
Precious metal contracts												
- Options	24,640	-	-	24,640	13	-	-	13	112	-	-	112
Sub- total	55,625,677	37,893,063	5,236,335	98,755,075	457,619	468,264	126,442	1,052,325	569,524	435,347	89,475	1,094,346
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	340,000	1,645,000	-	1,985,000	1,962	16,468	-	18,430	-	36	-	36
Sub- total	340,000	1,645,000	-	1,985,000	1,962	16,468	-	18,430	-	36	-	36
Total	55,965,677	39,538,063	5,236,335	100,740,075	459,581	484,732	126,442	1,070,755	569,524	435,383	89,475	1,094,382

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Derivative Financial Instruments (Cont'd)

Details of derivative financial instruments outstanding are as follows (cont'd):

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (cont'd):

Group At 31 December 2013	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	34,691,221	495,042	-	35,186,263	338,108	10,808	-	348,916	295,463	10,107	-	305,570
- Swaps	7,278,852	8,161,745	245,589	15,686,186	118,016	381,010	117,877	616,903	118,930	254,959	80,429	454,318
- Options	1,330,507	4,869	-	1,335,376	27,850	1,475	-	29,325	18,687	7	-	18,694
Interest/profit rate related contracts												
- Future	-	-	-	-	-	-	-	-	-	-	-	-
- Options	513,950	1,064,181	30,000	1,608,131	-	14,680	-	14,680	2,731	2,669	-	5,400
- Swaps	11,713,678	28,662,659	3,976,861	44,353,198	29,545	153,920	70,087	253,552	32,937	173,833	61,147	267,917
Equity related contracts												
- Options	1,162,877	1,399,288	140,538	2,702,703	13,723	20,170	685	34,578	36,726	9,724	-	46,450
Precious metal contracts												
- Options	60,712	-	-	60,712	-	-	-	-	104	-	-	104
Sub- total	56,751,797	39,787,784	4,392,988	100,932,569	527,242	582,063	188,649	1,297,954	505,578	451,299	141,576	1,098,453
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	355,000	1,865,000	-	2,220,000	543	21,577	-	22,120	-	-	-	-
Cash Flow Hedge												
Interest/profit rate related contracts												
- Swaps	60,000	-	-	60,000	70	-	-	70	-	-	-	-
Sub- total	415,000	1,865,000	-	2,280,000	613	21,577	-	22,190	-	-	-	-
Total	57,166,797	41,652,784	4,392,988	103,212,569	527,855	603,640	188,649	1,320,144	505,578	451,299	141,576	1,098,453

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Derivative Financial Instruments (Cont'd)

Details of derivative financial instruments outstanding are as follows (cont'd):

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (cont'd):

Bank At 30 Sept 2014	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	41,439,472	770,999	-	42,210,471	374,382	6,876	-	381,258	432,551	8,613	-	441,164
- Swaps	4,272,223	7,289,245	1,937,342	13,498,810	59,717	324,283	89,353	473,353	116,423	246,445	45,675	408,543
- Options	1,256,162	137,760	-	1,393,922	14,945	2,706	-	17,651	11,729	-	-	11,729
Interest rate related contracts												
- Futures	32,800	-	-	32,800	2	-	-	2	-	-	-	-
- Options	200,000	1,676,287	-	1,876,287	-	75,924	-	75,924	1,093	59,137	-	60,230
- Swaps	8,659,564	28,148,128	3,284,428	40,092,120	11,915	111,489	36,278	159,682	16,214	118,228	43,966	178,408
Equity related contracts												
- Options	446,356	3,052,538	14,565	3,513,459	2,509	31,299	203	34,011	5,101	68,991	57	74,149
Precious metal contracts												
- Options	24,640	-	-	24,640	13	-	-	13	112	-	-	112
Sub- total	56,331,217	41,074,957	5,236,335	102,642,509	463,483	552,577	125,834	1,141,894	583,223	501,414	89,698	1,174,335
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	340,000	1,645,000	-	1,985,000	1,962	16,468	-	18,430	-	36	-	36
Sub- total	340,000	1,645,000	-	1,985,000	1,962	16,468	-	18,430	-	36	-	36
Total	56,671,217	42,719,957	5,236,335	104,627,509	465,445	569,045	125,834	1,160,324	583,223	501,450	89,698	1,174,371

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Derivative Financial Instruments (Cont'd)

Details of derivative financial instruments outstanding are as follows (cont'd):

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (cont'd):

Bank At 31 December 2013	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	34,766,133	495,042	-	35,261,175	337,534	10,808	-	348,342	295,331	10,107	-	305,438
- Swaps	7,278,852	8,161,745	245,589	15,686,186	118,016	381,010	117,097	616,123	118,930	254,959	80,429	454,318
- Options	1,352,114	4,869	-	1,356,983	27,850	1,475	-	29,325	21,828	7	-	21,835
Interest rate related contracts												
- Options	513,950	1,733,903	30,000	2,277,853	-	73,488	-	73,488	2,731	53,699	-	56,430
- Swaps	11,812,177	29,937,659	3,976,861	45,726,697	29,614	157,008	70,087	256,709	33,296	175,191	62,755	271,242
Equity related contracts												
- Options	1,675,863	1,964,862	140,538	3,781,263	39,812	26,651	685	67,148	36,726	13,974	-	50,700
Precious metal contracts												
- Options	60,712	-	-	60,712	-	-	-	-	104	-	-	104
Sub- total	57,459,801	42,298,080	4,392,988	104,150,869	552,826	650,440	187,869	1,391,135	508,946	507,937	143,184	1,160,067
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	355,000	1,865,000	-	2,220,000	543	21,577	-	22,120	-	-	-	-
Cash Flow Hedge												
Interest rate related contracts												
- Swaps	60,000	-	-	60,000	70	-	-	70	-	-	-	-
Sub- total	415,000	1,865,000	-	2,280,000	613	21,577	-	22,190	-	-	-	-
Total	57,874,801	44,163,080	4,392,988	106,430,869	553,439	672,017	187,869	1,413,325	508,946	507,937	143,184	1,160,067

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Performance Review

The Group recorded profit before tax of RM1,113 million for the nine months ended 30 September 2014, a decrease of 2.6% or RM30 million compared against history. The lower profit was due to lower operating income of RM58 million, higher operating expenses of RM82 million, partially offset by lower loan/financing impairment charges of RM110 million.

Lower operating income was primarily due to lower net trading income (-RM163 million or 37.4%), on lower gain from foreign currency and debt securities. Lower volatility in the market reduced foreign currency trading opportunities and lower demand of Ringgit securities resulted in lower gains from sale of securities. Meanwhile, net interest income improved (+RM81 million or 7.8%), in tandem with the growth in average customer advances. The increase in net fee income (+RM6.5 million or 2.0%) for the current period was primarily due to higher insurance fee income and higher sales credit earned from HSBC group entities in the current period.

Operating expenses grew, on higher intragroup expenses, larger promotion and marketing expenses and higher personnel expenses. Loan/financing impairment charges decreased, on lower collective impairment provisions due to improvements in the asset quality of key collective portfolio assets, as well as lower individual impairment charges on corporates and higher provision write back on mortgages. The Group's capital and liquidity ratios remain strong and well above regulatory requirements.

Total balance sheet size at 30 September 2014 stood at RM88.1 billion, RM8.3 billion higher compared against 31 December 2013 (RM79.8 billion), mainly on higher deposits and placements from financial institutions coupled with higher deposits from customers, which were deployed into securities purchased under resale agreement and trading assets.

35 Business Prospects

The Malaysian economy registered a strong growth of 6.4% in 2Q 2014 (2Q 2013:4.2%), higher than the initial forecast of 4.5%-5.5% for 2014. This was driven by higher exports and continued strength in private domestic demand.

Growth in private investment has expanded by 12.1% reflecting investments in services and manufacturing sectors. Private consumption increased by 6.5%, supported by stable employment conditions and continued wage growth. In contrast, growth in public consumption has declined marginally by 1.3%, reflecting lower Government spending on emoluments, and supplies and services.

The Overnight Policy Rate (OPR) was maintained at 3.00% during the second quarter of 2014, and raised by 25 basis points to 3.25% on 10 July 2014. Notwithstanding the rise in the OPR, monetary conditions continue to remain supportive of economic activity.

The Group's priorities in 2014 remain unchanged, to grow the business and dividends, implement the highest global standards of conduct and compliance, and streamline processes and procedures. On growing the business, the Group continues to invest in Premier and Advance propositions especially in the offering of wealth management solutions to meet customer needs. Leveraging on HSBC Group expertise, the Group is able to provide holistic banking service solutions to our existing and new corporate customers. Further, the Group will capitalise on the HSBC Group's international connectivity for cross border trade initiatives and offer banking services for inbound investments by HSBC Group customers into Malaysia.

The Group has adopted the relationship based approach (as opposed to the product push approach) for a number of years and this journey will continue.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Comparative Figures

Reclassification to conform to current period's presentation.

(i) Statement of Profit or Loss and Other Comprehensive Income for the period ended
30 September 2013

	Group		Bank	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
a) Net Interest Income				
<i>(of which the affected components are disclosed below) :</i>				
<u>Interest income</u>				
Loans and advances				
- Interest income other than from impaired loans	1,190,349	1,190,353	1,190,349	1,190,353
- Interest income recognised from impaired loans	28,395	28,395	28,395	28,395
Money at call and deposit placements with financial institutions	349,769	349,769	376,836	376,836
Financial investments available-for-sale	146,510	146,510	146,567	146,567
Fair value hedge derivative assets	-	2,572	-	2,572
	<u>1,715,023</u>	<u>1,717,599</u>	<u>1,742,147</u>	<u>1,744,723</u>
<u>Interest expense</u>				
Deposits and placements of banks and other financial institutions	(50,813)	(53,855)	(50,813)	(53,855)
Deposits from customers	(575,961)	(574,374)	(575,961)	(574,374)
Subordinated bonds	(32,581)	(35,153)	(32,581)	(35,153)
Others	(7,265)	(5,814)	(7,265)	(5,814)
	<u>(666,620)</u>	<u>(669,196)</u>	<u>(666,620)</u>	<u>(669,196)</u>

	Group		Bank	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
b) Loan/Financing Impairment Charges and Other Credit Risk Provisions				
<i>(of which the affected components are disclosed below) :</i>				
Individual allowance for impairment				
-Made during the period	195,858	116,693	164,739	85,574
-Written back	(141,994)	(62,829)	(116,111)	(36,946)

	Group		Bank	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
c) Other operating expenses				
Personnel expenses	462,974	466,767	434,594	438,197
Promotion and marketing related expenses	58,119	60,834	44,648	47,179
Establishment related expenses	114,400	114,400	97,016	97,016
General administrative expenses	269,563	263,055	267,292	261,158
	<u>905,056</u>	<u>905,056</u>	<u>843,550</u>	<u>843,550</u>

(ii) Statement of Financial Position at
31 December 2013

a) **Movements in allowances for impaired loans, advances and financing**
(of which the affected components are disclosed below) :

The following change affected only the following disclosure note, without impact on the overall balance for individual allowance for impairment

	Group		Bank	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
Individual allowance for impairment				
-Made during the period	249,778	140,798	207,354	98,374
-Written back	(201,659)	(92,679)	(164,836)	(55,856)