

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**30 JUNE 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 June 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 : 23 July 2014

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

**UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION**  
**AT 30 JUNE 2014**

	Note	<i>Group</i>		<i>Bank</i>	
		30 June 2014 RM'000	31 Dec 2013 RM'000	30 June 2014 RM'000	31 Dec 2013 RM'000
<b>Assets</b>					
Cash and short-term funds	11	19,501,758	15,454,507	16,978,127	12,558,786
Securities purchased under resale agreements		5,875,877	2,877,270	5,875,877	2,877,270
Deposits and placements with banks and other financial institutions	12	437,684	4,011,340	1,611,939	5,203,425
Financial assets held-for-trading	13	1,889,320	2,333,390	1,850,247	2,243,731
Financial investments available-for-sale	14	8,029,723	6,499,601	6,172,960	5,158,595
Loans, advances and financing	15	43,489,492	44,659,904	33,637,679	35,484,730
Derivative financial assets	34	972,124	1,320,144	1,060,076	1,413,325
Other assets	17	926,073	761,686	1,200,923	738,904
Statutory deposits with Bank Negara Malaysia	18	1,267,060	1,384,160	821,998	993,598
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		340,966	355,047	322,096	332,254
Intangible assets		58,064	55,352	58,058	55,343
Tax recoverable		-	14,472	-	-
Deferred tax assets		83,637	86,976	77,047	79,883
<b>Total assets</b>		<b>82,871,778</b>	79,813,849	<b>70,327,048</b>	67,799,865
<b>Liabilities</b>					
Deposits from customers	19	60,195,326	59,914,419	48,601,168	48,883,876
Deposits and placements from banks and other financial institutions	20	10,220,698	8,297,828	10,048,342	8,270,879
Bills and acceptances payable		508,013	906,595	487,109	895,623
Derivative financial liabilities	34	803,624	1,098,453	879,220	1,160,067
Other liabilities	21	2,662,452	1,636,295	2,932,768	1,646,543
Provision for taxation		25,058	16,055	16,855	16,055
Multi-Currency Sukuk Programme	22	500,000	500,000	-	-
Subordinated liabilities	23	1,253,757	1,005,071	1,253,757	1,005,071
<b>Total liabilities</b>		<b>76,168,928</b>	73,374,716	<b>64,219,219</b>	61,878,114
<b>Equity</b>					
Share capital		114,500	114,500	114,500	114,500
Reserves		6,338,350	6,024,633	5,743,329	5,507,251
Proposed dividend		250,000	300,000	250,000	300,000
<b>Total equity attributable to owner of the Bank</b>		<b>6,702,850</b>	6,439,133	<b>6,107,829</b>	5,921,751
<b>Total liabilities and equity</b>		<b>82,871,778</b>	79,813,849	<b>70,327,048</b>	67,799,865
<b>Commitments and Contingencies</b>	33	<b>137,866,619</b>	140,001,374	<b>136,239,236</b>	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 43 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 23 July 2014.*

**HSBC BANK MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014**

	<i>Note</i>	<i>Group</i>			
		2nd quarter		Half Year To	
		30 June 2014	30 Jun 2013	30 June 2014	30 Jun 2013
		RM'000	RM'000	RM'000	RM'000
Revenue		993,390	1,014,734	1,993,668	2,038,949
Interest income	24	589,357	566,704	1,167,193	1,134,879
Interest expense	24	(220,142)	(223,960)	(431,515)	(451,282)
Net interest income	24	369,215	342,744	735,678	683,597
Fee and commission income	25	125,127	127,017	243,326	240,753
Fee and commission expense	25	(8,630)	(7,575)	(14,782)	(18,223)
Net fee and commission income	25	116,497	119,442	228,544	222,530
Net trading income	26	87,306	137,276	201,225	288,104
Income from Islamic banking operations	27	122,798	123,101	246,941	250,472
Other operating income	28	7,109	7,474	14,470	21,001
Operating income before impairment losses		702,925	730,037	1,426,858	1,465,704
Loans / financing impairment charges and other credit risk provisions	29	(14,474)	(32,330)	(36,851)	(115,738)
Net operating income		688,451	697,707	1,390,007	1,349,966
Other operating expenses	30	(340,606)	(315,465)	(647,119)	(586,498)
Profit before income tax expense		347,845	382,242	742,888	763,468
Income tax expense		(90,680)	(94,599)	(190,956)	(191,915)
<b>Profit for the period</b>		<b>257,165</b>	<b>287,643</b>	<b>551,932</b>	<b>571,553</b>
<b>Other comprehensive income/ (expense)</b>					
<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	(5)
Net amount transferred to profit or loss		-	(98)	(64)	(194)
Available-for-sale reserve:					
Change in fair value		(1,713)	(21,962)	11,941	(16,539)
Amount transferred to profit or loss		1,100	1,669	1,553	(5,962)
Income tax credit/ (expense) relating to components of other comprehensive income		153	5,097	(3,358)	5,676
<b>Other comprehensive (expense)/ income for the period, net of income tax</b>		<b>(460)</b>	<b>(15,287)</b>	<b>10,073</b>	<b>(17,024)</b>
<b>Total comprehensive income for the period</b>		<b>256,705</b>	<b>272,356</b>	<b>562,005</b>	<b>554,529</b>
Profit attributable to owner of the Bank		257,165	287,643	551,932	571,553
Total comprehensive income attributable to owner of the Bank		256,705	272,356	562,005	554,529
Basic earnings per RM0.50 ordinary share		112.3 sen	125.6 sen	241 sen	249.6 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	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 43 attached to the unaudited condensed interim financial statements.*

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**UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014**

	<i>Note</i>	<i>Bank</i>			
		2nd quarter		Year to date	
		30 June 2014	30 Jun 2013	30 June 2014	30 Jun 2013
		RM'000	RM'000	RM'000	RM'000
Revenue		<b>839,142</b>	878,095	<b>1,692,490</b>	1,764,084
Interest income	24	<b>596,912</b>	575,193	<b>1,182,131</b>	1,152,871
Interest expense	24	<b>(220,142)</b>	(223,960)	<b>(431,515)</b>	(451,282)
Net interest income	24	<b>376,770</b>	351,233	<b>750,616</b>	701,589
Fee and commission income	25	<b>125,127</b>	127,017	<b>243,326</b>	240,753
Fee and commission expense	25	<b>(8,630)</b>	(7,575)	<b>(14,782)</b>	(18,223)
Net fee and commission income	25	<b>116,497</b>	119,442	<b>228,544</b>	222,530
Net trading income	26	<b>77,208</b>	136,755	<b>187,119</b>	286,868
Other operating income	28	<b>39,895</b>	39,130	<b>79,914</b>	83,592
Operating income before impairment losses		<b>610,370</b>	646,560	<b>1,246,193</b>	1,294,579
Loans / financing impairment charges and other credit risk provisions	29	<b>2,810</b>	(17,784)	<b>(4,819)</b>	(69,090)
Net operating income		<b>613,180</b>	628,776	<b>1,241,374</b>	1,225,489
Other operating expenses	30	<b>(314,295)</b>	(291,682)	<b>(597,221)</b>	(542,940)
Profit before income tax expense		<b>298,885</b>	337,094	<b>644,153</b>	682,549
Income tax expense		<b>(79,745)</b>	(84,170)	<b>(168,243)</b>	(172,597)
<b>Profit for the period</b>		<b>219,140</b>	252,924	<b>475,910</b>	509,952
<b>Other comprehensive income/ (expense)</b>					
<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	(5)
Net amount transferred to profit or loss		-	(98)	(64)	(194)
Available-for-sale reserve:					
Change in fair value		<b>(234)</b>	(16,815)	<b>10,085</b>	(12,725)
Amount transferred to profit or loss		<b>1,100</b>	1,669	<b>1,553</b>	(5,962)
Income tax (expense)/ credit relating to components of other comprehensive income		<b>(217)</b>	3,810	<b>(2,894)</b>	4,722
<b>Other comprehensive income/ (expense) for the period, net of income tax</b>		<b>649</b>	(11,427)	<b>8,681</b>	(14,164)
<b>Total comprehensive income for the period</b>		<b>219,789</b>	241,497	<b>484,591</b>	495,788
Profit attributable to owner of the Bank		<b>219,140</b>	252,924	<b>475,910</b>	509,952
Total comprehensive income attributable to owner of the Bank		<b>219,789</b>	241,497	<b>484,591</b>	495,788
Basic earnings per RM0.50 ordinary share		<b>95.7 sen</b>	110.4 sen	<b>207.8 sen</b>	222.7 sen
Dividends per RM0.50 ordinary share (net)					
- final dividend paid in respect of prior year		<b>131.0 sen</b>	131.0 sen	<b>131.0 sen</b>	131.0 sen
- proposed interim dividend in respect of current year		<b>109.2 sen</b>	109.2 sen	<b>109.2 sen</b>	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 2012 and the accompanying explanatory notes on pages 7 to 43 attached to the unaudited condensed interim financial statements.*

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**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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
<b>2014</b>													
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
<b>Total comprehensive income for the period</b>													
Profit for the period	-	-	-	-	-	-	-	-	-	551,932	551,932	-	551,932
<b>Other comprehensive income, net of income tax</b>													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(933)	-	-	-	-	-	933	-	-	-
Cash flow hedge:													
Net amount transferred to profit or loss	-	-	-	-	-	-	(48)	-	-	-	(48)	-	(48)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	8,956	-	-	-	-	8,956	-	8,956
Net amount transferred to profit or loss	-	-	-	-	-	1,165	-	-	-	-	1,165	-	1,165
Total other comprehensive (expense)/ income	-	-	-	(933)	-	10,121	(48)	-	-	933	10,073	-	10,073
Total comprehensive income for the period	-	-	-	(933)	-	10,121	(48)	-	-	552,865	562,005	-	562,005
<b>Transactions with the owner (the ultimate holding company), recorded directly in equity</b>													
Share based payment transactions	-	-	-	-	-	-	-	2,827	-	(1,115)	1,712	-	1,712
Transfer relating to regulatory reserves	-	-	-	-	-	-	-	-	160,000	(160,000)	-	-	-
Dividends paid to owner - 2013 final	-	-	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Proposed dividend - 2014 interim	-	-	-	-	-	-	-	-	-	(250,000)	(250,000)	250,000	-
Balance at 30 June	114,500	741,375	164,500	165,116	190,000	3,250	-	98,297	160,000	4,815,812	6,338,350	250,000	6,702,850
<b>2013</b>													
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
<b>Total comprehensive income for the period</b>													
Profit for the period	-	-	-	-	-	-	-	-	-	571,553	571,553	-	571,553
<b>Other comprehensive income, net of income tax</b>													
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	-	-	-	-	-	(12,404)	-	-	-	-	(12,404)	-	(12,404)
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(4,470)	-	-	-	-	(4,470)	-	(4,470)
Total other comprehensive (expense)/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
<b>Transactions with the owner (the ultimate holding company), recorded directly in equity</b>													
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	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 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.

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The unaudited condensed interim financial statements were approved by the Board of Directors on 23 July 2014.

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**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014 (Cont'd)**

	Bank												
	← Attributable to the owner (the ultimate holding company) →											Distributable	
	← Non-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
<b>2014</b>													
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
<b>Total comprehensive income for the period</b>													
Profit for the period	-	-	-	-	-	-	-	-	-	475,910	475,910	-	475,910
<b>Other comprehensive income, net of income tax</b>													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(933)	-	-	-	-	-	933	-	-	-
Cash flow hedge:													
Net amount transferred to profit or loss	-	-	-	-	-	-	(48)	-	-	-	(48)	-	(48)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	7,564	-	-	-	-	7,564	-	7,564
Net amount transferred to profit or loss	-	-	-	-	-	1,165	-	-	-	-	1,165	-	1,165
Total other comprehensive (expense)/ income	-	-	-	(933)	-	8,729	(48)	-	-	933	8,681	-	8,681
Total comprehensive income for the period	-	-	-	(933)	-	8,729	(48)	-	-	476,843	484,591	-	484,591
<b>Transactions with the owner (the ultimate holding company), recorded directly in equity</b>													
Share based payment transactions	-	-	-	-	-	-	-	2,602	-	(1,115)	1,487	-	1,487
Transfer relating to regulatory reserves	-	-	-	-	-	-	-	-	147,000	(147,000)	-	-	-
Dividends paid to owner - 2013 final	-	-	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Proposed dividend - 2014 interim	-	-	-	-	-	-	-	-	-	(250,000)	(250,000)	250,000	-
Balance at 30 June	114,500	741,375	114,500	165,116	190,000	7,818	-	96,780	147,000	4,280,740	5,743,329	250,000	6,107,829
<b>2013</b>													
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
<b>Total comprehensive income for the period</b>													
Profit for the period	-	-	-	-	-	-	-	-	-	509,952	509,952	-	509,952
<b>Other comprehensive income, net of income tax</b>													
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 on disposal	-	-	-	-	-	(4,470)	-	-	-	-	(4,470)	-	(4,470)
Total other comprehensive (expense)/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
<b>Transactions with the owner (the ultimate holding company), recorded directly in equity</b>													
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	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 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.

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

	<i>Group</i>		<i>Bank</i>	
	<b>30 June 2014</b>	30 Jun 2013	<b>30 June 2014</b>	30 Jun 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit before income tax expense	<b>742,888</b>	763,468	<b>644,153</b>	682,549
Adjustments for non-operating and non-cash items	<b>28,981</b>	32,988	<b>24,468</b>	27,727
Operating profit before working capital changes	<b>771,869</b>	796,456	<b>668,621</b>	710,276
Changes in working capital:				
Net changes in operating assets	<b>2,738,887</b>	(1,936,223)	<b>3,144,867</b>	(1,795,771)
Net changes in operating liabilities	<b>2,536,523</b>	2,827,862	<b>2,091,619</b>	1,766,886
Income tax paid	<b>(167,500)</b>	(175,926)	<b>(167,500)</b>	(155,093)
<b>Net cash generated from operations</b>	<b>5,879,779</b>	1,512,169	<b>5,737,607</b>	526,298
<b>Net cash (used in)/ generated from investing activities</b>	<b>(1,532,528)</b>	1,124,540	<b>(1,018,266)</b>	1,068,175
<b>Net cash used in financing activity</b>	<b>(300,000)</b>	(300,000)	<b>(300,000)</b>	(300,000)
	<b>(1,832,528)</b>	824,540	<b>(1,318,266)</b>	768,175
<b>Net changes in cash and cash equivalents</b>	<b>4,047,251</b>	2,336,709	<b>4,419,341</b>	1,294,473
<b>Cash and cash equivalents at beginning of the period</b>	<b>15,454,507</b>	12,663,437	<b>12,558,786</b>	11,014,117
<b>Cash and cash equivalents at end of the period</b>	<b>19,501,758</b>	15,000,146	<b>16,978,127</b>	12,308,590
<b>Analysis of cash and cash equivalents</b>				
Cash and short-term funds	<b>19,501,758</b>	15,000,146	<b>16,978,127</b>	12,308,590

*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 43 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 23 July 2014.*

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

**NOTES TO THE FINANCIAL STATEMENTS**

**1 General Information**

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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**

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The unaudited condensed interim financial statements for the financial period ended 30 June 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 and derivative financial instruments.

The unaudited condensed interim financial statements for the financial period ended 30 June 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)

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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.

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.

### 3 Auditors' Report On Preceding Annual Financial Statements

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

### 4 Seasonality or Cyclical Factors

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

## **NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

### **5 Unusual Items due to Their Nature, Size or Incidence**

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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 2014.

### **6 Changes in Estimates**

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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 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 June 2014.

### **8 Dividend**

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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.

The directors now recommend an interim dividend of RM1.092 per ordinary share amounting to 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**

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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 2014.

### **10 Significant and Subsequent Events**

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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>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>1,564,584</b>	1,625,703	<b>1,393,814</b>	1,482,497
Money at call and interbank placements maturing within one month	<b>17,937,174</b>	13,828,804	<b>15,584,313</b>	11,076,289
	<b>19,501,758</b>	15,454,507	<b>16,978,127</b>	12,558,786

**12 Deposits and Placements with Banks and Other Financial Institutions**

	<i>Group</i>		<i>Bank</i>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Licensed banks	<b>361,071</b>	212,790	<b>1,535,326</b>	1,568,825
Bank Negara Malaysia	<b>28,448</b>	3,500,000	<b>28,448</b>	3,500,000
Other financial institutions	<b>48,165</b>	298,550	<b>48,165</b>	134,600
	<b>437,684</b>	4,011,340	<b>1,611,939</b>	5,203,425

**13 Financial Assets Held-for-Trading**

	<i>Group</i>		<i>Bank</i>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>At fair value</b>				
Money market instruments:				
Malaysian Government treasury bills	<b>107,849</b>	56,941	<b>107,849</b>	56,941
Bank Negara Malaysia bills and notes	<b>401,181</b>	1,201,505	<b>401,181</b>	1,201,505
Bank Negara Malaysia Islamic bills and notes	<b>237,774</b>	149,605	<b>237,774</b>	149,605
Malaysian Government securities	<b>571,187</b>	482,409	<b>571,187</b>	482,409
Malaysian Government Islamic bonds	<b>374,183</b>	243,211	<b>335,110</b>	153,552
Islamic fixed rate bonds	<b>8,830</b>	8,915	<b>8,830</b>	8,915
Cagamas bonds and notes	<b>7,221</b>	7,393	<b>7,221</b>	7,393
	<b>1,708,225</b>	2,149,979	<b>1,669,152</b>	2,060,320
Unquoted securities:				
Private and Islamic debt securities (including commercial paper)	<b>181,095</b>	183,411	<b>181,095</b>	183,411
	<b>1,889,320</b>	2,333,390	<b>1,850,247</b>	2,243,731

**14 Financial Investments Available-for-Sale**

	<i>Group</i>		<i>Bank</i>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>At fair value</b>				
Money market instruments:				
Malaysian Government securities	<b>2,102,904</b>	1,482,060	<b>2,102,904</b>	1,482,060
Malaysian Government Islamic bonds	<b>4,006,170</b>	3,353,160	<b>2,293,737</b>	2,037,145
Islamic fixed rate bonds	<b>261,196</b>	-	<b>261,196</b>	-
Cagamas bonds and notes	<b>299,738</b>	204,966	<b>299,738</b>	204,966
Negotiable instruments of deposit	<b>654,337</b>	584,868	<b>510,007</b>	559,877
Bankers' acceptance and Islamic accepted bills	<b>687,999</b>	857,169	<b>687,999</b>	857,169
	<b>8,012,344</b>	6,482,223	<b>6,155,581</b>	5,141,217
Unquoted securities:				
Shares*	<b>16,908</b>	16,907	<b>16,908</b>	16,907
Private and Islamic debt securities (including commercial paper)	<b>471</b>	471	<b>471</b>	471
	<b>17,379</b>	17,378	<b>17,379</b>	17,378
	<b>8,029,723</b>	6,499,601	<b>6,172,960</b>	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>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Maturing within one year	<b>2,746,715</b>	3,001,459	<b>2,074,716</b>	2,427,608
More than one year to three years	<b>1,808,007</b>	1,367,339	<b>1,392,983</b>	1,062,631
More than three years to five years	<b>2,698,287</b>	1,951,855	<b>1,948,427</b>	1,509,191
Over five years	<b>759,335</b>	161,570	<b>739,455</b>	141,787
	<b>8,012,344</b>	6,482,223	<b>6,155,581</b>	5,141,217

**15 Loans, Advances and Financing**

**(i) By type**

	<i>Group</i>		<i>Bank</i>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>At amortised cost</b>				
Overdrafts	<b>1,192,027</b>	1,369,460	<b>1,086,583</b>	1,279,184
Term loans/ financing:				
Housing loans/ financing	<b>17,031,115</b>	16,042,710	<b>13,812,493</b>	13,382,715
Syndicated term loans/ financing	-	45,077	-	45,077
Factoring receivables	<b>162,933</b>	160,206	<b>162,933</b>	160,206
Hire purchase receivables	<b>240,569</b>	252,743	<b>183</b>	183
Lease receivables	<b>2,948</b>	2,442	-	-
Other term loans/ financing <sup>^</sup>	<b>12,300,759</b>	13,014,906	<b>7,628,274</b>	8,155,998
Bills receivable	<b>1,924,589</b>	3,499,558	<b>1,924,589</b>	3,499,558
Trust receipts	<b>1,501,544</b>	1,704,541	<b>1,444,225</b>	1,649,502
Claims on customers under acceptance credits	<b>2,778,064</b>	2,640,571	<b>2,080,461</b>	1,979,888
Staff loans/ financing	<b>317,877</b>	311,218	<b>261,514</b>	264,703
Credit/ charge cards	<b>2,672,478</b>	2,849,038	<b>2,219,159</b>	2,378,204
Revolving credit	<b>4,025,887</b>	3,459,069	<b>3,516,879</b>	3,220,720
Other loans/ financing	<b>9,693</b>	8,793	<b>9,693</b>	8,793
Gross loans, advances and financing	<b>44,160,483</b>	45,360,332	<b>34,146,986</b>	36,024,731
Less: Allowances for impaired loans, advances and financing				
- Collectively assessed	<b>(362,824)</b>	(382,316)	<b>(250,673)</b>	(263,026)
- Individually assessed	<b>(308,167)</b>	(318,112)	<b>(258,634)</b>	(276,975)
Total net loans, advances and financing	<b>43,489,492</b>	44,659,904	<b>33,637,679</b>	35,484,730

<sup>^</sup> Included in the loans, advances and financing of the Bank at 30 June 2014 is a Restricted Profit Sharing Investment Account ("RPSIA") balance amounting to RM344.65m (Dec 2013: RM629.76m). The balance of RM344.65m residing under other term loans/financing is performing, and no individual allowance for impaired loans, advances and financing is recognised on it.

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 June 2014 RM'000	31 Dec 2013 RM'000	30 June 2014 RM'000	31 Dec 2013 RM'000
Domestic non-bank financial institutions	598,416	400,323	55,810	71,300
Domestic business enterprises:				
Small medium enterprises	8,324,980	8,487,088	6,692,967	6,773,868
Others	10,267,169	10,293,570	7,791,316	8,026,000
Government and statutory bodies	17,550	19,190	-	-
Individuals	20,960,735	21,096,135	16,380,749	16,596,000
Other domestic entities	7,536	7,803	5,850	6,081
Foreign entities	3,984,097	5,056,223	3,220,294	4,551,482
	<b>44,160,483</b>	<b>45,360,332</b>	<b>34,146,986</b>	<b>36,024,731</b>

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	30 June 2014 RM'000	31 Dec 2013 RM'000	30 June 2014 RM'000	31 Dec 2013 RM'000
Maturity within one year	18,089,734	19,491,559	13,750,152	15,669,765
More than one year to three years	2,039,705	2,342,115	1,586,017	1,770,767
More than three years to five years	2,659,537	2,316,503	1,958,054	1,650,358
More than five years	21,371,507	21,210,155	16,852,763	16,933,841
	<b>44,160,483</b>	<b>45,360,332</b>	<b>34,146,986</b>	<b>36,024,731</b>

(iv) By interest/ profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	30 June 2014 RM'000	31 Dec 2013 RM'000	30 June 2014 RM'000	31 Dec 2013 RM'000
Fixed rate:				
Housing loans/ financing	134,720	143,971	126,380	134,983
Hire purchase receivables	240,569	252,743	183	183
Other fixed rate loans/ financing	3,960,727	3,868,536	2,154,679	2,061,327
Variable rate:				
BLR/BFR plus	33,124,653	34,785,081	26,129,706	28,229,313
Cost-plus	4,027,336	3,460,963	3,516,879	3,220,721
Other variable rates	2,672,478	2,849,038	2,219,159	2,378,204
	<b>44,160,483</b>	<b>45,360,332</b>	<b>34,146,986</b>	<b>36,024,731</b>

(v) By sector

	<i>Group</i>		<i>Bank</i>	
	30 June 2014 RM'000	31 Dec 2013 RM'000	30 June 2014 RM'000	31 Dec 2013 RM'000
Agricultural, hunting, forestry and fishing	1,275,350	1,633,395	964,923	1,266,036
Mining and quarrying	477,801	452,303	278,217	348,615
Manufacturing	6,781,236	6,365,423	5,657,644	5,246,909
Electricity, gas and water	106,191	124,127	22,743	33,559
Construction	2,444,668	2,509,216	1,713,788	1,844,232
Real estate	1,574,766	1,776,310	1,291,627	1,521,834
Wholesale & retail trade and restaurants & hotels	2,811,557	2,773,077	2,137,361	2,115,250
Transport, storage and communication	356,791	388,873	110,616	114,614
Finance, insurance and business services	2,909,002	2,782,322	2,115,356	2,206,259
Household-retail	23,757,118	23,530,114	18,546,238	18,530,442
Others	1,666,003	3,025,172	1,308,473	2,796,981
	<b>44,160,483</b>	<b>45,360,332</b>	<b>34,146,986</b>	<b>36,024,731</b>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Loans, Advances and Financing (Cont'd)

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 June 2014 RM'000	31 Dec 2013 RM'000	30 June 2014 RM'000	31 Dec 2013 RM'000
Purchase of property:				
Residential	17,046,073	16,182,395	14,091,076	13,673,133
Non residential	1,349,781	1,396,926	1,037,383	1,106,459
Purchase of securities	8,170	8,279	8,170	8,279
Purchase of transport vehicles	43,025	38,328	40,403	36,794
Purchase of fixed assets excluding land & building	26,122	20,199	-	-
Consumption credit	6,004,797	6,643,061	3,998,147	4,371,941
Construction	2,444,668	2,509,216	1,713,788	1,844,232
Working capital	16,010,895	15,909,437	12,183,212	12,357,518
Other purpose	1,226,952	2,652,491	1,074,807	2,626,375
	<b>44,160,483</b>	<b>45,360,332</b>	<b>34,146,986</b>	<b>36,024,731</b>

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 June 2014 RM'000	31 Dec 2013 RM'000	30 June 2014 RM'000	31 Dec 2013 RM'000
Northern Region	7,298,535	7,291,747	6,005,924	5,888,394
Southern Region	6,579,722	6,376,203	5,038,885	4,962,327
Central Region	26,218,408	27,029,963	19,586,171	21,033,874
Eastern Region	4,063,818	4,662,419	3,516,006	4,140,136
	<b>44,160,483</b>	<b>45,360,332</b>	<b>34,146,986</b>	<b>36,024,731</b>

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 June 2014 RM'000	31 Dec 2013 RM'000	30 June 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	555,610	1,054,807	421,835	793,055
Reclassified as performing	(291,168)	(510,999)	(224,341)	(425,654)
Amount recovered	(147,277)	(311,818)	(110,040)	(264,503)
Amount written off	(124,349)	(314,999)	(74,367)	(195,002)
Other movements	43,633	96,528	28,645	68,135
At end of period/year	828,814	792,365	667,191	625,459
Less: Individual allowance for impairment	(308,167)	(318,112)	(258,634)	(276,975)
Collective allowance for impairment (impaired portion)	(82,745)	(86,829)	(41,226)	(43,189)
Net impaired loans, advances and financing	<b>437,902</b>	<b>387,424</b>	<b>367,331</b>	<b>305,295</b>

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>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Collective allowance for impairment</b>				
At beginning of period/year	<b>382,316</b>	401,441	<b>263,026</b>	256,588
Made during the period/year	<b>129,564</b>	367,233	<b>73,966</b>	209,273
Amount released	<b>(44,562)</b>	(136,546)	<b>(26,827)</b>	(69,637)
Amount written off	<b>(104,088)</b>	(249,858)	<b>(60,022)</b>	(134,005)
Other movements	<b>(406)</b>	46	<b>530</b>	807
At end of period/year	<b>362,824</b>	382,316	<b>250,673</b>	263,026

	<i>Group</i>		<i>Bank</i>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Individual allowance for impairment</b>				
At beginning of period/year	<b>318,112</b>	304,981	<b>276,975</b>	274,602
Made during the period/year	<b>120,927</b>	249,778	<b>90,640</b>	207,354
Amount released	<b>(132,218)</b>	(201,659)	<b>(108,982)</b>	(164,836)
Amount written off	<b>(24,119)</b>	(56,778)	<b>(19,676)</b>	(52,073)
Discount unwind	<b>(1,013)</b>	(1,593)	<b>(604)</b>	(1,164)
Other movements	<b>26,478</b>	23,383	<b>20,281</b>	13,092
At end of period/year	<b>308,167</b>	318,112	<b>258,634</b>	276,975

**(iii) By sector**

	<i>Group</i>		<i>Bank</i>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Agricultural, hunting, forestry and fishing	<b>73,019</b>	471	<b>73,019</b>	471
Mining and quarrying	<b>178</b>	163	<b>178</b>	163
Manufacturing	<b>81,803</b>	107,060	<b>70,985</b>	100,702
Electricity, gas and water	<b>9,225</b>	-	<b>9,225</b>	-
Construction	<b>52,142</b>	55,318	<b>50,503</b>	52,863
Real estate	<b>4,895</b>	-	<b>4,895</b>	-
Wholesale & retail trade, restaurants & hotels	<b>82,033</b>	61,238	<b>79,031</b>	59,146
Transport, storage and communication	<b>1,560</b>	1,767	<b>1,363</b>	807
Finance, insurance and business services	<b>1,933</b>	1,871	<b>1,310</b>	1,525
Household-Retail	<b>519,392</b>	562,711	<b>374,739</b>	408,207
Others	<b>2,634</b>	1,766	<b>1,943</b>	1,575
	<b>828,814</b>	792,365	<b>667,191</b>	625,459

**(iv) By purpose**

	<i>Group</i>		<i>Bank</i>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Purchase of property:				
Residential	<b>295,670</b>	329,546	<b>241,187</b>	263,846
Non residential	<b>25,077</b>	21,615	<b>18,640</b>	21,513
Purchase of securities	<b>1</b>	1	<b>1</b>	1
Purchase of transport vehicles	<b>624</b>	403	<b>276</b>	334
Consumption credit	<b>203,188</b>	217,890	<b>120,136</b>	130,115
Construction	<b>52,142</b>	55,318	<b>50,503</b>	52,863
Working capital	<b>251,424</b>	166,879	<b>236,448</b>	156,787
Other purpose	<b>688</b>	713	<b>-</b>	-
	<b>828,814</b>	792,365	<b>667,191</b>	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>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Northern Region	<b>149,974</b>	168,164	<b>112,160</b>	129,556
Southern Region	<b>118,838</b>	166,026	<b>101,324</b>	139,817
Central Region	<b>430,063</b>	398,485	<b>329,244</b>	301,703
Eastern Region	<b>129,939</b>	59,690	<b>124,463</b>	54,383
	<b>828,814</b>	792,365	<b>667,191</b>	625,459

**17 Other Assets**

	<i>Group</i>		<i>Bank</i>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Interest/ income receivable	<b>122,296</b>	113,990	<b>104,319</b>	98,036
Other receivables, deposits and prepayments	<b>803,777</b>	647,696	<b>1,096,604</b>	640,868
	<b>926,073</b>	761,686	<b>1,200,923</b>	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**

<b>(i) By type of deposit</b>	<i>Group</i>		<i>Bank</i>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Demand deposits	<b>16,138,946</b>	16,281,709	<b>14,727,573</b>	15,030,335
Savings deposits	<b>12,141,597</b>	11,795,447	<b>10,819,802</b>	10,566,897
Fixed / Investment deposits	<b>26,331,531</b>	25,947,729	<b>19,672,141</b>	19,395,419
Islamic repurchase agreements	<b>157,049</b>	152,660	-	-
Negotiable instruments of deposit	<b>1,552,088</b>	1,719,359	<b>893,068</b>	1,181,951
Wholesale money market deposits	<b>705,901</b>	979,445	<b>705,901</b>	979,445
Structured investments	<b>3,168,214</b>	3,038,070	<b>1,782,683</b>	1,729,829
	<b>60,195,326</b>	59,914,419	<b>48,601,168</b>	48,883,876

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

Due within six months	<b>21,337,693</b>	21,126,243	<b>15,614,899</b>	15,399,451
More than six months to one year	<b>5,260,173</b>	5,281,421	<b>4,236,974</b>	4,372,052
More than one year to three years	<b>442,774</b>	323,652	<b>345,979</b>	231,633
More than three years to five years	<b>842,979</b>	931,858	<b>367,357</b>	570,320
Over five years	-	3,914	-	3,914
	<b>27,883,619</b>	27,667,088	<b>20,565,209</b>	20,577,370

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**19 Deposits from Customers (Cont'd)**

	<i>Group</i>		<i>Bank</i>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>(ii) By type of customer</b>				
Government and statutory bodies	<b>129,925</b>	124,171	<b>93,636</b>	36,960
Business enterprises	<b>19,145,644</b>	19,230,475	<b>17,009,434</b>	17,300,476
Individuals	<b>29,606,923</b>	29,662,946	<b>22,341,677</b>	22,624,464
Others	<b>11,312,834</b>	10,896,827	<b>9,156,421</b>	8,921,976
	<b>60,195,326</b>	59,914,419	<b>48,601,168</b>	48,883,876

**20 Deposits and Placements from Banks and Other Financial Institutions**

	<i>Group</i>		<i>Bank</i>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Licensed banks	<b>145,066</b>	-	<b>122,710</b>	-
Bank Negara Malaysia	-	155,953	-	129,138
Other financial institutions	<b>10,075,632</b>	8,141,875	<b>9,925,632</b>	8,141,741
	<b>10,220,698</b>	8,297,828	<b>10,048,342</b>	8,270,879

**21 Other Liabilities**

	<i>Group</i>		<i>Bank</i>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Interest/ profit payable	<b>230,926</b>	219,767	<b>175,032</b>	168,674
Allowance for commitments and contingencies	<b>3,173</b>	13,936	<b>3,173</b>	13,936
Profit equalisation reserve	<b>1,242</b>	1,290	-	-
Other creditors and accruals	<b>2,427,111</b>	1,401,302	<b>2,754,563</b>	1,463,933
	<b>2,662,452</b>	1,636,295	<b>2,932,768</b>	1,646,543

Movement in allowance for commitments and contingencies is as follows:

	<i>Group</i>		<i>Bank</i>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
At the beginning of the period/year	<b>13,936</b>	-	<b>13,936</b>	-
Allowance made during the period/year	<b>3,173</b>	13,936	<b>3,173</b>	13,936
Amount released	<b>(830)</b>	-	<b>(830)</b>	-
	<b>2,343</b>	13,936	<b>2,343</b>	13,936
Other movements	<b>(13,106)</b>	-	<b>(13,106)</b>	-
At the end of the period/year	<b>3,173</b>	13,936	<b>3,173</b>	13,936

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**22 Multi-Currency Sukuk Programme**

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

	<i>Group</i>		<i>Bank</i>	
	<b>30 June 2014</b>	31 Dec 2013	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Subordinated Liabilities	<b>1,253,757</b>	1,005,071	<b>1,253,757</b>	1,005,071
(i) Subordinated bonds, at par	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000
Fair value changes arising from fair value hedge	<b>4,301</b>	5,071	<b>4,301</b>	5,071
	<b>1,004,301</b>	1,005,071	<b>1,004,301</b>	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>	
	<b>30 June 2014</b>	<b>31 Dec 2013</b>	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
(ii) Subordinated term loan				
- At amortised costs	<b>249,456</b>	-	<b>249,456</b>	-
	<b>249,456</b>	-	<b>249,456</b>	-

This is a Basel III compliant Tier 2 subordinated loan of USD equivalent of RM250 million from the Bank's immediate holding company, HSBC Holding Plc. 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)

25 Net Fee and Commission Income

	<i>Group</i>			
	2nd quarter		Half Year To	
	30 June 2014	30 Jun 2013	30 June 2014	30 Jun 2013
	RM'000	RM'000	RM'000	RM'000
<b>Fee and commission income</b>				
Credit cards	43,516	43,977	87,035	85,485
Service charges and fees	40,230	42,245	77,596	79,670
Fees on credit facilities	13,415	9,474	22,623	18,186
Agency fee	19,552	17,180	33,167	29,539
Others	8,414	14,141	22,905	27,873
	<b>125,127</b>	<b>127,017</b>	<b>243,326</b>	<b>240,753</b>
<b>Fee and commission expense</b>				
Interbank and clearing fees	(183)	(306)	(507)	(669)
Brokerage	(673)	(797)	(1,253)	(1,670)
Others	(7,774)	(6,472)	(13,022)	(15,884)
	<b>(8,630)</b>	<b>(7,575)</b>	<b>(14,782)</b>	<b>(18,223)</b>
<b>Net fee and commission income</b>	<b>116,497</b>	<b>119,442</b>	<b>228,544</b>	<b>222,530</b>
	<i>Bank</i>			
	2nd quarter		Half Year To	
	30 June 2014	30 Jun 2013	30 June 2014	30 Jun 2013
	RM'000	RM'000	RM'000	RM'000
<b>Fee and commission income</b>				
Credit cards	43,516	43,977	87,035	85,485
Service charges and fees	40,230	42,245	77,596	79,670
Fees on credit facilities	13,415	9,474	22,623	18,186
Agency fee	19,552	17,180	33,167	29,539
Others	8,414	14,141	22,905	27,873
	<b>125,127</b>	<b>127,017</b>	<b>243,326</b>	<b>240,753</b>
<b>Fee and commission expense</b>				
Interbank and clearing fees	(183)	(306)	(507)	(669)
Brokerage	(673)	(797)	(1,253)	(1,670)
Others	(7,774)	(6,472)	(13,022)	(15,884)
	<b>(8,630)</b>	<b>(7,575)</b>	<b>(14,782)</b>	<b>(18,223)</b>
<b>Net fee and commission income</b>	<b>116,497</b>	<b>119,442</b>	<b>228,544</b>	<b>222,530</b>

26 Net Trading Income

	<i>Group</i>			
	2nd quarter		Half Year To	
	30 June 2014	30 Jun 2013	30 June 2014	30 Jun 2013
	RM'000	RM'000	RM'000	RM'000
Realised gains on financial assets/liabilities held-for-trading and other financial instruments	12,714	15,141	16,356	42,069
Net interest income from financial assets held-for-trading	11,526	7,362	18,134	17,309
Net unrealised (losses)/gains on revaluation of financial assets held-for-trading	(7,507)	(5,187)	3,664	(1,189)
Net gains arising from dealing in foreign currency	128,905	98,064	247,960	215,330
Net unrealised (losses)/ gains from dealing in foreign currency	(54,516)	18,766	(77,823)	7,329
Net gains/(losses) arising from trading in derivatives	17,320	(6,054)	53,571	71,301
Net unrealised (losses)/gains on revaluation of derivatives	(21,034)	9,229	(60,352)	(63,983)
Losses arising from fair value hedges	(102)	(45)	(285)	(62)
	<b>87,306</b>	<b>137,276</b>	<b>201,225</b>	<b>288,104</b>
	<i>Bank</i>			
	30 June 2014	30 Jun 2013	30 June 2014	30 Jun 2013
	RM'000	RM'000	RM'000	RM'000
Realised gains on financial assets/liabilities held-for-trading and other financial instruments	12,714	15,141	16,356	42,069
Net interest income from financial assets held-for-trading	11,526	7,362	18,134	17,309
Net unrealised (losses)/gains on revaluation of financial assets held-for-trading	(7,507)	(5,187)	3,664	(1,189)
Net gains arising from dealing in foreign currency	119,151	97,932	231,631	214,366
Net unrealised (losses)/ gains from dealing in foreign currency	(54,141)	18,766	77,448	7,329
Net gains/ (losses) arising from trading in derivatives	17,601	(6,185)	54,180	71,053
Net unrealised (losses)/ gains on revaluation of derivatives	(22,034)	8,971	59,113	(64,007)
Losses arising from fair value hedges	(102)	(45)	285	(62)
	<b>77,208</b>	<b>136,755</b>	<b>187,119</b>	<b>286,868</b>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	<i>Bank</i>			
	2nd quarter		Half Year To	
	30 June 2014	30 Jun 2013	30 June 2014	30 Jun 2013
	RM'000	RM'000 Restated	RM'000	RM'000 Restated
Impairment charges on loans and financing:				
(a) Individual impairment				
Made during the period	53,669	51,788	90,640	91,224
Written back	(63,987)	(34,927)	(108,982)	(74,568)
(b) Collective impairment				
Made during the period	35,683	40,794	73,966	118,098
Written back	(17,540)	(24,328)	(26,827)	(32,159)
Impaired loans				
Recovered during the period	(12,983)	(18,276)	(26,963)	(38,682)
Written off	2,348	2,733	3,815	5,177
Impairment charges on other credit related items				
Made during the period	-	-	(830)	-
	<b>(2,810)</b>	17,784	<b>4,819</b>	69,090

30 Other Operating Expenses

	<i>Group</i>			
	2nd quarter		Half Year To	
	30 June 2014	30 Jun 2013	30 June 2014	30 Jun 2013
	RM'000	RM'000 Restated	RM'000	RM'000 Restated
Personnel expenses	161,249	161,148	307,567	299,595
Promotion and marketing related expenses	26,097	21,205	50,566	38,625
Establishment related expenses	36,164	40,873	72,495	75,544
General administrative expenses	117,096	92,239	216,491	172,734
	<b>340,606</b>	315,465	<b>647,119</b>	586,498

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	125,832	127,569	239,594	233,838
Employees Provident Fund contributions	21,175	21,193	39,649	38,381
Restructuring costs	524		524	-
Promotion and marketing related expenses				
Advertising and promotion	18,637	12,895	37,705	26,678
Establishment related expenses				
Depreciation of property and equipment	9,131	10,308	18,276	20,524
Amortisation of intangible assets	5,313	5,164	10,001	9,786
Information technology costs	2,362	4,655	6,713	6,800
Hire of equipment	2,032	2,971	4,923	5,301
Rental of premises	9,422	9,483	18,859	18,366
Property and equipment written off	12	27	14	533
General administrative expenses				
Intercompany expenses	75,442	60,469	141,665	112,877
Auditors' remuneration				
Statutory audit fees				
KPMG Malaysia	127	125	253	255
Other services				
KPMG Malaysia	67	100	300	275

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Other Operating Expenses (Cont'd)

	<i>Bank</i>			
	2nd quarter		Half Year To	
	30 June 2014	30 Jun 2013	30 June 2014	30 Jun 2013
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Personnel expenses	150,218	150,766	286,154	281,151
Promotion and marketing related expenses	19,521	14,940	39,001	28,362
Establishment related expenses	30,903	34,779	61,707	64,122
General administrative expenses	113,653	91,197	210,359	169,305
	<b>314,295</b>	<b>291,682</b>	<b>597,221</b>	<b>542,940</b>

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	116,684	119,165	222,020	218,939
Employees Provident Fund contributions	19,663	19,924	36,791	36,331
Restructuring costs	524	-	524	
Promotion and marketing related expenses				
Advertising and promotion	13,645	8,045	28,394	19,066
Establishment related expenses				
Depreciation of property and equipment	7,026	7,601	13,992	15,346
Amortisation of intangible assets	5,311	5,158	9,997	9,775
Information technology costs	1,983	4,004	5,591	5,890
Hire of equipment	2,031	2,965	4,920	5,278
Rental of premises	7,422	7,520	14,857	14,372
Property and equipment written off	12	27	14	519
General administrative expenses				
Intercompany expenses	76,280	61,312	143,360	114,563
Auditors' remuneration				
Statutory audit fees				
KPMG Malaysia	97	95	193	195
Other services				
KPMG Malaysia	40	68	205	200

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**31 Credit exposure to connected parties**

	Group		Bank	
	30 June 2014 RM'000	31 Dec 2013 RM'000	30 June 2014 RM'000	31 Dec 2013 RM'000
Aggregate value of outstanding credit exposures to connected parties	<b>2,916,933</b>	1,727,298	<b>2,980,472</b>	1,518,053
As a percentage of total credit exposures	<b>4.8%</b>	2.8%	<b>6.0%</b>	2.9%
Aggregate value of total outstanding credit exposures to connected parties which is impaired or in default	-	-	-	-
As a percentage of total credit exposures	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Capital Adequacy

	<i>Group</i>	
	30 June 2014 RM'000	31 Dec 2013 RM'000
<b>Tier 1 capital</b>		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Retained profits (including proposed dividend)	5,065,812	4,974,062
Other reserves	810,945	638,066
Regulatory adjustments	(548,666)	(364,017)
Total Common Equity Tier 1 (CET 1) and Tier 1 capital	<u>6,183,966</u>	<u>6,103,986</u>
<b>Tier 2 capital</b>		
Subordinated bonds	800,000	900,000
Subordinated term loan	249,456	-
Collective impairment allowance (unimpaired portion) & regulatory reserves	440,079	295,487
Regulatory adjustments	87,216	88,738
Total Tier 2 capital	<u>1,576,751</u>	<u>1,284,225</u>
<b>Capital base</b>	<u>7,760,717</u>	<u>7,388,211</u>
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	12.351%	11.893%
Total Capital ratio	15.501%	14.395%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	11.852%	11.308%
Total Capital ratio	15.001%	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 June 2014		31 Dec 2013	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	95,719,937 *	42,985,465 *	92,358,223 *	43,621,505 *
Total RWA for market risk	-	1,397,106	-	2,069,891
Total RWA for operational risk	-	5,684,531	-	5,632,809
	<u>95,719,937</u>	<u>50,067,102</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 RM344.65m for both on 30 June 2014 (2013: RM629.76m).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**32 Capital Adequacy (Cont'd)**

	<i>Bank</i>	
	<b>30 June 2014</b>	31 Dec 2013
	<b>RM'000</b>	RM'000
<b>Tier 1 capital</b>		
Paid-up ordinary share capital	<b>114,500</b>	114,500
Share premium	<b>741,375</b>	741,375
Retained profits (including proposed dividend)	<b>4,530,740</b>	4,502,012
Other reserves	<b>752,517</b>	594,721
Regulatory adjustments	<b>(660,861)</b>	(358,901)
Total Common Equity Tier 1 (CET1) and Tier 1 capital	<b>5,478,271</b>	5,593,707
<b>Tier 2 capital</b>		
Subordinated bonds	<b>800,000</b>	900,000
Subordinated term loan	<b>249,456</b>	-
Collective impairment allowance (unimpaired portion) & regulatory reserves	<b>356,447</b>	219,837
Regulatory adjustments	<b>(690,257)</b>	(571,283)
Total Tier 2 capital	<b>715,646</b>	548,554
<b>Capital base</b>	<b>6,193,917</b>	6,142,261
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	<b>13.309%</b>	12.961%
Total Capital ratio	<b>15.048%</b>	14.232%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	<b>12.702%</b>	12.266%
Total Capital ratio	<b>14.441%</b>	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>			
	<b>30 June 2014</b>		31 Dec 2013	
	<b>Principal</b>	<b>Risk-weighted</b>	Principal	Risk-weighted
	<b>RM'000</b>	<b>RM'000</b>	RM'000	RM'000
Total RWA for credit risk	<b>80,665,478</b> *	<b>34,817,456</b> *	78,044,530 *	36,133,709 *
Total RWA for market risk	-	<b>1,285,342</b>	-	1,991,640
Total RWA for operational risk	-	<b>5,058,459</b>	-	5,033,713
	<b>80,665,478</b>	<b>41,161,257</b>	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 RM344.65m for both on 30 June 2014 (2013: RM629.76m).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**33 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 June 2014**

	<b>Group</b>			
	<b>Credit Principal amount RM'000</b>	<b>Positive fair value of derivative contracts<sup>^</sup> RM'000</b>	<b>Credit equivalent amount* RM'000</b>	<b>Risk weighted amount* RM'000</b>
Direct credit substitutes	2,011,219	-	2,011,219	1,741,778
Transaction-related contingent items	6,726,589	-	3,363,294	2,767,565
Short-term self-liquidating trade-related contingencies	330,098	-	66,020	56,259
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	14,567,172	-	2,913,434	2,578,220
- Maturity exceeding one year	7,202,447	-	3,601,223	3,090,216
Unutilised credit card lines	7,675,067	-	1,535,013	1,151,260
Foreign exchange related contracts				
- Less than one year	40,956,376	295,579	848,839	424,075
- Over one year to less than five years	9,595,442	166,001	956,904	401,448
- Over five years	1,536,729	265,462	315,548	144,517
Interest/profit rate related contracts:				
- Less than one year	10,838,820	22,799	41,950	15,095
- Over one year to less than five years	30,247,545	158,071	907,884	326,378
- Over five years	3,386,417	43,486	287,928	109,172
Gold and other precious metals contracts				
- Less than one year	28,788	13	-	-
Equity related contracts				
- Less than one year	861,732	12,299	68,860	13,772
- Over one year to less than five years	1,887,920	8,150	158,540	31,708
- Over five years	14,258	264	1,690	338
	<b>137,866,619</b>	<b>972,124</b>	<b>17,078,346</b>	<b>12,851,801</b>

Note 34

<sup>^</sup> 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)**

**33 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
	<b>140,001,374</b>	<b>1,320,144</b>	<b>17,268,090</b>	<b>12,817,196</b>

Note 34

^ 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)

**33 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 June 2014**

	<b>Bank</b>			
	<b>Credit Principal amount RM'000</b>	<b>Positive fair value of derivative contracts<sup>^</sup> RM'000</b>	<b>Credit equivalent amount* RM'000</b>	<b>Risk weighted amount* RM'000</b>
Direct credit substitutes	1,541,236	-	1,541,236	1,357,009
Transaction-related contingent items	5,863,021	-	2,931,510	2,449,408
Short-term self-liquidating trade-related contingencies	285,085	-	57,017	49,930
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	12,519,668	-	2,503,934	2,248,370
- Maturity exceeding one year	6,108,978	-	3,054,489	2,561,716
Unutilised credit card lines	6,535,740	-	1,307,148	980,361
Foreign exchange related contracts				
- Less than one year	41,386,364	295,835	848,724	421,783
- Over one year to less than five years	9,595,441	158,248	949,151	363,245
- Over five years	1,536,729	264,809	314,779	137,525
Interest rate related contracts:				
- Less than one year	10,921,819	22,799	42,078	15,159
- Over one year to less than five years	32,560,623	236,991	1,030,481	348,929
- Over five years	3,386,417	43,487	287,928	109,172
Gold and other precious metals contracts				
- Less than one year	28,788	13	-	-
Equity related contracts				
- Less than one year	966,445	16,800	80,066	21,461
- Over one year to less than five years	2,988,624	20,830	256,452	78,940
- Over five years	14,258	264	1,690	338
	<b>136,239,236</b>	<b>1,060,076</b>	<b>15,206,683</b>	<b>11,143,346</b>

Note 34

<sup>^</sup> 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)**

**33 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
	<b>138,108,215</b>	<b>1,413,325</b>	<b>15,549,191</b>	<b>11,252,552</b>

Note 34

^ 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)

34 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 June 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
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	35,248,851	601,673	-	35,850,524	225,667	5,294	-	230,961	246,531	4,680	-	251,211
- Swaps	4,929,277	7,736,903	1,899,664	14,565,844	62,299	327,453	98,660	488,412	93,773	167,611	47,303	308,687
- Options	1,370,468	301,711	-	1,672,179	7,219	450	-	7,669	13,517	1,345	-	14,862
Interest/profit rate related contracts												
- Futures	-	-	56,193	56,193	(232)	-	-	(232)	-	-	-	-
- Options	40,000	1,270,798	-	1,310,798	-	14,181	-	14,181	3,739	1,517	-	5,256
- Swaps	10,227,627	26,241,747	3,386,417	39,855,791	22,901	120,847	43,486	187,234	27,355	137,022	39,998	204,375
Equity related contracts												
- Options	861,732	1,887,920	14,258	2,763,910	15,750	4,699	264	20,713	5,596	13,293	-	18,889
Precious metal contracts												
- Options	28,788	-	-	28,788	13	-	-	13	288	-	-	288
Sub- total	52,706,743	38,040,752	5,356,532	96,104,027	333,617	472,924	142,410	948,951	390,799	325,468	87,301	803,568
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest/profit rate related contracts												
- Swaps	355,000	2,895,000	-	3,250,000	358	22,815	-	23,173	-	56	-	56
Sub- total	355,000	2,895,000	-	3,250,000	358	22,815	-	23,173	-	56	-	56
<b>Total</b>	<b>53,061,743</b>	<b>40,935,752</b>	<b>5,356,532</b>	<b>99,354,027</b>	<b>333,975</b>	<b>495,739</b>	<b>142,410</b>	<b>972,124</b>	<b>390,799</b>	<b>325,524</b>	<b>87,301</b>	<b>803,624</b>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 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
<b>Trading derivatives:</b>												
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	28,582,659	3,976,861	44,273,198	29,545	153,422	70,087	253,054	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	39,707,784	4,392,988	100,852,569	527,242	581,565	188,649	1,297,456	505,578	451,299	141,576	1,098,453
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest/profit rate related contracts												
- Swaps	355,000	1,945,000	-	2,300,000	543	22,075	-	22,618	-	-	-	-
<b>Cash Flow Hedge</b>												
Interest/profit rate related contracts												
- Swaps	60,000	-	-	60,000	70	-	-	70	-	-	-	-
Sub- total	415,000	1,945,000	-	2,360,000	613	22,075	-	22,688	-	-	-	-
<b>Total</b>	<b>57,166,797</b>	<b>41,652,784</b>	<b>4,392,988</b>	<b>103,212,569</b>	<b>527,855</b>	<b>603,640</b>	<b>188,649</b>	<b>1,320,144</b>	<b>505,578</b>	<b>451,299</b>	<b>141,576</b>	<b>1,098,453</b>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 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 June 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
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	35,657,762	601,673	-	36,259,435	225,923	5,294	-	231,217	247,101	4,680	-	251,781
- Swaps	4,929,277	7,736,903	1,899,664	14,565,844	62,299	319,700	98,007	480,006	93,773	167,611	47,364	308,748
- Options	1,391,544	301,711	-	1,693,255	7,219	450	-	7,669	13,517	1,345	-	14,862
Interest rate related contracts												
- Futures	-	-	56,193	56,193	(232)	-	-	(232)	-	-	-	-
- Options	40,000	2,138,876	-	2,178,876	-	87,999	-	87,999	3,739	64,289	-	68,028
- Swaps	10,310,627	27,966,746	3,386,417	41,663,790	22,901	126,784	43,486	193,171	27,515	145,408	39,998	212,921
Equity related contracts												
- Options	966,445	2,988,624	14,258	3,969,327	20,411	17,219	264	37,894	5,596	16,996	-	22,592
Precious metal contracts												
- Options	28,788	-	-	28,788	13	-	-	13	288	-	-	288
Sub- total	53,324,443	41,734,533	5,356,532	100,415,508	338,534	557,446	141,757	1,037,737	391,529	400,329	87,362	879,220
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	355,000	2,615,000	-	2,970,000	358	21,981	-	22,339	-	-	-	-
Sub- total	355,000	2,615,000	-	2,970,000	358	21,981	-	22,339	-	-	-	-
<b>Total</b>	<b>53,679,443</b>	<b>44,349,533</b>	<b>5,356,532</b>	<b>103,385,508</b>	<b>338,892</b>	<b>579,427</b>	<b>141,757</b>	<b>1,060,076</b>	<b>391,529</b>	<b>400,329</b>	<b>87,362</b>	<b>879,220</b>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 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
<b>Trading derivatives:</b>												
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
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	355,000	1,865,000	-	2,220,000	543	21,577	-	22,120	-	-	-	-
<b>Cash Flow Hedge</b>												
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	-	-	-	-
<b>Total</b>	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)**

**35 Interest/ Profit Rate Risk**

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest/profit rates on its financial position and cash flows. The following tables summarise the Group and the Bank's exposure to interest/profit rate risk. The assets and liabilities at carrying amount are allocated to time bands by reference to the earlier of the next contractual repricing dates and maturity dates.

Group 30 June 2014	Non-trading book					Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest/ profit rate %
	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				
<b>ASSETS</b>									
Cash and short term funds	19,021,777	-	-	-	-	479,981	-	19,501,758	2.91
Securities purchased under resale agreements	5,875,877	-	-	-	-	-	-	5,875,877	3.00
Deposits and placements with banks and other financial institutions	-	437,684	-	-	-	-	-	437,684	2.31
Financial assets held-for-trading	-	-	-	-	-	-	1,889,320	1,889,320	3.54
Financial investments available-for-sale	586,460	795,868	1,364,387	4,506,294	759,806	16,908	-	8,029,723	3.45
Loans, advances and financing									
- performing	37,488,811	2,238,295	1,176,219	1,098,003	251,067	799,195	-	43,051,590	4.94
- impaired *	-	-	-	-	-	437,902	-	437,902	-
Derivative financial assets	-	-	-	-	-	-	972,124	972,124	-
Others	-	-	-	-	-	1,954,714	721,086	2,675,800	-
<b>Total Assets</b>	<b>62,972,925</b>	<b>3,471,847</b>	<b>2,540,606</b>	<b>5,604,297</b>	<b>1,010,873</b>	<b>3,688,700</b>	<b>3,582,530</b>	<b>82,871,778</b>	
<b>LIABILITIES AND EQUITY</b>									
Deposits from customers	29,358,447	5,664,364	8,178,776	168,249	-	12,105,188	4,720,302	60,195,326	2.03
Deposits and placements from banks and other financial institutions	8,733,568	1,325,109	146,879	-	15,142	-	-	10,220,698	1.12
Bills and acceptances payable	4,214	4,232	-	-	-	499,567	-	508,013	2.51
Subordinated liabilities	-	-	-	504,301	749,456	-	-	1,253,757	4.26
Multi-Currency Sukuk Programme	-	-	-	500,000	-	-	-	500,000	3.75
Derivative financial liabilities	-	-	-	-	-	-	803,624	803,624	-
Others	-	-	-	-	-	1,470,312	1,217,198	2,687,510	-
<b>Total Liabilities</b>	<b>38,096,229</b>	<b>6,993,705</b>	<b>8,325,655</b>	<b>1,172,550</b>	<b>764,598</b>	<b>14,075,067</b>	<b>6,741,124</b>	<b>76,168,928</b>	
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,702,850</b>	<b>-</b>	<b>6,702,850</b>	
<b>Total Liabilities and Equity</b>	<b>38,096,229</b>	<b>6,993,705</b>	<b>8,325,655</b>	<b>1,172,550</b>	<b>764,598</b>	<b>20,777,917</b>	<b>6,741,124</b>	<b>82,871,778</b>	
On-balance sheet interest/profit sensitivity gap	24,876,696	- 3,521,858	- 5,785,049	4,431,747	246,275	- 17,089,217	- 3,158,594	-	
Off-balance sheet interest/profit sensitivity gap									
Interest/profit rate contracts									
- futures	-	561,925	- 561,925	-	-	-	-	-	
- options	-	(300,040)	200,000	100,040	-	-	-	-	
- swaps	(300,367)	(79,916)	(1,768,102)	1,696,898	480,176	-	-	28,689	
<b>Total interest/profit sensitivity gap</b>	<b>24,576,329</b>	<b>(3,339,889)</b>	<b>(7,915,076)</b>	<b>6,228,685</b>	<b>726,451</b>	<b>(17,089,217)</b>	<b>(3,158,594)</b>	<b>28,689</b>	

\* This is arrived at after deducting individual impairment allowance and collective impairment allowance (impaired portion only) from impaired loans/financing.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Interest/ Profit Rate Risk (Cont'd)

Group 31 December 2013	Non-trading book					Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest/ profit rate %
	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				
<b>ASSETS</b>									
Cash and short term funds	14,086,927	-	-	-	-	1,367,580	-	15,454,507	2.91
Securities purchased under resale agreements	2,077,398	799,872	-	-	-	-	-	2,877,270	3.02
Deposits and placements with banks and other financial institutions	163,950	3,840,671	6,719	-	-	-	-	4,011,340	2.82
Financial assets held-for-trading	-	-	-	-	-	-	2,333,390	2,333,390	3.20
Financial investments available-for-sale	424,360	1,057,765	1,519,334	3,319,192	162,043	16,907	-	6,499,601	3.26
Loans, advances and financing									
- performing	39,360,228	1,642,225	701,060	1,227,257	249,292	1,092,418	-	44,272,480	4.86
- impaired *	-	-	-	-	-	387,424	-	387,424	-
Derivative financial assets	-	-	-	-	-	-	1,320,144	1,320,144	-
Others	-	-	-	-	-	2,461,413	196,280	2,657,693	-
<b>Total Assets</b>	<b>56,112,863</b>	<b>7,340,533</b>	<b>2,227,113</b>	<b>4,546,449</b>	<b>411,335</b>	<b>5,325,742</b>	<b>3,849,814</b>	<b>79,813,849</b>	
<b>LIABILITIES AND EQUITY</b>									
Deposits from customers	30,042,874	5,889,095	7,612,118	154,079	-	11,458,825	4,757,428	59,914,419	2.03
Deposits and placements from banks and other financial institutions	4,099,361	413,937	2,127,831	2,400	300	1,653,999	-	8,297,828	1.35
Bills and acceptances payable	3,364	902	-	-	-	902,329	-	906,595	2.35
Subordinated liabilities	-	-	-	500,000	505,071	-	-	1,005,071	4.70
Multi-Currency Sukuk Programme	-	-	-	500,000	-	-	-	500,000	3.75
Derivative financial liabilities	-	-	-	-	-	-	1,098,453	1,098,453	-
Others	-	-	-	-	-	1,503,693	148,657	1,652,350	-
<b>Total Liabilities</b>	<b>34,145,599</b>	<b>6,303,934</b>	<b>9,739,949</b>	<b>1,156,479</b>	<b>505,371</b>	<b>15,518,846</b>	<b>6,004,538</b>	<b>73,374,716</b>	
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,439,133</b>	<b>-</b>	<b>6,439,133</b>	
<b>Total Liabilities and Equity</b>	<b>34,145,599</b>	<b>6,303,934</b>	<b>9,739,949</b>	<b>1,156,479</b>	<b>505,371</b>	<b>21,957,979</b>	<b>6,004,538</b>	<b>79,813,849</b>	
On-balance sheet interest/profit sensitivity gap	21,967,264	1,036,599	(7,512,836)	3,389,970	(94,036)	(16,632,237)	(2,154,724)	-	
Off-balance sheet interest/profit sensitivity gap									
Interest/profit rate contracts									
- futures	-	-	-	-	-	-	-	-	
- options	(421,921)	(622,645)	350,000	390,100	304,466	-	-	-	
- swaps	2,407,426	(2,501,060)	(1,313,650)	1,322,345	214,199	-	-	129,260	
<b>Total interest/profit sensitivity gap</b>	<b>23,952,769</b>	<b>(2,087,106)</b>	<b>(8,476,486)</b>	<b>5,102,415</b>	<b>424,629</b>	<b>(16,632,237)</b>	<b>(2,154,724)</b>	<b>129,260</b>	

\* This is arrived at after deducting individual impairment allowance and collective impairment allowance (impaired portion only) from impaired loans/financing.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Interest/ Profit Rate Risk (Cont'd)

Bank 30 June 2014	Non-trading book					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	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				
<b>ASSETS</b>									
Cash and short term funds	16,668,916	-	-	-	-	309,211	-	16,978,127	2.89
Securities purchased under resale agreements	5,875,877	-	-	-	-	-	-	5,875,877	3.00
Deposits and placements with banks and other financial institutions	-	1,041,383	160,550	160,550	249,456	-	-	1,611,939	2.39
Financial assets held-for-trading	-	-	-	-	-	-	1,850,247	1,850,247	3.54
Financial investments available-for-sale	586,460	651,538	836,718	3,341,410	739,926	16,908	-	6,172,960	3.50
Loans, advances and financing									
- performing	29,317,193	2,008,562	1,000,882	104,779	208,200	630,732	-	33,270,348	4.69
- impaired*	-	-	-	-	-	367,331	-	367,331	-
Derivative financial assets	-	-	-	-	-	-	1,060,076	1,060,076	-
Others	-	-	-	-	-	2,420,571	719,572	3,140,143	-
<b>Total Assets</b>	<b>52,448,446</b>	<b>3,701,483</b>	<b>1,998,150</b>	<b>3,606,739</b>	<b>1,197,582</b>	<b>3,744,753</b>	<b>3,629,895</b>	<b>70,327,048</b>	
<b>LIABILITIES AND EQUITY</b>									
Deposits from customers	24,313,793	4,022,361	6,767,691	127,779	-	10,693,793	2,675,751	48,601,168	1.92
Deposits and placements from banks and other financial institutions	8,561,212	1,325,109	146,879	-	15,142	-	-	10,048,342	0.90
Bills and acceptances payable	4,214	4,232	-	-	-	478,663	-	487,109	2.51
Subordinated liabilities	-	-	-	504,301	749,456	-	-	1,253,757	4.26
Derivative financial liabilities	-	-	-	-	-	-	879,220	879,220	-
Others	-	-	-	-	-	1,742,208	1,207,415	2,949,623	-
<b>Total Liabilities</b>	<b>32,879,219</b>	<b>5,351,702</b>	<b>6,914,570</b>	<b>632,080</b>	<b>764,598</b>	<b>12,914,664</b>	<b>4,762,386</b>	<b>64,219,219</b>	
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,107,829</b>	<b>-</b>	<b>6,107,829</b>	
<b>Total Liabilities and Equity</b>	<b>32,879,219</b>	<b>5,351,702</b>	<b>6,914,570</b>	<b>632,080</b>	<b>764,598</b>	<b>19,022,493</b>	<b>4,762,386</b>	<b>70,327,048</b>	
On-balance sheet interest sensitivity gap	19,569,227	(1,650,219)	(4,916,420)	2,974,659	432,984	(15,277,740)	(1,132,491)	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	561,925	(561,925)	-	-	-	-	-	
- options	-	(300,040)	200,000	100,040	-	-	-	-	
- swaps	- 321,460	3,806	(1,821,102)	1,666,898	500,547	-	-	28,689	
<b>Total interest sensitivity gap</b>	<b>19,247,767</b>	<b>(1,384,528)</b>	<b>(7,099,447)</b>	<b>4,741,597</b>	<b>933,531</b>	<b>(15,277,740)</b>	<b>(1,132,491)</b>	<b>28,689</b>	

\* This is arrived at after deducting individual impairment allowance and collective impairment allowance (impaired portion only) from impaired loans.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Interest/ Profit Rate Risk (Cont'd)

Bank 31 December 2013	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	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-interest sensitive RM'000			
<b>ASSETS</b>									
Cash and short term funds	11,334,412	-	-	-	-	1,224,374	-	12,558,786	2.88
Securities purchased under resale agreements	2,077,398	799,872	-	-	-	-	-	2,877,270	3.02
Deposits and placements with banks and other financial institutions	-	3,990,671	1,048,804	163,950	-	-	-	5,203,425	2.82
Financial assets held-for-trading	-	-	-	-	-	-	2,243,731	2,243,731	3.20
Financial investments available-for-sale	424,360	1,012,745	990,503	2,571,821	142,259	16,907	-	5,158,595	3.33
Loans, advances and financing									
- performing	32,014,517	1,486,048	465,937	141,345	205,401	866,187	-	35,179,435	4.58
- impaired*	-	-	-	-	-	305,295	-	305,295	-
Derivative financial assets	-	-	-	-	-	-	1,413,325	1,413,325	-
Others	-	-	-	-	-	2,664,712	195,291	2,860,003	-
<b>Total Assets</b>	<b>45,850,687</b>	<b>7,289,336</b>	<b>2,505,244</b>	<b>2,877,116</b>	<b>347,660</b>	<b>5,077,475</b>	<b>3,852,347</b>	<b>67,799,865</b>	
<b>LIABILITIES AND EQUITY</b>									
Deposits from customers	24,668,342	4,309,578	6,259,718	112,970	-	10,621,489	2,911,779	48,883,876	1.91
Deposits and placements from banks and other financial institutions	4,099,227	413,937	2,127,831	2,400	300	1,627,184	-	8,270,879	1.05
Bills and acceptances payable	3,364	902	-	-	-	891,357	-	895,623	2.35
Subordinated liabilities	-	-	-	500,000	505,071	-	-	1,005,071	4.70
Derivative financial liabilities	-	-	-	-	-	-	1,160,067	1,160,067	-
Others	-	-	-	-	-	1,513,979	148,619	1,662,598	-
<b>Total Liabilities</b>	<b>28,770,933</b>	<b>4,724,417</b>	<b>8,387,549</b>	<b>615,370</b>	<b>505,371</b>	<b>14,654,009</b>	<b>4,220,465</b>	<b>61,878,114</b>	
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,921,751</b>	<b>-</b>	<b>5,921,751</b>	
<b>Total Liabilities and Equity</b>	<b>28,770,933</b>	<b>4,724,417</b>	<b>8,387,549</b>	<b>615,370</b>	<b>505,371</b>	<b>20,575,760</b>	<b>4,220,465</b>	<b>67,799,865</b>	
On-balance sheet interest sensitivity gap	17,079,754	2,564,919	(5,882,305)	2,261,746	(157,711)	(15,498,285)	(368,118)	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	-	-	-	-	-	-	-	
- options	(350,000)	(360,100)	350,000	390,100	(30,000)	-	-	-	
- swaps	2,407,426	(2,501,060)	(1,313,650)	1,269,345	247,019	-	-	109,080	
<b>Total interest sensitivity gap</b>	<b>19,137,180</b>	<b>(296,241)</b>	<b>(6,845,955)</b>	<b>3,921,191</b>	<b>59,308</b>	<b>(15,498,285)</b>	<b>(368,118)</b>	<b>109,080</b>	

\* This is arrived at after deducting individual impairment allowance and collective impairment allowance (impaired portion only) from impaired loans.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**36 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 June 2014	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		
<b>ASSETS</b>								
Cash and short term funds	19,501,758	-	-	-	-	-	-	19,501,758
Securities purchased under resale agreements	5,875,877	-	-	-	-	-	-	5,875,877
Deposits and placements with banks and other financial institutions	-	437,684	-	-	-	-	-	437,684
Financial assets held-for-trading	-	-	-	-	-	-	1,889,320	1,889,320
Financial investments available-for-sale	586,460	795,868	1,364,387	4,506,294	759,806	16,908	-	8,029,723
Loans, advances and financing	9,024,178	5,859,991	2,697,234	4,673,151	21,234,937	-	-	43,489,492
Derivative financial assets	-	-	-	-	-	-	972,124	972,124
Others	52,713	3,562	1,725	34,774	6,359	1,840,072	736,595	2,675,800
<b>Total Assets</b>	<b>35,040,986</b>	<b>7,097,105</b>	<b>4,063,346</b>	<b>9,214,219</b>	<b>22,001,102</b>	<b>1,856,980</b>	<b>3,598,039</b>	<b>82,871,778</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	41,463,635	5,664,364	8,178,776	168,249	-	-	4,720,302	60,195,326
Deposits and placements from banks and other financial institutions	8,733,568	1,325,109	146,879	-	15,142	-	-	10,220,698
Bills and acceptances payable	503,781	4,232	-	-	-	-	-	508,013
Multi-Currency Sukuk Programme	-	-	-	500,000	-	-	-	500,000
Subordinated liabilities	-	-	-	504,301	749,456	-	-	1,253,757
Derivative financial liabilities	-	-	-	-	-	-	803,624	803,624
Others	517,975	61,012	98,001	8,552	61,693	723,079	1,217,198	2,687,510
<b>Total Liabilities</b>	<b>51,218,959</b>	<b>7,054,717</b>	<b>8,423,656</b>	<b>1,181,102</b>	<b>826,291</b>	<b>723,079</b>	<b>6,741,124</b>	<b>76,168,928</b>
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,702,850</b>	<b>-</b>	<b>6,702,850</b>
<b>Total Liabilities and Equity</b>	<b>51,218,959</b>	<b>7,054,717</b>	<b>8,423,656</b>	<b>1,181,102</b>	<b>826,291</b>	<b>7,425,929</b>	<b>6,741,124</b>	<b>82,871,778</b>
<b>Net maturity mismatches</b>	<b>(16,177,973)</b>	<b>42,388</b>	<b>(4,360,310)</b>	<b>8,033,117</b>	<b>21,174,811</b>	<b>(5,568,949)</b>		
<b>Off-balance sheet liabilities</b>	<b>40,209,366</b>	<b>20,958,569</b>	<b>25,201,469</b>	<b>45,719,611</b>	<b>5,777,604</b>	<b>-</b>	<b>-</b>	<b>137,866,619</b>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Liquidity Risk (Cont'd)

Group 31 December 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		
<b>ASSETS</b>								
Cash and short term funds	15,454,507	-	-	-	-	-	-	15,454,507
Securities purchased under resale agreements	2,077,398	799,872	-	-	-	-	-	2,877,270
Deposits and placements with banks and other financial institutions	163,950	3,840,671	6,719	-	-	-	-	4,011,340
Financial assets held-for-trading	-	-	-	-	-	-	2,333,390	2,333,390
Financial investments available-for-sale	424,360	1,057,765	1,519,334	3,319,192	162,043	16,907	-	6,499,601
Loans, advances and financing	10,634,367	5,926,007	2,398,894	4,631,186	21,069,451	-	-	44,659,904
Derivative financial assets	-	-	-	-	-	-	1,320,144	1,320,144
Others	27,767	76,901	-	-	-	2,356,745	196,280	2,657,693
<b>Total Assets</b>	<b>28,782,349</b>	<b>11,701,216</b>	<b>3,924,947</b>	<b>7,950,378</b>	<b>21,231,494</b>	<b>2,373,652</b>	<b>3,849,814</b>	<b>79,813,849</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	41,501,699	5,889,095	7,612,118	154,079	-	-	4,757,428	59,914,419
Deposits and placements from banks and other financial institutions	5,753,360	413,937	2,127,831	2,400	300	-	-	8,297,828
Bills and acceptances payable	905,693	902	-	-	-	-	-	906,595
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	-	-	-	-
Multi-Currency Sukuk Programme	-	-	-	500,000	-	-	-	500,000
Subordinated liabilities	-	-	-	500,000	505,071	-	-	1,005,071
Derivative financial liabilities	-	-	-	-	-	-	1,098,453	1,098,453
Others	207,660	165,521	4,132	37,849	-	1,088,505	148,683	1,652,350
<b>Total Liabilities</b>	<b>48,368,412</b>	<b>6,469,455</b>	<b>9,744,081</b>	<b>1,194,328</b>	<b>505,371</b>	<b>1,088,505</b>	<b>6,004,564</b>	<b>73,374,716</b>
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,439,133</b>	<b>-</b>	<b>6,439,133</b>
<b>Total Liabilities and Equity</b>	<b>48,368,412</b>	<b>6,469,455</b>	<b>9,744,081</b>	<b>1,194,328</b>	<b>505,371</b>	<b>7,527,638</b>	<b>6,004,564</b>	<b>79,813,849</b>
<b>Net maturity mismatches</b>	<b>(19,586,063)</b>	<b>5,231,761</b>	<b>(5,819,134)</b>	<b>6,756,050</b>	<b>20,726,123</b>	<b>(5,153,986)</b>	<b>(2,154,750)</b>	
<b>Off-balance sheet liabilities</b>								
Commitments and Contingencies	36,340,056	20,520,621	28,512,758	47,838,018	6,789,921	-	-	140,001,374

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Liquidity Risk (Cont'd)

Bank 30 June 2014	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			
<b>ASSETS</b>								
Cash and short term funds	16,978,127	-	-	-	-	-	-	16,978,127
Securities purchased under resale agreements	5,875,877	-	-	-	-	-	-	5,875,877
Deposits and placements with banks and other financial institutions	-	1,041,383	160,550	160,550	249,456	-	-	1,611,939
Financial assets held-for-trading	-	-	-	-	-	-	1,850,247	1,850,247
Financial investments available-for-sale	586,460	651,538	836,718	3,341,410	739,926	16,908	-	6,172,960
Loans, advances and financing	7,284,454	3,893,612	2,189,371	3,525,268	16,744,974	-	-	33,637,679
Derivative financial assets	-	-	-	-	-	-	1,060,076	1,060,076
Others	353,387	4,913	1,870	34,433	6,359	2,019,609	719,572	3,140,143
<b>Total Assets</b>	<b>31,078,305</b>	<b>5,591,446</b>	<b>3,188,509</b>	<b>7,061,661</b>	<b>17,740,715</b>	<b>2,036,517</b>	<b>3,629,895</b>	<b>70,327,048</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	35,007,586	4,022,361	6,767,691	127,779	-	-	2,675,751	48,601,168
Deposits and placements from banks and other financial institutions	8,561,212	1,325,109	146,879	-	15,142	-	-	10,048,342
Bills and acceptances payable	482,877	4,232	-	-	-	-	-	487,109
Subordinated liabilities	-	-	-	504,301	749,456	-	-	1,253,757
Derivative financial liabilities	-	-	-	-	-	-	879,220	879,220
Others	874,313	50,283	82,124	2,940	61,693	670,855	1,207,415	2,949,623
<b>Total Liabilities</b>	<b>44,925,988</b>	<b>5,401,985</b>	<b>6,996,694</b>	<b>635,020</b>	<b>826,291</b>	<b>670,855</b>	<b>4,762,386</b>	<b>64,219,219</b>
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,107,829</b>	<b>-</b>	<b>6,107,829</b>
<b>Total Liabilities and Equity</b>	<b>44,925,988</b>	<b>5,401,985</b>	<b>6,996,694</b>	<b>635,020</b>	<b>826,291</b>	<b>6,778,684</b>	<b>4,762,386</b>	<b>70,327,048</b>
<b>Net maturity mismatches</b>	<b>(13,847,683)</b>	<b>189,461</b>	<b>(3,808,185)</b>	<b>6,426,641</b>	<b>16,914,424</b>	<b>(4,742,167)</b>	<b>(1,132,491)</b>	<b>-</b>
<b>Off-balance sheet liabilities</b>								
Commitments and Contingencies	38,081,654	20,205,803	24,234,368	47,940,111	5,777,300	-	-	136,239,236

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Liquidity Risk (Cont'd)

Bank 31 December 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		
<b>ASSETS</b>								
Cash and short term funds	12,558,786	-	-	-	-	-	-	12,558,786
Securities purchased under resale agreements	2,077,398	799,872	-	-	-	-	-	2,877,270
Deposits and placements with banks and other financial institutions	-	3,990,671	1,048,804	163,950	-	-	-	5,203,425
Financial assets held-for-trading	-	-	-	-	-	-	2,243,731	2,243,731
Financial investments available-for-sale	424,360	1,012,745	990,503	2,571,821	142,259	16,907	-	5,158,595
Loans, advances and financing	8,675,625	4,485,971	2,096,592	3,402,582	16,823,959	-	-	35,484,730
Derivative financial assets	-	-	-	-	-	-	1,413,325	1,413,325
Others	23,963	72,024	-	-	-	2,568,725	195,291	2,860,003
<b>Total Assets</b>	<b>23,760,132</b>	<b>10,361,283</b>	<b>4,135,899</b>	<b>6,138,353</b>	<b>16,966,218</b>	<b>2,585,632</b>	<b>3,852,347</b>	<b>67,799,865</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	35,289,831	4,309,578	6,259,718	112,970	-	-	2,911,779	48,883,876
Deposits and placements from banks and other financial institutions	5,726,411	413,937	2,127,831	2,400	300	-	-	8,270,879
Bills and acceptances payable	894,721	902	-	-	-	-	-	895,623
Subordinated liabilities	-	-	-	500,000	505,071	-	-	1,005,071
Derivative financial liabilities	-	-	-	-	-	-	1,160,067	1,160,067
Others	189,293	275,486	4,132	35,354	-	1,009,714	148,619	1,662,598
<b>Total Liabilities</b>	<b>42,100,256</b>	<b>4,999,903</b>	<b>8,391,681</b>	<b>650,724</b>	<b>505,371</b>	<b>1,009,714</b>	<b>4,220,465</b>	<b>61,878,114</b>
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,921,751</b>	<b>-</b>	<b>5,921,751</b>
<b>Total Liabilities and Equity</b>	<b>42,100,256</b>	<b>4,999,903</b>	<b>8,391,681</b>	<b>650,724</b>	<b>505,371</b>	<b>6,931,465</b>	<b>4,220,465</b>	<b>67,799,865</b>
<b>Net maturity mismatches</b>	<b>(18,340,124)</b>	<b>5,361,380</b>	<b>(4,255,782)</b>	<b>5,487,629</b>	<b>16,460,847</b>	<b>(4,345,833)</b>	<b>(368,118)</b>	
<b>Off-balance sheet liabilities</b>								
Commitments and Contingencies	34,283,762	19,904,905	28,089,223	49,040,404	6,789,921	-	-	138,108,215

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 37 Performance Review

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The Group recorded profit before tax of RM743 million for the half year ended 30 June 2014, a decrease of 2.7% or RM21 million compared against history. The lower profit was due to lower operating income of RM39 million or 2.7%, higher operating expenses of RM61 million or 10.3%, partially offset by lower loan/financing impairment charges of RM79 million or 68.2%.

Lower operating income was primarily due to lower net trading income (-RM87 million or 30.2%), 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 (+RM52 million or 7.6%), in tandem with the growth in average customer advances. The increase in fee income (+RM6.0 million or 2.7%) for the current period was primarily due to lower fee expenses and higher credit card fee income earned 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 31 June 2014 stood at RM82.9 billion, RM3.1 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 as held-for-trading and available-for-sale securities.

### 38 Business Prospects

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The Malaysian economy grew by 6.2% in 1Q 2014 (1Q 2013:4.1%), surpassing the initial forecast of 4.5%-5.5%. This was driven by a stronger expansion in domestic demand and a turnaround in net exports. Private sector activity remained the main driver of growth in the first quarter, with sustained strong growth in both consumption and investment activities. Private consumption remained strong at 7.1%, supported by stable employment conditions and continued wage growth. Growth in public consumption has increased to 11.2% (4Q 2013:5.2%), reflecting higher Government spending on supplies and services.

The Group's priorities in 2014 remain unchanged, to grow the business, 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 services solution 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 will engage with relevant Government bodies for early identification of inbound investments.

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 as it is a better and more sustainable business model for delivering a better customer experience.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39 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 June 2013

	Group		Bank	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
<b>a) Net Interest Income</b>				
<i>(of which the affected components are disclosed below) :</i>				
<u>Interest income</u>				
Loans and advances				
- Interest income other than from impaired loans	790,690	790,690	790,690	790,690
- Interest income recognised from impaired loans	18,546	18,546	18,546	18,546
Money at call and deposit placements with financial institutions	215,689	215,689	233,681	233,681
Financial investments available-for-sale	109,954	109,954	109,954	109,954
Fair value hedge derivative assets	-	1,714	-	1,714
	<u>1,134,879</u>	<u>1,136,593</u>	<u>1,152,871</u>	<u>1,154,585</u>
<u>Interest expense</u>				
Deposits and placements of banks and other financial institutions	(33,683)	(35,958)	(33,683)	(35,958)
Deposits from customers	(391,268)	(389,923)	(391,268)	(389,923)
Subordinated bonds	(21,593)	(23,307)	(21,593)	(23,307)
Others	(4,738)	(3,808)	(4,738)	(3,808)
	<u>(451,282)</u>	<u>(452,996)</u>	<u>(451,282)</u>	<u>(452,996)</u>

	Group		Bank	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
<b>b) Loan/Financing Impairment Charges and Other Credit Risk Provisions</b>				
<i>(of which the affected components are disclosed below) :</i>				
Individual allowance for impairment				
-Made during the period	110,984	59,746	91,224	39,986
-Written back	(90,850)	(39,612)	(74,568)	(23,330)

	Group		Bank	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
<b>c) Other operating expenses</b>				
Personnel expenses	299,595	301,854	281,151	283,410
Promotion and marketing related expenses	38,625	40,231	28,362	29,968
Establishment related expenses	75,544	75,544	64,122	64,122
General administrative expenses	172,734	168,869	169,305	165,440
	<u>586,498</u>	<u>586,498</u>	<u>542,940</u>	<u>542,940</u>

(ii) Statement of Financial Position at

31 December 2013

	Group		Bank	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
<b>a) Movements in allowances for impaired loans, advances and financing</b>				
<i>(of which the affected components are disclosed below) :</i>				
<i>The following change affected only the following disclosure note, without impact on the overall balance for individual allowance for impairment</i>				
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)