

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
31 MARCH 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 31 March 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 : 25 April 2014

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

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AT 31 MARCH 2014

	Note	<i>Group</i>		<i>Bank</i>	
		31 Mar 2014 RM'000	31 Dec 2013 RM'000	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Assets					
Cash and short-term funds	11	14,045,429	15,454,507	11,000,049	12,558,786
Securities purchased under resale agreements		3,406,054	2,877,270	3,406,054	2,877,270
Deposits and placements with banks and other financial institutions	12	4,951,699	4,011,340	5,881,373	5,203,425
Financial assets held-for-trading	13	3,992,520	2,333,390	3,953,375	2,243,731
Financial investments available-for-sale	14	7,642,767	6,499,601	5,962,720	5,158,595
Loans, advances and financing	15	43,159,477	44,659,904	33,830,285	35,484,730
Derivative financial assets	33	1,083,937	1,320,144	1,215,121	1,413,325
Other assets	17	1,601,616	761,686	1,649,723	738,904
Statutory deposits with Bank Negara Malaysia	18	1,252,860	1,384,160	857,798	993,598
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		347,759	355,047	327,078	332,254
Intangible assets		56,705	55,352	56,697	55,343
Tax recoverable		3,041	14,472	-	-
Deferred tax assets		102,822	86,976	96,910	79,883
Total assets		81,646,686	79,813,849	68,897,204	67,799,865
Liabilities					
Deposits from customers	19	60,842,605	59,914,419	49,461,214	48,883,876
Deposits and placements from banks and other financial institutions	20	9,319,640	8,297,828	9,083,903	8,270,879
Bills and acceptances payable		457,457	906,595	443,171	895,623
Derivative financial liabilities	33	934,358	1,098,453	999,867	1,160,067
Other liabilities	21	1,804,880	1,636,295	1,679,311	1,646,543
Provision for taxation		11,755	16,055	11,755	16,055
Multi-Currency Sukuk Programme	22	500,000	500,000	-	-
Subordinated bonds	23	1,004,942	1,005,071	1,004,942	1,005,071
Total liabilities		74,875,637	73,374,716	62,684,163	61,878,114
Equity					
Share capital		114,500	114,500	114,500	114,500
Reserves		6,356,549	6,024,633	5,798,541	5,507,251
Proposed dividend		300,000	300,000	300,000	300,000
Total equity attributable to owner of the Bank		6,771,049	6,439,133	6,213,041	5,921,751
Total liabilities and equity		81,646,686	79,813,849	68,897,204	67,799,865
Commitments and Contingencies	32	144,946,775	140,001,374	143,442,343	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 6 to 31 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 25 April 2014.

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

**UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

	Note	Group		Bank	
		31 Mar 2014 RM'000	31 Mar 2013 RM'000	31 Mar 2014 RM'000	31 Mar 2013 RM'000
Revenue		1,000,278	1,024,215	853,348	885,989
Interest income	24	577,836	568,175	585,219	577,678
Interest expense	24	(211,373)	(227,322)	(211,373)	(227,322)
Net interest income	24	366,463	340,853	373,846	350,356
Fee and commission income	25	118,199	113,736	118,199	113,736
Fee and commission expense	25	(6,152)	(10,648)	(6,152)	(10,648)
Net fee and commission income	25	112,047	103,088	112,047	103,088
Net trading income	26	113,919	150,828	109,911	150,113
Income from Islamic banking operations	27	124,143	127,371	-	-
Other operating income	28	7,361	13,527	40,019	44,462
Operating income before impairment losses		723,933	735,667	635,823	648,019
Loans / financing impairment charges and other credit risk provisions	29	(22,377)	(83,408)	(7,629)	(51,306)
Net operating income		701,556	652,259	628,194	596,713
Other operating expenses	30	(306,513)	(271,033)	(282,926)	(251,258)
Profit before income tax expense		395,043	381,226	345,268	345,455
Income tax expense		(100,276)	(97,316)	(88,498)	(88,427)
Profit for the period		294,767	283,910	256,770	257,028
Other comprehensive income / (expense)					
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i>					
Cash flow hedge:					
Effective portion of changes in fair value		1	(12)	1	(12)
Net amount transferred to profit or loss		(64)	(96)	(64)	(96)
Available-for-sale reserve:					
Change in fair value		13,654	5,423	10,319	4,090
Amount transferred to profit or loss		453	(7,631)	453	(7,631)
Income tax (expense)/credit relating to components of other comprehensive income		(3,511)	579	(2,677)	912
Other comprehensive income/(expense) for the period, net of income tax		10,533	(1,737)	8,032	(2,737)
Total comprehensive income for the period		305,300	282,173	264,802	254,291
Profit attributable to the owner of the Bank		294,767	283,910	256,770	257,028
Total comprehensive income attributable to the owner of the Bank		305,300	282,173	264,802	254,291
Basic earnings per RM0.50 ordinary share		128.7 sen	124 sen	112.1 sen	112.2 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 6 to 31 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 25 April 2014.

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

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

	Group												
	Attributable to the owner (the ultimate holding company)											Total equity	
	Non-distributable					Distributable							
Share capital	Share premium	Statutory reserve	Revaluation reserve	Capital redemption reserve	Available-for-sale reserve	Cash flow hedge reserve	Capital contribution reserve	Regulatory reserve*	Retained profit	Total reserves	Proposed dividends		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2014													
Balance at 1 January	114,500	741,375	164,500	166,049	190,000	(6,871)	48	95,470	-	4,674,062	6,024,633	300,000	6,439,133
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	294,767	294,767	-	294,767
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(466)	-	-	-	-	-	466	-	-	-
Cash flow hedge:													
Net amount transferred to profit or loss	-	-	-	-	-	-	(48)	-	-	-	(48)	-	(48)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	10,241	-	-	-	-	10,241	-	10,241
Net amount transferred to profit or loss	-	-	-	-	-	340	-	-	-	-	340	-	340
Total other comprehensive (expense)/ income	-	-	-	(466)	-	10,581	(48)	-	-	466	10,533	-	10,533
Total comprehensive income for the period	-	-	-	(466)	-	10,581	(48)	-	-	295,233	305,300	-	305,300
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	2,731	-	(1,115)	1,616	-	1,616
Transfer relating to regulatory reserves	-	-	-	-	-	-	-	-	100,000	(75,000)	25,000	-	25,000
Balance at 31 March	114,500	741,375	164,500	165,583	190,000	3,710	-	98,201	100,000	4,893,180	6,356,549	300,000	6,771,049
2013													
Balance at 1 January	114,500	741,375	164,500	167,322	190,000	16,602	324	90,923	-	4,106,664	5,477,710	300,000	5,892,210
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	283,910	283,910	-	283,910
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(450)	-	-	-	-	-	450	-	-	-
Cash flow hedge:													
Effective portion of changes in fair value	-	-	-	-	-	-	(9)	-	-	-	(9)	-	(9)
Net amount transferred to profit or loss	-	-	-	-	-	-	(73)	-	-	-	(73)	-	(73)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	4,069	-	-	-	-	4,069	-	4,069
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(5,724)	-	-	-	-	(5,724)	-	(5,724)
Total other comprehensive (expense)/income	-	-	-	(450)	-	(1,655)	(82)	-	-	450	(1,737)	-	(1,737)
Total comprehensive income for the period	-	-	-	(450)	-	(1,655)	(82)	-	-	284,360	282,173	-	282,173
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	4,882	-	(2,128)	2,754	-	2,754
Balance at 31 March	114,500	741,375	164,500	166,872	190,000	14,947	242	95,805	-	4,388,896	5,762,637	300,000	6,177,137

* The Group and the Bank maintain a regulatory reserve to satisfy local regulatory requirements; the effect of this requirement is to restrict the amount of reserves that can be distributed to shareholders.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2013 and the accompanying explanatory notes on pages 6 to 31 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 25 April 2014.

HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014 (Cont'd)

	Bank												
	← 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	Proposed dividends	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014													
Balance at 1 January	114,500	741,375	114,500	166,049	190,000	(911)	48	94,178	-	4,202,012	5,507,251	300,000	5,921,751
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	256,770	256,770	-	256,770
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(466)	-	-	-	-	-	466	-	-	-
Cash flow hedge:													
Net amount transferred to profit or loss	-	-	-	-	-	-	(48)	-	-	-	(48)	-	(48)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	7,740	-	-	-	-	7,740	-	7,740
Net amount transferred to profit or loss	-	-	-	-	-	340	-	-	-	-	340	-	340
Total other comprehensive (expense)/ income	-	-	-	(466)	-	8,080	(48)	-	-	466	8,032	-	8,032
Total comprehensive income for the period	-	-	-	(466)	-	8,080	(48)	-	-	257,236	264,802	-	264,802
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	2,603	-	(1,115)	1,488	-	1,488
Transfer relating to regulatory reserves	-	-	-	-	-	-	-	-	100,000	(75,000)	25,000	-	25,000
Balance at 31 March	114,500	741,375	114,500	165,583	190,000	7,169	-	96,781	100,000	4,383,133	5,798,541	300,000	6,213,041
2013													
Balance at 1 January	114,500	741,375	114,500	167,322	190,000	16,068	324	89,760	-	3,778,581	5,097,930	300,000	5,512,430
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	257,028	257,028	-	257,028
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(450)	-	-	-	-	-	450	-	-	-
Cash flow hedge:													
Effective portion of changes in fair value	-	-	-	-	-	-	(9)	-	-	-	(9)	-	(9)
Net amount transferred to profit or loss	-	-	-	-	-	-	(73)	-	-	-	(73)	-	(73)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	3,069	-	-	-	-	3,069	-	3,069
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(5,724)	-	-	-	-	(5,724)	-	(5,724)
Total other comprehensive (expense)/income	-	-	-	(450)	-	(2,655)	(82)	-	-	450	(2,737)	-	(2,737)
Total comprehensive income for the period	-	-	-	(450)	-	(2,655)	(82)	-	-	257,478	254,291	-	254,291
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	4,754	-	(2,128)	2,626	-	2,626
Balance at 31 March	114,500	741,375	114,500	166,872	190,000	13,413	242	94,514	-	4,033,931	5,354,847	300,000	5,769,347

* The Bank maintains a regulatory reserve to satisfy local regulatory requirements; the effect of this requirement is to restrict the amount of reserves that can be distributed to shareholders.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2013 and the accompanying explanatory notes on pages 6 to 31 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 25 April 2014.

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

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	RM'000	RM'000	RM'000	RM'000
Profit before income tax expense	395,043	381,226	345,268	345,455
Adjustments for non-operating and non-cash items	14,519	18,074	12,210	15,373
Operating profit before working capital changes	409,562	399,300	357,478	360,828
Changes in working capital:				
Net changes in operating assets	(2,100,461)	1,308,010	(1,838,938)	1,469,718
Net changes in operating liabilities	1,505,350	1,910,797	810,478	1,259,664
Income tax paid	(87,500)	(80,618)	(87,500)	(72,284)
Net cash (used in)/generated from operations	(273,049)	3,537,489	(758,482)	3,017,926
Net cash used in investing activities	(1,136,029)	(1,430,828)	(800,255)	(1,489,673)
	(1,136,029)	(1,430,828)	(800,255)	(1,489,673)
Net changes in cash and cash equivalents	(1,409,078)	2,106,661	(1,558,737)	1,528,253
Cash and cash equivalents at beginning of the period	15,454,507	12,663,437	12,558,786	11,014,117
Cash and cash equivalents at end of the period	14,045,429	14,770,098	11,000,049	12,542,370
Analysis of cash and cash equivalents				
Cash and short-term funds	14,045,429	14,770,098	11,000,049	12,542,370

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 6 to 31 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 25 April 2014.

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
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NOTES TO THE FINANCIAL STATEMENTS

1 General Information

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

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 31 March 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 31 March 2014 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ('MFRS') 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ('MASB'). The unaudited condensed interim financial statements incorporate those activities relating to Islamic Banking which have been undertaken by the Bank's Islamic subsidiary.

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2013. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group and Bank since the financial year ended 31 December 2013.

All significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2013, except for the adoption of the following amendments to MFRSs, and Issues Committee ('IC') Interpretations.

- Amendments to MFRS 10, MFRS 12 and MFRS 127, Investment Entities
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
- Amendments to MFRS 132, Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)
- Amendments to MFRS 136, Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS136)
- Amendments to MFRS 139, Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS139)
- IC Interpretation 21, Levies

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2 Basis of Preparation (Cont'd)

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

Effective for annual periods commencing on or after 1 July 2014

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

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

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 a standard that will be applied prospectively or which requires extended disclosures is not expected to have any financial impacts to the current and prior period's financial statement upon their first adoption.

The initial application of the above 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

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and Bank for the financial period ended 31 March 2014.

6 Changes in Estimates

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

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and Bank for the financial period ended 31 March 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 31 March 2014.

8 Dividend

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.

No dividend was declared subsequent to 31 March 2014.

9 Carrying Amount of Revalued Assets

Property and equipment are stated at cost/valuation less accumulated depreciation and impairment losses (if any) except for freehold land which is stated at professional valuation. There was no change in the valuation of property and equipment that was brought forward from the previous audited financial statements for the financial period ended 31 March 2014.

10 Significant and Subsequent Events

The Bank's Board of Directors have approved the proposal to obtain a subordinated term loan of USD equivalent of RM250 million from The Hongkong and Shanghai Banking Corporation Limited, the immediate holding company of the Bank. The tenor of the subordinated term loan is 10 years (with the option to prepay after 5 years) with the interest payable quarterly in arrears from the utilisation date. The proposal is now currently pending Bank Negara Malaysia approval.

The Bank's fully owned subsidiary, HSBC Amanah Malaysia Berhad's Board of Directors have approved the proposal to obtain a subordinated commodity Murabahah Financing-i of USD equivalent of RM250 million from the Bank. The tenor of the subordinated commodity Murabahah Financing-i is 10 years (with the option to prepay after 5 years) with the profit payable quarterly in arrears from the utilisation date. The proposal is now currently pending Bank Negara Malaysia approval.

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>	
	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,489,992	1,625,703	1,311,120	1,482,497
Money at call and interbank placements maturing within one month	12,555,437	13,828,804	9,688,929	11,076,289
	14,045,429	15,454,507	11,000,049	12,558,786

12 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Licensed banks	955,092	212,790	2,044,607	1,568,825
Bank Negara Malaysia	3,700,000	3,500,000	3,700,000	3,500,000
Other financial institutions	296,607	298,550	136,766	134,600
	4,951,699	4,011,340	5,881,373	5,203,425

13 Financial Assets Held-for-Trading

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government treasury bills	85,972	56,941	85,972	56,941
Bank Negara Malaysia bills and notes	2,068,107	1,201,505	2,068,107	1,201,505
Bank Negara Malaysia Islamic bills and notes	327,702	149,605	327,702	149,605
Malaysian Government securities	991,249	482,409	991,249	482,409
Malaysian Government Islamic bonds	236,340	243,211	197,195	153,552
Islamic fixed rate bonds	8,874	8,915	8,874	8,915
Cagamas bonds and notes	7,330	7,393	7,330	7,393
	3,725,574	2,149,979	3,686,429	2,060,320
Unquoted securities:				
Private debt securities (including commercial paper)	266,946	183,411	266,946	183,411
	3,992,520	2,333,390	3,953,375	2,243,731

14 Financial Investments Available-for-Sale

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government securities	2,219,123	1,482,060	2,219,123	1,482,060
Malaysian Government Islamic bonds	3,841,675	3,353,160	2,186,626	2,037,145
Cagamas bonds and notes	284,796	204,966	284,796	204,966
Negotiable instruments of deposit	175,000	584,868	150,002	559,877
Bankers' acceptance and Islamic accepted bills	1,104,795	857,169	1,104,795	857,169
	7,625,389	6,482,223	5,945,342	5,141,217
Unquoted securities:				
Shares*	16,907	16,907	16,907	16,907
Private and Islamic debt securities	471	471	471	471
	17,378	17,378	17,378	17,378
	7,642,767	6,499,601	5,962,720	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>	
	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	2,906,263	3,001,459	2,353,001	2,427,608
More than one year to three years	1,812,584	1,367,339	1,396,420	1,062,631
More than three years to five years	2,065,016	1,951,855	1,571,461	1,509,191
Over five years	841,526	161,570	624,460	141,787
	7,625,389	6,482,223	5,945,342	5,141,217

15 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts	1,233,116	1,369,460	1,133,913	1,279,184
Term loans/ financing:				
Housing loans/ financing	16,265,418	16,042,710	13,547,226	13,382,715
Syndicated term loans/ financing	37,569	45,077	37,569	45,077
Factoring receivables	168,446	160,206	168,446	160,206
Hire purchase receivables	242,594	252,743	183	183
Lease receivables	3,149	2,442	-	-
Other term loans/ financing [^]	12,615,131	13,014,906	7,649,398	8,155,998
Bills receivable	2,636,810	3,499,558	2,636,810	3,499,558
Trust receipts	1,472,469	1,704,541	1,414,198	1,649,502
Claims on customers under acceptance credits	2,675,169	2,640,571	2,044,038	1,979,888
Staff loans/ financing	315,472	311,218	262,185	264,703
Credit/ charge cards	2,647,216	2,849,038	2,201,590	2,378,204
Revolving credit	3,539,638	3,459,069	3,266,179	3,220,720
Other loans/ financing	8,782	8,793	8,782	8,793
Gross loans, advances and financing	43,860,979	45,360,332	34,370,517	36,024,731
Less: Allowances for impaired loans, advances and financing				
- Collectively assessed	(376,344)	(382,316)	(260,162)	(263,026)
- Individually assessed	(325,158)	(318,112)	(280,070)	(276,975)
Total net loans, advances and financing	43,159,477	44,659,904	33,830,285	35,484,730

[^] Included in the loans, advances and financing of the Bank at 31 March 2014 is a Restricted Profit Sharing Investment Account ("RPSIA") balance amounting to RM389.49m (Dec 2013: RM629.76m). The balance of RM389.49m residing under other term loans/financing is performing, and no 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>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Domestic non-bank financial institutions	451,614	400,323	63,880	71,300
Domestic business enterprises:				
Small medium enterprises	8,293,349	8,487,088	6,516,536	6,773,868
Others	9,924,922	10,293,570	7,713,157	8,026,000
Government and statutory bodies	18,369	19,190	-	-
Individuals	20,801,848	21,096,135	16,264,584	16,596,000
Other domestic entities	7,662	7,803	5,980	6,081
Foreign entities	4,363,215	5,056,223	3,806,380	4,551,482
	43,860,979	45,360,332	34,370,517	36,024,731

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Maturity within one year	17,972,396	19,491,559	14,148,012	15,669,765
More than one year to three years	2,133,538	2,342,115	1,635,327	1,770,767
More than three years to five years	2,425,206	2,316,503	1,764,614	1,650,358
More than five years	21,329,839	21,210,155	16,822,564	16,933,841
	43,860,979	45,360,332	34,370,517	36,024,731

(iv) By interest/ profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Fixed rate:				
Housing loans/ financing	139,873	143,971	131,329	134,983
Hire purchase receivables	242,594	252,743	183	183
Other fixed rate loans/ financing	3,897,763	3,868,536	2,121,719	2,061,327
Variable rate:				
BLR/BFR plus	33,667,354	35,025,323	26,649,517	28,229,313
Cost-plus	3,266,179	3,220,721	3,266,179	3,220,721
Other variable rates	2,647,216	2,849,038	2,201,590	2,378,204
	43,860,979	45,360,332	34,370,517	36,024,731

(v) By sector

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Agricultural, hunting, forestry and fishing	1,411,518	1,633,395	1,066,886	1,266,036
Mining and quarrying	366,594	452,303	266,407	348,615
Manufacturing	6,244,428	6,365,423	5,180,830	5,246,909
Electricity, gas and water	115,441	124,127	27,101	33,559
Construction	2,552,576	2,509,216	1,815,018	1,844,232
Real estate	1,591,494	1,776,310	1,334,477	1,521,834
Wholesale & retail trade and restaurants & hotels	2,743,671	2,773,077	2,078,860	2,115,250
Transport, storage and communication	351,633	388,873	103,060	114,614
Finance, insurance and business services	2,822,692	2,782,322	2,150,542	2,206,259
Household-retail	23,356,947	23,530,114	18,295,772	18,530,442
Others	2,303,985	3,025,172	2,051,564	2,796,981
	43,860,979	45,360,332	34,370,517	36,024,731

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Loans, Advances and Financing (Cont'd)

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Purchase of landed property:				
Residential	16,432,521	16,182,395	13,835,071	13,673,133
Non residential	1,352,195	1,396,926	1,064,428	1,106,459
Purchase of securities	8,216	8,279	8,216	8,279
Purchase of transport vehicles	39,029	38,328	36,979	36,794
Purchase of fixed assets excluding land & building	29,516	20,199	-	-
Consumption credit	6,238,566	6,643,061	3,995,683	4,371,941
Construction	2,552,576	2,509,216	1,815,018	1,844,232
Working capital	15,361,681	15,909,437	11,821,418	12,357,518
Other purpose	1,846,679	2,652,491	1,793,704	2,626,375
	43,860,979	45,360,332	34,370,517	36,024,731

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Northern Region	7,307,132	7,291,747	5,987,555	5,888,394
Southern Region	6,138,295	6,376,203	4,705,537	4,962,327
Central Region	26,118,772	27,029,963	19,925,278	21,033,874
Eastern Region	4,296,780	4,662,419	3,752,147	4,140,136
	43,860,979	45,360,332	34,370,517	36,024,731

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

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

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

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

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

16 Impaired Loans, Advances and Financing

(i) Movements in impaired loans, advances and financing

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000	31 Mar 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	296,841	1,054,807	232,835	793,055
Reclassified as performing	(153,604)	(510,999)	(116,287)	(425,654)
Amount recovered	(66,122)	(311,818)	(51,611)	(264,503)
Amount written off	(59,613)	(314,999)	(35,174)	(195,002)
Other movements	22,006	96,528	13,486	68,135
At end of period/year	831,873	792,365	668,708	625,459
Less: Individual allowance for impairment	(325,158)	(318,112)	(280,070)	(276,975)
Collective allowance for impairment (impaired portion)	(83,726)	(86,829)	(39,569)	(43,189)
Net impaired loans, advances and financing	422,989	387,424	349,069	305,295

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Collective allowance for impairment				
At beginning of period/year	382,316	401,441	263,026	256,588
Made during the period/year	68,649	367,233	38,283	209,273
Amount released	(19,596)	(136,546)	(9,287)	(69,637)
Amount written off	(54,778)	(249,858)	(32,155)	(134,005)
Discount unwind	(247)	46	295	807
At end of period/year	376,344	382,316	260,162	263,026

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000 Restated	31 Mar 2014 RM'000	31 Dec 2013 RM'000 Restated
Individual allowance for impairment				
At beginning of period/year	318,112	304,981	276,975	274,602
Made during the period/year	50,716	249,778	36,971	207,354
Amount released	(56,567)	(201,659)	(44,995)	(164,836)
Amount written off	(8,361)	(56,778)	(6,566)	(52,073)
Discount unwind	3,397	(1,593)	(270)	(1,164)
Other movements	17,861	23,383	17,955	13,092
At end of period/year	325,158	318,112	280,070	276,975

(iii) By sector

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Agricultural, hunting, forestry and fishing	63,750	471	63,750	471
Mining and quarrying	168	163	168	163
Manufacturing	104,117	107,137	94,058	100,702
Construction	55,807	55,318	53,947	52,863
Wholesale & retail trade, restaurants & hotels	70,043	62,047	67,100	59,146
Transport, storage and communication	1,767	1,767	787	807
Finance, insurance and business services	1,838	1,945	1,418	1,525
Household-Retail	532,730	561,751	386,018	408,207
Others	1,653	1,766	1,462	1,575
	831,873	792,365	668,708	625,459

(iv) By purpose

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Purchase of landed property:				
Residential	309,770	329,546	250,269	263,846
Non residential	24,535	21,615	24,433	21,513
Purchase of securities	1	1	1	1
Purchase of transport vehicles	543	403	422	334
Consumption credit	209,158	217,890	122,068	130,115
Construction	55,807	55,318	53,947	52,863
Working capital	231,373	166,879	217,568	156,787
Other purpose	686	713	-	-
	831,873	792,365	668,708	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>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Northern Region	155,953	168,164	119,904	129,556
Southern Region	137,866	166,026	116,767	139,817
Central Region	418,077	398,485	316,930	301,703
Eastern Region	119,977	59,690	115,107	54,383
	831,873	792,365	668,708	625,459

17 Other Assets

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Interest/ income receivable	100,201	113,990	85,751	98,036
Other receivables, deposits and prepayments	1,501,415	647,696	1,563,972	640,868
	1,601,616	761,686	1,649,723	738,904

18 Statutory Deposits with Bank Negara Malaysia

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

19 Deposits from Customers

(i) By type of deposit

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Demand deposits	16,839,390	16,281,709	15,359,576	15,030,335
Savings deposits	11,989,704	11,795,447	10,692,335	10,566,897
Fixed / Investment deposits	26,074,975	25,947,729	19,511,775	19,395,419
Islamic repurchase agreements	123,500	152,660	-	-
Negotiable instruments of deposit	1,705,163	1,719,359	1,144,913	1,181,951
Wholesale money market deposits	955,825	979,445	955,825	979,445
Structured investments	3,154,048	3,038,070	1,796,790	1,729,829
	60,842,605	59,914,419	49,461,214	48,883,876

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

Due within six months	21,104,874	21,126,243	15,487,179	15,399,451
More than six months to one year	5,435,968	5,281,421	4,394,512	4,372,052
More than one year to three years	398,845	323,652	299,407	231,633
More than three years to five years	840,451	931,858	475,590	570,320
Over five years	-	3,914	-	3,914
	27,780,138	27,667,088	20,656,688	20,577,370

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 Deposits from Customers (Cont'd)

(ii) By type of customer	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Government and statutory bodies	91,374	124,171	48,762	36,960
Business enterprises	19,569,477	19,230,475	17,383,847	17,300,476
Individuals	29,987,543	29,662,946	22,657,976	22,624,464
Others	11,194,211	10,896,827	9,370,629	8,921,976
	60,842,605	59,914,419	49,461,214	48,883,876

20 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Licensed banks	140,000	-	-	-
Bank Negara Malaysia	64,995	155,953	20,648	129,138
Other financial institutions	9,114,645	8,141,875	9,063,255	8,141,741
	9,319,640	8,297,828	9,083,903	8,270,879

21 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Interest/ profit payable	226,853	219,767	179,106	168,674
Allowance for commitments and contingencies	-	13,936	-	13,936
Profit equalisation reserve	1,253	1,290	-	-
Other creditors and accruals	1,576,774	1,401,302	1,500,205	1,463,933
	1,804,880	1,636,295	1,679,311	1,646,543

Movement in allowance for commitments and contingencies is as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22 Multi-Currency Sukuk Programme

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

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

23 Subordinated Bonds

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013
	RM'000	RM'000	RM'000	RM'000
Subordinated bonds, at par	1,000,000	1,000,000	1,000,000	1,000,000
Fair value changes arising from fair value hedge	4,942	5,071	4,942	5,071
	1,004,942	1,005,071	1,004,942	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 Bank has undertaken a fair value hedge on the interest rate risk on a portion of each of the above two tranches of Subordinated bonds using interest rate swaps. Total amount of Subordinated bonds hedged is RM 320 million.

The first tranche of RM 500 million subordinated bonds maturing on 28 June 2022, may be called and redeemed by the Bank, in whole or in part at any anniversary date, on or after 28 June 2017, subject to prior consent of Bank Negara Malaysia (BNM). If the subordinated bonds are not redeemed on 28 June 2017, coupon payable is stepped up by 100 basis point to 5.35% p.a.

The second tranche of RM 500 million subordinated bonds maturing on 2 November 2027, may be called and redeemed by the Bank, in whole or in part at any anniversary date, on or after 2 November 2022, subject to prior consent of BNM. If the subordinated bonds are not redeemed on 2 November 2022, coupon payable is stepped up by 100 basis point to 6.05% p.a.

Both tranches of subordinated bonds are repayable at par on maturity.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24 Net Interest Income

	Group		Bank	
	31 Mar 2014 RM'000	31 Mar 2013 RM'000 Restated	31 Mar 2014 RM'000	31 Mar 2013 RM'000 Restated
Interest income				
Loans and advances				
- Interest income other than from impaired loans	387,663	396,161	387,663	396,161
- Interest income recognised from impaired loans	12,698	10,079	12,698	10,079
Money at call and deposit placements with financial institutions	130,895	102,369	138,278	111,872
Financial investments available-for-sale	46,580	59,566	46,580	59,566
	577,836	568,175	585,219	577,678
Interest expense				
Deposits and placements of banks and other financial institutions	(19,654)	(17,232)	(19,654)	(17,232)
Deposits from customers	(178,283)	(197,126)	(178,283)	(197,126)
Subordinated bonds	(10,791)	(10,723)	(10,791)	(10,723)
Others	(2,645)	(2,241)	(2,645)	(2,241)
	(211,373)	(227,322)	(211,373)	(227,322)
Net interest income	366,463	340,853	373,846	350,356

25 Net Fee and Commission Income

	Group		Bank	
	31 Mar 2014 RM'000	31 Mar 2013 RM'000	31 Mar 2014 RM'000	31 Mar 2013 RM'000
Fee and commission income				
Credit cards	43,519	41,508	43,519	41,508
Service charges and fees	37,366	37,425	37,366	37,425
Fees on credit facilities	9,208	8,712	9,208	8,712
Agency fee	13,615	12,359	13,615	12,359
Others	14,491	13,732	14,491	13,732
	118,199	113,736	118,199	113,736
Fee and commission expense				
Interbank and clearing fees	(324)	(363)	(324)	(363)
Brokerage	(580)	(873)	(580)	(873)
Others	(5,248)	(9,412)	(5,248)	(9,412)
	(6,152)	(10,648)	(6,152)	(10,648)
Net fee and commission income	112,047	103,088	112,047	103,088

26 Net Trading Income

	Group		Bank	
	31 Mar 2014 RM'000	31 Mar 2013 RM'000	31 Mar 2014 RM'000	31 Mar 2013 RM'000
Realised gains on financial assets/liabilities held-for-trading and other financial instruments	3,642	26,928	3,642	26,928
Net interest income from financial assets held-for-trading	6,608	9,947	6,608	9,947
Net unrealised gains on revaluation of financial assets held-for-trading	11,171	3,998	11,171	3,998
Net realised gains arising from dealing in foreign currency	119,055	117,266	112,480	116,434
Net unrealised losses from dealing in foreign currency	(23,307)	(11,437)	(23,307)	(11,437)
Net realised gains arising from dealing in derivatives	36,251	77,355	36,579	77,238
Net unrealised losses on revaluation of derivatives	(39,318)	(73,212)	(37,079)	(72,978)
Losses arising from fair value hedges	(183)	(17)	(183)	(17)
	113,919	150,828	109,911	150,113

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27 Income from Islamic Banking operations

	Group	
	31 Mar 2014 RM'000	31 Mar 2013 RM'000
Income derived from investment of depositor funds and others	150,243	145,511
Income derived from investment of shareholders funds	32,720	32,438
Income attributable to the depositors	(58,820)	(50,578)
	124,143	127,371

28 Other Operating Income

	Group		Bank	
	31 Mar 2014 RM'000	31 Mar 2013 RM'000	31 Mar 2014 RM'000	31 Mar 2013 RM'000
Disposal of financial investments available-for-sale	-	8,147	-	8,147
Dividend income from financial investments available-for-sale				
- Unquoted in Malaysia	930	-	930	-
Rental income	1,685	1,484	1,685	1,484
Net gains on disposal of property and equipment	2	25	2	25
Other operating income	4,744	3,871	37,402	34,806
	7,361	13,527	40,019	44,462

29 Loans/ Financing Impairment Charges and other Credit Risk Provisions

	Group		Bank	
	31 Mar 2014 RM'000	31 Mar 2013 RM'000	31 Mar 2014 RM'000	31 Mar 2013 RM'000
Impairment charges on loans and financing:		Restated		Restated
(a) Individual allowance for impairment				
Made during the period	50,716	51,487	36,971	39,436
Written back	(56,567)	(48,981)	(44,995)	(39,641)
(b) Collective allowance for impairment				
Made during the period	68,649	120,230	38,283	77,304
Written back	(19,596)	(14,541)	(9,287)	(7,831)
Impaired loans and financing				
Recovered during the period	(21,688)	(28,039)	(13,980)	(20,406)
Written off	1,693	3,252	1,467	2,444
Impairment charges on other credit related items				
Made during the period	(830)	-	(830)	-
	22,377	83,408	7,629	51,306

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Other Operating Expenses

	Group		Bank	
	31 Mar 2014 RM'000	31 Mar 2013 RM'000 Restated	31 Mar 2014 RM'000	31 Mar 2013 RM'000 Restated
Personnel expenses	146,318	138,447	135,936	130,385
Promotion and marketing related expenses	24,469	17,420	19,480	13,422
Establishment related expenses	36,331	34,671	30,804	29,343
General administrative expenses	99,395	80,495	96,706	78,108
	306,513	271,033	282,926	251,258

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	113,762	106,269	105,336	99,774
Employees Provident Fund contributions	18,474	17,188	17,128	16,407
Promotion and marketing related expenses				
Advertising and promotion	19,068	13,783	14,749	11,021
Establishment related expenses				
Depreciation of property and equipment	9,145	10,216	6,966	7,745
Amortisation of intangible assets	4,688	4,622	4,686	4,617
Information technology costs	4,351	2,145	3,608	1,886
Hire of equipment	2,891	2,330	2,889	2,313
Rental of premises	9,437	8,883	7,435	6,852
Property and equipment written off	2	506	2	492
General administrative expenses				
Intercompany expenses	66,223	52,410	67,080	53,251
Auditors' remuneration				
<u>Statutory audit fees</u>				
KPMG Malaysia	126	130	96	100
<u>Other services</u>				
KPMG Malaysia	233	175	165	132

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Capital Adequacy

	<i>Group</i>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Tier 1 capital		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Retained profits (including proposed dividend)	4,899,062	4,974,062
Other reserves	754,376	638,066
Regulatory adjustments	(489,297)	(364,017)
Total Common Equity Tier 1 (CET 1) and Tier 1 capital	6,020,016	6,103,986
Tier 2 capital		
Subordinated bonds	800,000	900,000
Collective impairment allowance (unimpaired portion) & regulatory reserves	392,618	295,487
Regulatory adjustments	88,528	88,738
Total Tier 2 capital	1,281,146	1,284,225
Capital base	7,301,162	7,388,211
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	12.002%	11.893%
Total Capital ratio	14.557%	14.395%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	11.404%	11.308%
Total Capital ratio	13.959%	13.811%

The total capital and capital adequacy ratios of the Bank 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>			
	31 Mar 2014		31 Dec 2013	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	92,629,196 *	42,331,122 *	92,358,223 *	43,621,505 *
Total RWA for market risk	-	2,135,244	-	2,069,891
Total RWA for operational risk	-	5,690,036	-	5,632,809
	92,629,196	50,156,402	92,358,223	51,324,205

* The principal and risk weighted amount for credit risk relating to the RPSIA (refer Note 15(i) for more details) is RM389.49m for both on 31 March 2014 (2013: RM629.76m).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Tier 1 capital		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Retained profits (including proposed dividend)	4,427,012	4,502,012
Other reserves	707,568	594,721
Regulatory adjustments	(616,534)	(358,901)
Total Common Equity Tier 1 (CET1) and Tier 1 capital	<u>5,373,921</u>	<u>5,593,707</u>
Tier 2 capital		
Subordinated bonds	800,000	900,000
Collective impairment allowance (unimpaired portion) & regulatory reserves	320,593	219,837
Regulatory adjustments	(439,489)	(571,283)
Total Tier 2 capital	<u>681,104</u>	<u>548,554</u>
Capital base	<u>6,055,025</u>	<u>6,142,261</u>
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	12.889%	12.961%
Total Capital ratio	14.523%	14.232%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	12.169%	12.266%
Total Capital ratio	13.803%	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>			
	31 Mar 2014		31 Dec 2013	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	77,487,999 *	34,560,539 *	78,044,530 *	36,133,709 *
Total RWA for market risk	-	2,057,056	-	1,991,640
Total RWA for operational risk	-	5,076,436	-	5,033,713
	<u>77,487,999</u>	<u>41,694,031</u>	<u>78,044,530</u>	<u>43,159,062</u>

* The principal and risk weighted amount for credit risk relating to the RPSIA (refer Note 15(i) for more details) is RM389.49m for both on 31 March 2014 (2013: RM629.76m).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Commitments and Contingencies

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

31 March 2014

	Group			
	Credit Principal amount RM'000	Positive fair value of derivative contracts^ RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
Direct credit substitutes	2,137,516	-	2,137,516	1,951,062
Transaction-related contingent items	6,374,951	-	3,187,475	2,551,458
Short-term self-liquidating trade-related contingencies	300,153	-	60,031	50,980
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	14,229,402	-	2,845,880	2,492,935
- Maturity exceeding one year	7,311,199	-	3,655,599	3,111,229
Unutilised credit card lines	7,658,580	-	1,531,716	1,148,787
Foreign exchange related contracts				
- Less than one year	44,752,317	356,209	949,309	455,301
- Over one year to less than five years	8,571,829	350,644	978,190	387,003
- Over five years	2,134,752	102,372	323,644	144,853
Interest/profit rate related contracts:				
- Less than one year	11,903,687	17,987	35,017	13,288
- Over one year to less than five years	33,368,218	178,923	986,631	359,466
- Over five years	3,572,288	53,677	313,931	120,495
Gold and other precious metals contracts				
- Less than one year	15,642	-	-	-
Equity related contracts				
- Less than one year	735,184	12,014	58,063	11,613
- Over one year to less than five years	1,860,357	11,854	160,683	32,760
- Over five years	20,700	257	2,327	465
	144,946,775	1,083,937	17,226,012	12,831,695

^ The foreign exchange and equity related contracts, interest/profit rate related contracts, gold and other precious metals contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest/profit rates and commodities price) of the underlying instruments. The table above shows the Group's derivative financial instruments at the statement of financial position date. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial asset) fair values at the statement of financial position date are shown above.

* The credit equivalent and risk weighted amounts are computed using credit conversion factors and risk weighting rules as per Bank Negara Malaysia guidelines. The credit conversion factors and risk weighting rules for the Bank were based on the guidelines of the Capital Adequacy Framework on the Standardised Approach. The credit conversion factors and risk weighting rules for HSBC Amanah Malaysia Berhad were based on the Basel II Capital Adequacy Framework for Islamic Bank (CAFIB).

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Commitments and Contingencies (Cont'd)

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

31 December 2013	Group			
	Credit Principal amount RM'000	Positive fair value of derivative contracts^ RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
Direct credit substitutes	2,465,200	-	2,465,200	2,220,317
Transaction-related contingent items	5,492,236	-	2,746,118	2,125,241
Short-term self-liquidating trade-related contingencies	335,070	-	67,014	55,690
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	13,889,190	-	2,777,838	2,429,856
- Maturity exceeding one year	7,109,109	-	3,554,554	2,998,411
Unutilised credit card lines	7,498,000	-	1,499,600	1,124,700
Foreign exchange related contracts				
- Less than one year	40,404,219	486,910	1,110,031	583,573
- Over one year to less than five years	9,510,501	385,096	1,081,810	547,580
- Over five years	2,293,105	123,138	362,966	207,866
Interest/profit rate related contracts:				
- Less than one year	12,560,652	30,226	49,694	15,034
- Over one year to less than five years	31,948,817	189,767	975,652	333,899
- Over five years	3,731,860	70,429	344,401	128,387
Gold and other precious metals contracts				
- Less than one year	60,712	-	-	-
Equity related contracts				
- Less than one year	1,162,877	13,679	84,297	16,859
- Over one year to less than five years	1,399,288	20,214	134,176	26,835
- Over five years	140,538	685	14,739	2,948
	140,001,374	1,320,144	17,268,090	12,817,196

^ The foreign exchange and equity related contracts, interest/profit rate related contracts, gold and other precious metals contracts and commodity related contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest/profit rates and commodities price) of the underlying instruments. The table above shows the Group's derivative financial instruments at the statement of financial position date. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial asset) fair values at the statement of financial position date are shown above.

* The credit equivalent and risk weighted amounts are computed using credit conversion factors and risk weighting rules as per Bank Negara Malaysia guidelines. The credit conversion factors and risk weighting rules for the Bank were based on Basel II Standardised Approach under the Risk Weighted Capital Adequacy Framework ('RWCAF'). For HSBC Amanah Malaysia Berhad, the credit conversion factors and risk weighting rules were based on Basel II CAFIB.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Commitments and Contingencies (Cont'd)

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

31 March 2014

	Bank			
	Credit Principal amount RM'000	Positive fair value of derivative contracts[^] RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
Direct credit substitutes	1,680,026	-	1,680,025	1,502,151
Transaction-related contingent items	5,476,763	-	2,738,381	2,218,252
Short-term self-liquidating trade-related contingencies	274,099	-	54,820	47,045
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	12,246,553	-	2,449,310	2,135,857
- Maturity exceeding one year	6,392,183	-	3,196,092	2,669,136
Unutilised credit card lines	6,572,524	-	1,314,505	985,879
Foreign exchange related contracts				
- Less than one year	45,089,091	356,262	948,935	451,198
- Over one year to less than five years	8,571,829	350,644	978,190	387,003
- Over five years	2,134,752	101,651	322,805	137,301
Interest rate related contracts:				
- Less than one year	11,996,687	17,987	35,204	13,381
- Over one year to less than five years	35,582,387	246,520	1,099,775	378,497
- Over five years	3,572,288	53,676	313,931	120,496
Gold and other precious metals contracts				
- Less than one year	15,642	-	-	-
Equity related contracts				
- Less than one year	930,034	43,440	101,163	34,231
- Over one year to less than five years	2,886,785	44,684	272,098	88,855
- Over five years	20,700	257	2,327	466
	143,442,343	1,215,121	15,507,561	11,169,748

[^] The foreign exchange and equity related contracts, interest rate related contracts, gold and other precious metals contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and commodities price) of the underlying instruments. The table above shows the Bank's derivative financial instruments at the statement of financial position date. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial asset) fair values at the statement of financial position date are shown above.

^{*} The credit equivalent and risk weighted amounts are computed using credit conversion factors and risk weighting rules as per Bank Negara Malaysia guidelines. The credit conversion factors and risk weighting rules were based on the guidelines of the Capital Adequacy Framework on the Standardised Approach.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Commitments and Contingencies (Cont'd)

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

31 December 2013	Bank			
	Credit Principal amount RM'000	Positive fair value of derivative contracts^ RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
Direct credit substitutes	1,971,835	-	1,971,835	1,772,082
Transaction-related contingent items	4,659,536	-	2,329,768	1,831,314
Short-term self-liquidating trade-related contingencies	315,459	-	63,092	52,402
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	12,015,264	-	2,403,053	2,096,693
- Maturity exceeding one year	6,248,092	-	3,124,046	2,581,501
Unutilised credit card lines	6,467,160	-	1,293,432	970,074
Foreign exchange related contracts				
- Less than one year	40,500,738	486,226	1,108,716	575,166
- Over one year to less than five years	9,510,501	385,096	1,081,810	547,580
- Over five years	2,293,105	122,468	361,951	202,525
Interest rate related contracts:				
- Less than one year	12,659,151	30,226	49,872	15,123
- Over one year to less than five years	33,893,539	251,732	1,076,624	375,693
- Over five years	3,731,860	70,429	344,401	128,387
Gold and other precious metals contracts				
- Less than one year	60,712	-	-	-
Equity related contracts				
- Less than one year	1,675,863	39,812	141,527	46,660
- Over one year to less than five years	1,964,862	26,651	184,325	54,404
- Over five years	140,538	685	14,739	2,948
	138,108,215	1,413,325	15,549,191	11,252,552

^ The foreign exchange and equity related contracts, interest rate related contracts, gold and other precious metals contracts and commodity related contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and commodities price) of the underlying instruments. The table above shows the Bank's derivative financial instruments at the statement of financial position date. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial asset) fair values at the statement of financial position date are shown above.

* The credit equivalent and risk weighted amounts are computed using credit conversion factors and risk weighting rules as per Bank Negara Malaysia guidelines. The credit conversion factors and risk weighting rules were based on Basel II Standardised Approach under the RWCAF.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Derivative Financial Instruments

Details of derivative financial instruments outstanding are as follows:

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

Group At 31 March 2014	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	38,022,684	446,155	-	38,468,839	229,615	5,626	-	235,241	200,599	4,930	-	205,529
- Swaps	6,966,932	8,144,139	244,577	15,355,648	114,408	349,925	96,635	560,968	131,806	205,406	50,988	388,200
- Options	1,504,292	130,119	-	1,634,411	9,327	3,689	-	13,016	14,974	30	-	15,004
Interest/profit rate related contracts												
- Futures	97,965	-	-	97,965	652	-	-	652	-	-	-	-
- Options	513,275	1,111,101	-	1,624,376	-	13,690	-	13,690	3,189	5,099	-	8,288
- Swaps	10,979,083	29,570,481	3,542,288	44,091,852	17,588	143,235	53,677	214,500	29,852	154,843	51,269	235,964
Equity related contracts												
- Options purchased	735,184	1,860,357	20,700	2,616,241	13,890	9,978	257	24,125	48,475	32,622	-	81,097
Precious metal contracts												
- Options purchased	15,642	-	-	15,642	-	-	-	-	176	-	-	176
Sub- total	58,835,057	41,262,352	3,807,565	103,904,974	385,480	526,143	150,569	1,062,192	429,071	402,930	102,257	934,258
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	395,000	2,635,000	-	3,030,000	399	21,346	-	21,745	2	98	-	100
Sub- total	395,000	2,635,000	-	3,030,000	399	21,346	-	21,745	2	98	-	100
Total	59,230,057	43,897,352	3,807,565	106,934,974	385,879	547,489	150,569	1,083,937	429,073	403,028	102,257	934,358

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Derivative Financial Instruments (Cont'd)

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

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

Group At 31 December 2013	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	34,691,221	495,042	-	35,186,263	338,108	10,808	-	348,916	295,463	10,107	-	305,570
- Swaps	7,278,852	8,161,745	245,589	15,686,186	118,016	381,010	117,877	616,903	118,930	254,959	80,429	454,318
- Options	1,330,507	4,869	-	1,335,376	27,850	1,475	-	29,325	18,687	7	-	18,694
Interest/profit rate related contracts												
- Future	-	-	-	-	-	-	-	-	-	-	-	-
- Options	513,950	1,064,181	30,000	1,608,131	-	14,680	-	14,680	2,731	2,669	-	5,400
- Swaps	11,713,678	28,582,659	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 purchased	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 purchased	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
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	355,000	1,945,000	-	2,300,000	543	22,075	-	22,618	-	-	-	-
Cash Flow Hedge												
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	-	-	-	-
Total	57,166,797	41,652,784	4,392,988	103,212,569	527,855	603,640	188,649	1,320,144	505,578	451,299	141,576	1,098,453

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Derivative Financial Instruments (Cont'd)

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

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

Bank At 31 March 2014	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	38,343,123	446,155	-	38,789,278	229,668	5,626	-	235,294	200,905	4,930	-	205,835
- Swaps	6,966,932	8,144,139	244,577	15,355,648	114,408	349,925	95,914	560,247	131,806	205,406	50,988	388,200
- Options	1,520,627	130,119	-	1,650,746	9,327	3,689	-	13,016	15,358	30	-	15,388
Interest rate related contracts												
- Futures	97,965	-	-	97,965	652	-	-	652	-	-	-	-
- Options	513,275	1,860,269	-	2,373,544	-	77,900	-	77,900	3,189	58,103	-	61,292
- Swaps	11,072,084	31,315,481	3,542,288	45,929,853	17,588	147,299	53,677	218,564	30,121	163,584	51,269	244,974
Equity related contracts												
- Options purchased	930,034	2,886,785	20,700	3,837,519	45,236	42,888	257	88,381	48,475	35,525	-	84,000
Precious metal contracts												
- Options purchased	15,642	-	-	15,642	-	-	-	-	176	-	-	176
Sub- total	59,459,682	44,782,948	3,807,565	108,050,195	416,879	627,327	149,848	1,194,054	430,030	467,578	102,257	999,865
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	395,000	2,355,000	-	2,750,000	399	20,668	-	21,067	2	-	-	2
Sub- total	395,000	2,355,000	-	2,750,000	399	20,668	-	21,067	2	-	-	2
Total	59,854,682	47,137,948	3,807,565	110,800,195	417,278	647,995	149,848	1,215,121	430,032	467,578	102,257	999,867

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Derivative Financial Instruments (Cont'd)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Performance Review

The Group recorded profit before tax of RM395 million for the three months ended 31 March 2014, an increase of 3.6% or RM13.8 million compared against history. The higher profit was due to lower loan/financing impairment charges of RM61 million or 73.2% (Mar14: RM22 million, Mar13: RM83 million); partly offset by a decrease in operating income of RM12 million or 1.6% (Mar14: RM724 million, Mar13: RM736 million) and higher operating expenses of RM36 million or 13.1% (Mar14: RM307 million, Mar13: RM271 million).

Net trading income (-RM37 million or 24.5%) and income from Islamic banking (-RM3 million or 2.5%) were on a decline, while net interest income (+RM26 million or 7.5%) and net fee income (+RM9.0 million or 8.7%) showed improvements. Net trading income declined mostly on lower gains from debt securities and decreased foreign currency gains. 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 in tandem with the growth in customer advances from RM42.2 billion at 31 March 2013 to 43.2 billion at 31 March 2014. The increase in fee income for the current period was primarily due to lower fee expenses and higher credit card fee income earned in the current period. Loan/financing impairment charges decreased, on lower collective impairment provisions due to improvements in the asset quality of key collective portfolio assets and lower individual impairment charges on account of lower impairment provisions on corporates. Operating expenses grew, on higher intragroup expenses, larger promotion and marketing expenses and higher personnel expenses. The Group's capital and liquidity ratios remain strong and well above regulatory requirements.

Total balance sheet size at 31 March 2014 stood at RM81.6 billion, RM1.8 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.

35 Business Prospects

The Malaysian economy rose by 4.7% in 2013 (2012: 5.6%), spurred on by continued growth in domestic demand, as private consumption and investment remained robust. The more moderate growth performance in 2013 was to a large extent due to prolonged weaknesses in the external environment, especially in the first half of the year. Moving forward, the Malaysian economy is expected to remain on a steady growth path in 2014, expanding by 4.5% to 5.5%. The growth momentum is expected to be supported by better performance in the external environment, amidst some moderation in domestic demand. Private consumption and investment is expected to remain strong, and whilst some slowing down could be expected in public consumption following ongoing consolidation of the Government's fiscal position, public investment is projected to rise, supported by Government and public enterprise capital spending.

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 for the benefit of the customers. This year, the Group will grow its affluent and midmarket retail market share by investing in its Premier and Advance propositions and offering enhanced wealth management solutions. The Group will also continue to increase its current share of quality assets via the relationship-based approach, by increasing value added offerings and needs based banking products and business solutions, while building on cross referrals and cross selling of various banking products to the Group's existing customers. At the same time, the Group will focus on delivering a better customer experience.

The Group will also capitalise on the HSBC Group's international connectivity for cross border trade initiatives, and will engage with relevant Government bodies for early identification of inbound investments. Furthermore, liquidity conditions in the domestic financial markets are expected to remain favourable for further expansion of bond-market activity.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Comparative Figures

Reclassification to conform to current period's presentation.

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

31 March 2013

	Group		Bank	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
a) Net Interest Income				
<i>(of which the affected components are disclosed below) :</i>				
<u>Interest income</u>				
<u>Loans and advances</u>				
- Interest income other than from impaired loans	396,161	396,161	396,161	396,161
- Interest income recognised from impaired loans	10,079	10,079	10,079	10,079
Money at call and deposit placements with financial institutions	102,369	102,369	111,872	111,872
Financial investments available-for-sale	59,566	59,566	59,566	59,566
Fair value hedge derivative assets	-	866	-	866
	<u>568,175</u>	<u>569,041</u>	<u>577,678</u>	<u>578,544</u>
<u>Interest expense</u>				
Deposits and placements of banks and other financial institutions	(17,232)	(18,193)	(17,232)	(18,193)
Deposits from customers	(197,126)	(196,598)	(197,126)	(196,598)
Subordinated bonds	(10,723)	(11,589)	(10,723)	(11,589)
Others	(2,241)	(1,808)	(2,241)	(1,808)
	<u>(227,322)</u>	<u>(228,188)</u>	<u>(227,322)</u>	<u>(228,188)</u>

b) Loan/Financing Impairment Charges and Other Credit Risk Provisions

(of which the affected components are disclosed below) :

Individual allowance for impairment

-Made during the period

-Written back

	Group		Bank	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
-Made during the period	51,487	24,992	39,436	12,941
-Written back	(48,981)	(22,486)	(39,641)	(13,146)

c) Other operating expenses

Personnel expenses

Promotion and marketing related expenses

Establishment related expenses

General administrative expenses

	Group		Bank	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
Personnel expenses	138,447	138,869	130,385	130,807
Promotion and marketing related expenses	17,420	18,292	13,422	14,294
Establishment related expenses	34,671	34,671	29,343	29,343
General administrative expenses	80,495	79,201	78,108	76,814
	<u>271,033</u>	<u>271,033</u>	<u>251,258</u>	<u>251,258</u>

The following change affected only the following disclosure note, without impact on the main operating expenses categories.

General administration expenses

Intercompany expenses

52,410	69,530	53,251	57,537
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(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

a) Movements in allowances for impaired loans, advances and financing

(of which the affected components are disclosed below) :

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

Individual allowance for impairment

-Made during the period

-Written back

249,778	140,798	207,354	98,374
(201,659)	(92,679)	(164,836)	(55,856)