

16 November 2007

HSBC Bank Malaysia Berhad
results for the nine months ended 30 September 2007 – highlights

- Profit before taxation of MYR720 million up MYR14 million, or 1.9 per cent, for the nine months ended 30 September 2007 compared with MYR706 million for the same period in 2006.
- Profit before allowance for losses on loans and financing of MYR946 million up MYR164 million, or 21.0 per cent, for the nine months ended 30 September 2007 compared with MYR782 million for the same period in 2006 mainly attributable to the following:
 - Revenue of MYR2.4 billion up MYR308 million, or 14.7 per cent, for the nine months ended 30 September 2007 compared with MYR2.1 billion for the same period in 2006.
 - Net interest income of MYR828 million up MYR105 million, or 14.6 per cent, for the nine months ended 30 September 2007 compared with MYR723 million for the same period in 2006.
 - Income from Islamic banking operations of MYR174 million up MYR51 million, or 41.1 per cent, for the nine months ended 30 September 2007 compared with MYR123 million for the same period in 2006.
- Allowance for losses on loans and financing of MYR226 million up MYR151 million, or 201.3 per cent, for the nine months ended 30 September 2007 compared with MYR75 million for the same period in 2006.
- Cost efficiency ratio for the nine months ended 30 September 2007 improved to 42.9 per cent from 45.7 per cent for the same period in 2006.
- Total assets of MYR44.8 billion up MYR3.8 billion, or 9.2 per cent, at 30 September 2007 compared with MYR41.0 billion at 31 December 2006.

HSBC Bank Malaysia Berhad – results for the nine months ended 30 September 2007

HSBC Bank Malaysia Berhad has reported solid growth in revenue of 14.7 per cent and profit before allowance of 21.0 per cent for the nine months ended 30 September 2007 compared with the corresponding period last year. This is mainly attributable to growth in all major income streams, including net interest income, trading income and income from Islamic banking operations. Growth in pre-tax profit for the nine months ended 30 September 2007 was a moderate 1.9 per cent, or MYR13 million, compared with the same period in 2006 as a result of higher allowance for losses on loans and financing primarily due to higher impairment allowances against corporate lending.

Higher net interest income for the first nine months of 2007 was principally driven by year-on-year growth in lending of MYR2.7 billion, or 11.0 per cent, while income from Islamic banking operations rose strongly, by 41.1 per cent against the same period last year, due to growth in finance income from consumer credit and hire purchase financing.

Other operating income for the nine months ended 30 September 2007 grew 10.1 per cent compared with the corresponding period in 2006. This was mainly as a result of higher foreign exchange profits due to volatility of the Malaysian ringgit and further liberalisation of the Central Bank's foreign exchange administrative rules which resulted in higher hedging activities by corporate customers.

Other operating expenses for the first nine months of 2007 increased by 8.2 per cent, or MYR53 million, against the same period last year mainly due to higher personnel costs and inter company expenses.

The cost efficiency ratio for the nine months ended 30 September 2007 improved to 42.9 per cent from 45.7 per cent for the same period in 2006. This was a result of strong growth in all major income streams while other operating expenses grew at a slower pace.

Profit before tax of MYR226 million for the three months ended 30 September 2007 decreased by MYR67 million, or 22.9 per cent, compared with the corresponding period last year. This was primarily attributable to an exceptional profit of MYR35 million gained from the disposal of a merchant acquiring credit card business in July 2006 to a joint venture between HSBC and Global Payments Inc, coupled with higher individual impairment allowances against consumer lending, as well as increased general impairment allowance due to the expanded loan base.

Total assets at 30 September 2007 grew by MYR3.8 billion, or 9.2 per cent. This was mainly attributable to increased corporate lending, up MYR2.7 billion, or 10.1 per cent compared with 31 December 2006. Customer deposits of MYR35.9 billion at 30 September 2007 increased by MYR4.1 billion, or 11.3 per cent, compared with 31 December 2006 as a result of the bank's continuous efforts to raise Premier and demand deposits.

Irene Dorner, deputy chairman and CEO of HSBC Bank Malaysia Berhad, commented: “Amidst an increasingly competitive banking environment, HSBC Bank Malaysia Berhad continues to show robust growth in all major income sources as well as balance sheet size. The Bank will continue its broad-based growth strategy with a focus on higher potential areas such as Islamic financing and SMEs.

“The Bank is well positioned to capitalise on business opportunities arising from the progressive liberalisation of the local finance service sector. It will continue to strengthen and broaden customer relationships, improve product and service quality, and provide value-added services to ensure HSBC Bank Malaysia Berhad is the best place to bank for our customers. In 2006 and early 2007, the Bank set up four new branches in Malaysia which further strengthened our branch network to 40 and expanded our geographical reach to a wider customer base.

“In view of the strong local economic fundamentals such as benign inflationary trend, low unemployment and a strong current account balance, the Malaysian economy is expected to grow at 6 per cent in 2007 and further strengthen to 6-6.5 per cent in 2008. The Bank is well positioned to explore and capture new business opportunities in the potential growth areas by leveraging on our strong brand, global network and expertise in the banking industry.”

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UNAUDITED CONDENSED BALANCE SHEET AS AT 30 SEPTEMBER 2007

<i>Figures in MYR '000s</i>	<i>Group</i>		<i>Bank</i>	
	30 Sep 2007	31 Dec 2006	30 Sep 2007	31 Dec 2006
Assets				
Cash and short-term funds	5,736,739	6,114,345	5,736,739	6,114,345
Securities purchased under resale agreements	2,033,782	2,273,539	2,033,782	2,273,539
Deposits and placements with banks and other financial institutions	132,695	1,989,882	132,695	1,989,882
Securities held-for-trading	1,532,424	795,937	1,532,424	795,937
Securities available-for-sale	5,841,110	3,806,463	5,841,110	3,806,463
Loans, advances and financing	27,073,900	24,343,937	27,073,900	24,343,937
Other assets	1,013,133	578,089	1,013,133	578,089
Statutory deposits with Central Bank Malaysia	986,447	698,648	986,447	698,648
Investment in subsidiaries	-	-	21	21
Prepaid land lease payments	21,129	21,493	21,129	21,493
Property, plant and equipment	278,134	281,894	278,134	281,894
Intangible assets	39,682	29,172	39,682	29,172
Deferred tax assets	86,997	69,330	86,997	69,330
Total assets	44,776,172	41,002,729	44,776,193	41,002,750
Liabilities				
Deposits from customers	35,895,479	31,822,208	35,895,500	31,822,229
Deposits and placements of banks and other financial institutions	2,503,713	1,934,326	2,503,713	1,934,326
Obligations on securities sold under repurchased agreements	-	1,660,739	-	1,660,739
Bills and acceptances payable	505,224	490,055	505,224	490,055
Other liabilities	1,676,333	1,351,441	1,676,333	1,351,441
Recourse obligation on loans sold to Cagamas Berhad	774,828	899,751	774,828	899,751
Provision for taxation	44,272	31,278	44,272	31,278
Subordinated bonds	500,000	-	500,000	-
Total liabilities	41,899,849	38,189,798	41,899,870	38,189,819
Shareholders' funds				
Share capital	114,500	114,500	114,500	114,500
Reserves	2,761,823	2,448,431	2,761,823	2,448,431
Proposed dividend	-	250,000	-	250,000
Shareholders' funds	2,876,323	2,812,931	2,876,323	2,812,931
Total liabilities and shareholders' funds	44,776,172	41,002,729	44,776,193	41,002,750
Commitments and contingencies	79,131,835	60,087,067	79,131,835	60,087,067

Note: The financial statements of HSBC Bank Malaysia Berhad have been prepared in accordance with the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.

**UNAUDITED CONDENSED INCOME STATEMENT
FOR THE THIRD FINANCIAL QUARTER/PERIOD ENDED
30 SEPTEMBER 2007**

	<i>Group and Bank</i>			
	3rd quarter ended		Year-to-date ended	
	30 Sep 2007	30 Sep 2006	30 Sep 2007	30 Sep 2006
	MYR'000	MYR'000	MYR'000	MYR'000
Revenue	813,351	779,309	2,405,400	2,097,632
Interest income	504,056	465,174	1,486,275	1,285,463
Interest expense	(227,716)	(211,870)	(657,989)	(562,903)
Net interest income	276,340	253,304	828,286	722,560
Other operating income	220,394	231,397	653,891	593,825
Income from Islamic banking operations	59,903	49,490	173,851	123,206
Operating income	556,637	534,191	1,656,028	1,439,591
Other operating expenses	(249,533)	(211,912)	(710,214)	(657,687)
Profit before allowance	307,104	322,279	945,814	781,904
Allowance for losses on loans and financing	(80,631)	(29,219)	(226,312)	(75,761)
Profit before taxation and zakat	226,473	293,060	719,502	706,143
Taxation and zakat	(68,055)	(78,498)	(204,333)	(202,806)
Profit attributable to shareholders	158,418	214,562	515,619	503,337
Earnings per MYR0.50 ordinary share				
- basic/diluted	69.2 sen	93.7 sen	225.0 sen	219.8 sen
Dividends per MYR0.50 ordinary share (net)				
- paid in respect of prior year	-	-	109.2 sen	65.5 sen
- interim dividend paid	87.3 sen	65.5 sen	87.3 sen	65.5 sen

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