

9 May 2008

HSBC Bank Malaysia Berhad results for the first quarter 2008 - highlights

- Profit before taxation for the first quarter of 2008 was MYR348 million, 13.0 per cent higher than the MYR308 million reported for the same period in 2007.
- Profit before allowance for losses on loans and financing increased by 25.7 per cent to MYR397 million for the three months ended 31 March 2008 compared with MYR316 million for the same period in 2007, mainly attributable to higher other operating income.
- Other operating income in the first quarter of 2008 was up 49.2 per cent to MYR303 million (MYR203 million for the same period in 2007) as trading profits rose as a result of increased hedging activities by corporate customers stemming from the volatility of the Malaysian ringgit against other major currencies.
- Allowance for losses on loans and financing of MYR49 million was up MYR41 million for the three months ended 31 March 2008 due to a lower rate of recoveries than in the same period in 2007.
- Cost efficiency ratio for the three months ended 31 March 2008 improved to 38.1 per cent from 40.6 per cent for the corresponding period in 2007.
- Total assets of MYR50.3 billion up MYR2.2 billion, or 4.4 per cent, at 31 March 2008 compared with MYR48.1 billion at 31 December 2007.

HSBC Bank Malaysia Berhad posted strong growth in revenue of 17.6 per cent and profit before allowance for losses on loans and financing of 25.7 per cent for the three months ended 31 March 2008 compared to the corresponding period last year. There was an improvement in all major income streams, with other operating income being the main catalyst behind the growth figures.

Pre-tax profit grew MYR40 million in the first quarter of 2008, an increase of 13 per cent on the same period in 2007. This was despite the significant increase in allowance for losses on loans and financing for the three months ended 31 March 2008 when compared to the same period in 2007 which saw higher recoveries in corporate lending portfolios.

Net interest income for the three months ended 31 March 2008 grew by 2.6 per cent or MYR7 million, to MYR281 million (three months to 31 March 2007: MYR274 million). This was principally driven by an increase in lending, (up MYR2.8 billion or 11.5 per cent to MYR26.8 billion at 31 March 2008 from MYR24.0 billion at 31 March 2007), mainly in trade financing products, offset by tighter margins.

Other operating income for the three months ended 31 March 2008 increased to MYR303 million, up 49.2 per cent or MYR100 million compared to the

corresponding period in 2007. This was mainly a result of the increase of MYR74 million in trading profits recorded for the three months ended 31 March 2008 as the Malaysian ringgit remained volatile against other major currencies, resulting in higher hedging activities by corporate customers. Other operating income was further boosted by a gain of MYR22 million realised from the mandatory partial redemption of Visa Inc. ("Visa") shares pursuant to Visa's initial public offering in March 2008.

Other operating expenses for the first three months of 2008 increased by 13.4 per cent, or MYR29 million, to MYR245 million compared with the same period in 2007 (MYR216 million) mainly due to higher personnel costs (up MYR18 million or 16.6%) as the bank expanded its workforce, and other operating expenses.

The cost efficiency ratio for the three months ended 31 March 2008 improved to 38.1 per cent from 40.6 per cent in the same period last year as a result of stronger growth in all major income streams while other operating expenses grew at a slower pace.

Total assets as at 31 March 2008 grew by MYR2.2 billion or 4.4 per cent compared to 31 December 2007. Customer deposits grew by MYR 2.4 billion or 6.5 per cent during the same period as liquidity in the banking sector remained high. The increase in assets was mainly attributable to higher holdings of securities held for trading, up MYR1.6 billion or 131.2 per cent to MYR2.9 billion compared to 31 December 2007.

Irene Dorner, deputy chairman and CEO of HSBC Bank Malaysia Berhad, commented: "HSBC Bank Malaysia Berhad continues to grow in all major income streams even as margins remain tight due to intense competition and excess liquidity in the domestic banking sector. The positive results reflect the confidence customers have in the HSBC brand and the success of the bank's broad based business strategy.

"The Malaysian economy is projected to grow at between five and six per cent in 2008 on the back of Malaysia's strong economic fundamentals, diversified exports base and the relatively low exposure of the local financial institutions to the US sub-prime market. The bank remains in a good position to capitalise on future business opportunities.

"The bank will continue to implement its organic growth strategy in areas with high potential, with particular focus on the setting up of its Islamic banking subsidiary, HSBC Amanah Malaysia Berhad, in the second half of 2008. The opening of new Islamic banking branches will expand the bank's geographical reach, enable it to enter a totally different market segment and allow it to increase its competitive advantage in the local financial services industry."

Media enquiries to Elizabeth Wee on +603 22 703 351 or at elizabethwee@hsbc.com.my

UNAUDITED CONDENSED BALANCE SHEET AS AT 31 MARCH 2008

<i>Figures in MYR '000s</i>	Group		Bank	
	31 Mar 2008	31 Dec 2007	31 Mar 2008	31 Dec 2007
Assets				
Cash and short-term funds	10,387,809	11,321,351	10,387,809	11,321,351
Securities purchased under resale agreements	2,828,827	1,858,579	2,828,827	1,858,579
Deposits and placements with banks and other financial institutions	1,258,003	1,448,953	1,258,003	1,448,953
Securities held-for-trading	2,858,565	1,236,193	2,858,565	1,236,193
Securities available-for-sale	3,504,848	4,272,517	3,504,848	4,272,517
Loans, advances and financing	26,797,838	26,007,124	26,797,838	26,007,124
Other assets	1,581,295	897,653	1,581,295	897,653
Statutory deposits with Central Bank Malaysia	650,547	704,847	650,547	704,847
Investment in subsidiaries	-	-	21	21
Prepaid land lease payments	20,772	20,890	20,772	20,890
Property, plant and equipment	252,688	258,290	252,688	258,290
Intangible assets	44,538	41,869	44,538	41,869
Deferred tax assets	75,932	69,675	75,932	69,675
Total assets	50,261,662	48,137,941	50,261,683	48,137,962
Liabilities				
Deposits from customers	38,535,172	36,173,674	38,535,193	36,173,695
Deposits and placements of banks and other financial institutions	4,115,989	4,583,066	4,115,989	4,583,066
Bills and acceptances payable	491,949	627,730	491,949	627,730
Other liabilities	2,196,800	1,815,550	2,196,800	1,815,550
Recourse obligation on loans sold to Cagamas Berhad	743,675	759,101	743,675	759,101
Provision for taxation	81,929	57,569	81,929	57,569
Subordinated bonds	993,573	1,000,000	993,573	1,000,000
Total liabilities	47,159,087	45,016,690	47,159,108	45,016,711
Shareholders' funds				
Share capital	114,500	114,500	114,500	114,500
Reserves	2,988,075	2,756,751	2,988,075	2,756,751
Proposed dividend	-	250,000	-	250,000
Shareholders' funds	3,102,575	3,121,251	3,102,575	3,121,251
Total liabilities and shareholders' funds	50,261,662	48,137,941	50,261,683	48,137,962
Commitments and contingencies	78,842,053	76,966,309	78,842,053	76,966,309

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 FIRST FINANCIAL QUARTER ENDED 31 MARCH 2008**

	<u>Group and Bank</u>	
<i>Figures in MYR '000s</i>	31 Mar 2008	31 Mar 2007
Revenue	906,307	770,798
Interest income	518,179	483,304
Interest expense	(237,509)	(209,614)
Net interest income	280,670	273,690
Other operating income	302,550	202,794
Income from Islamic banking operations	58,388	55,040
Operating income	641,608	531,524
Other operating expenses	(244,654)	(215,689)
Profit before allowance	396,954	315,835
Allowance for losses on loans and financing	(48,911)	(7,718)
Profit before taxation	348,043	308,117
Taxation	(95,054)	(86,270)
Profit attributable to shareholders	252,989	221,847
Earnings per MYR0.50 ordinary share - basic/diluted	110.5 sen	96.9 sen

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.