HSBC

News Release

12 December 2012

HSBC BANK MALAYSIA BERHAD
RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012 - HIGHLIGHTS

- Profit before tax for the nine months ended 30 September 2012 was MYR1,193m, an increase of MYR187m or 18.6% compared with the same period in 2011.

- Operating income grew to MYR2,267m, an increase of MYR187m or 9.0% compared with the same period in 2011. This was mainly due to higher income from Islamic banking operations of MYR425m, an increase of MYR113m or 36.3% and higher net interest income of MYR958m, an increase of MYR80m or 9.2%.

- Loan impairment charges and other credit risk provisions increased marginally by MYR6m or 3.3% for the nine months ended 30 September 2012 compared with the same period in 2011.

- Cost efficiency ratio for the nine months ended 30 September 2012 improved to 39.7% from 43.3% for the same period in 2011.

- Total assets of MYR77.6bn at 30 September 2012 decreased from MYR79.9bn at 31 December 2011 (30 September 2011: MYR73.0bn).

- Core capital ratio and risk-weighted capital ratio remain strong at 9.4% and 12.9% respectively at 30 September 2012, higher than the 9.1% and 12.7% reported at 31 December 2011.

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.

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Commentary

Mukhtar Hussain, Deputy Chairman and Chief Executive Officer of HSBC Bank Malaysia Berhad ('the Bank'), commented: "We recorded a strong increase of MYR187m, or 18.6%, in profit before tax for the first nine months of 2012 by continuing to expand our Malaysian business, and the prudent management of overheads, which created organic growth across all business lines.

"Malaysia's GDP growth for 2012 continues to be spurred by robust domestic and private consumption, effectively mitigating against negative spillovers from weaknesses in the external environment. The government's efforts through the Economic Transformation Programme (ETP) as well as the Government Transformation Programme (GTP) have contributed to sustainable economic growth within the country.

"We continue to remain optimistic about the Bank's prospects in Malaysia and are committed to investing and contributing positively towards the economic and financial development of the country."

Financial commentary

HSBC Bank Malaysia Berhad reported profit before tax of MYR1,193m in the first nine months of 2012, an increase of 18.6% or MYR187m compared with the same period in 2011.

Operating income grew to MYR2,267m, an increase of MYR187m or 9.0% compared with the same period last year. This was mainly due to higher income from Islamic banking operations of MYR425m (up MYR113m or 36.3%), higher net interest income of MYR958m (up MYR80m or 9.2%), higher net fee income of MYR365m (an increase of MYR9m or 2.6%), offset by lower trading profits of MYR490m, down MYR24m or 4.8%.

The robust growth rate in income from Islamic Banking Operations was driven by strong growth in net financing income (at MYR323m, up MYR58m or 22.0%) and Islamic trading profits (at MYR45m, up MYR33m or 258.4%). The strong momentum and interest in Islamic Banking in the local and international financial industry, coupled with the Bank's investments in domestic network coverage supported the expansion of Islamic income. Net interest income grew because the size of the average loan and financing base increased and net fee income improved from increased corporate finance related fees.

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Loan impairment charges and other credit risk provisions remain stable with only a marginal increase of MYR6m or 3.3% for the nine months ended 30 September 2012 compared to the same period last year. The increase was mainly due to higher provisions for net collective loan impairments (up MYR21m) and individual loan impairments (up MYR28m) on the expansion in gross loans, advances and financing. The higher provisions were partly offset by reduced levels of written-off impaired loans and financing (down MYR22m). Operating expenses were relatively unchanged at MYR899m (30 September 2011: MYR900m).

Gross loans, advances and financing at 30 September 2012 increased by MYR2.9bn to MYR43.2bn (31 December 2011: MYR40.3bn). Total assets at 30 September 2012 were MYR77.6bn, MYR2.3bn lower compared with MYR79.9bn at 31 December 2011. The decrease was due mainly to lower deposits and placements from banks and financial institutions (30 September 2012: MYR7.2bn; 31 December 2011: MYR9.9bn).

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Notes to editors:

1. HSBC in Malaysia
HSBC Bank Malaysia Berhad was locally incorporated in 1984 and is a wholly owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited (a member of the HSBC Group). In 2006, HSBC was the first foreign bank to be awarded a Takaful (Islamic insurance) license in Malaysia. HSBC Amanah Takaful (Malaysia) Sdn Bhd, a joint venture between HSBC Insurance (Asia-Pacific) Holdings Limited (49% shareholding), Jerneh Asia Berhad (31% shareholding) and Employees Provident Fund Board of Malaysia (20% shareholding), commenced operations in August 2006. In 2007, HSBC Bank Malaysia Berhad was the first locally incorporated foreign bank to be awarded an Islamic banking subsidiary licence in Malaysia, and HSBC Amanah Malaysia, a fully fledged Islamic bank wholly owned by HSBC Bank Malaysia, commenced operations in August 2008. As at 30 September 2012, HSBC in Malaysia has a network of 64 branches nationwide, of which 22 are Islamic finance branches.

2. The Hongkong and Shanghai Banking Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited is the founding and a principal member of the HSBC Group which serves customers worldwide from around 6,900 offices in over 80 countries and territories in Europe, the Asia-Pacific region, North and Latin America, and the Middle East and North Africa. With assets of US$2,721bn at 30 September 2012, the HSBC Group is one of the world's largest banking and financial services organisations.

Unaudited Condensed Statements of Financial Position at 30 September 2012

Figures in MYR '000s	*Group*		
	30 Sep 2012	31 Dec 2011 Restated	1 Jan 2011 Restated
Assets			
Cash and short term funds	**11,702,846**	21,603,227	11,815,604
Securities purchased under resale agreements	**2,682,796**	3,682,969	6,467,863
Deposits and placements with banks and other financial institutions	**5,007,705**	651,778	330,981
Financial Assets Held-for-Trading	**4,491,320**	6,217,237	4,895,060
Financial Investments Available-for-Sale	**6,100,336**	4,873,818	3,400,090
Loans, advances and financing	**42,291,871**	39,417,305	34,293,889
Other assets	**3,369,703**	1,754,521	1,937,341
Statutory deposits with Central Bank	**1,336,660**	1,096,060	221,827
Property and equipment	**341,538**	354,032	318,481
Intangible assets	**52,894**	53,263	60,621
Deferred tax assets	**217,093**	220,907	294,806
Total assets	**77,594,762**	79,925,117	64,036,563
Liabilities			
Deposits from customers	**59,519,142**	58,737,097	48,492,474
Deposits and placements from banks and other financial institutions	**7,153,163**	9,908,962	6,853,048
Bills and acceptances payable	**433,573**	521,337	429,229
Other liabilities	**3,833,610**	4,546,590	2,247,500
Recourse obligation on loans sold to National Mortgage Corporation	**-**	-	374,991
Provision for taxation	**240,955**	199,566	251,677
Subordinated bonds	**1,014,753**	1,015,200	1,003,039
Total liabilities	**72,195,196**	74,928,752	59,651,958
Equity			
Share capital	**114,500**	114,500	114,500
Reserves	**5,285,066**	4,581,865	4,020,105
Proposed dividend	**-**	300,000	250,000
Total equity attributable to owner of the Bank	**5,399,566**	4,996,365	4,384,605
Total liabilities and equity	**77,594,762**	79,925,117	64,036,563
Commitments and Contingencies	**134,543,640**	118,976,559	87,355,828

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Comparative figures for 31 Dec 2011 and 1 Jan 2011 have been restated/reclassified to conform to current year's presentation upon the adoption of the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2012

Unaudited Condensed Statements of Financial Position at 30 September 2012

Figures in MYR '000s	*Bank*		
	30 Sep 2012	31 Dec 2011 Restated	1 Jan 2011 Restated
Assets			
Cash and short term funds	**10,057,585**	20,292,272	10,658,860
Securities purchased under resale agreements	**2,682,796**	3,682,969	6,467,863
Deposits and placements with banks and other financial institutions	**7,117,398**	3,687,058	1,471,815
Financial Assets Held-for-Trading	**4,230,140**	6,000,521	4,747,054
Financial Investments Available-for-Sale	**5,169,293**	4,451,732	3,069,425
Loans, advances and financing	**33,219,224**	31,642,441	29,483,746
Other assets	**3,360,199**	1,734,637	1,895,128
Statutory deposits with Central Bank	**988,598**	867,498	187,098
Investments in subsidiary companies	**660,021**	660,021	660,021
Property and equipment	**319,648**	335,106	302,056
Intangible assets	**52,778**	52,802	59,122
Deferred tax assets	**179,309**	191,284	262,423
Total assets	**68,036,989**	73,598,341	59,264,611
Liabilities			
Deposits from customers	**50,773,947**	53,074,622	44,561,936
Deposits and placements from banks and other financial institutions	**7,124,594**	9,429,554	6,261,536
Bills and acceptances payable	**420,648**	513,737	423,698
Other liabilities	**3,453,332**	4,631,878	2,173,082
Recourse obligation on loans sold to National Mortgage Corporation	**-**	-	374,991
Provision for taxation	**192,648**	168,318	225,616
Subordinated bonds	**1,014,753**	1,015,200	1,003,039
Total liabilities	**62,979,922**	68,833,309	55,023,898
Equity			
Share capital	**114,500**	114,500	114,500
Reserves	**4,942,567**	4,350,532	3,876,213
Proposed dividend	**-**	300,000	250,000
Total equity attributable to owner of the Bank	**5,057,067**	4,765,032	4,240,713
Total liabilities and equity	**68,036,989**	73,598,341	59,264,611
Commitments and Contingencies	**132,874,163**	116,742,039	85,680,212

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HSBC Bank Malaysia Berhad – Results for the Financial Period Ended 30 September 2012/6

Unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income

	Group			
	3rd quarter ended		**Year-To-Date ended**	
Figures in MYR'000s	**30 Sept 2012**	30 Sept 2011 Restated	**30 Sept 2012**	30 Sept 2011 Restated
Revenue	**1,057,405**	1,010,318	**3,161,098**	2,920,331
Interest income	**555,191**	556,800	**1,694,313**	1,632,245
Interest expense	**(242,045)**	(268,781)	**(736,740)**	(755,000)
Net interest income	**313,146**	288,019	**957,573**	877,245
Fee and commission income	**124,968**	123,230	**387,278**	370,953
Fee and commission expense	**(9,092)**	(3,041)	**(22,113)**	(15,075)
Net fee and commission income	**115,876**	120,189	**365,165**	355,878
Net trading income	**167,485**	188,235	**490,409**	514,907
Income from Islamic Banking	**152,489**	110,966	**425,269**	311,952
Other operating income	**11,130**	4,707	**28,467**	20,075
Operating income before impairment losses	**760,126**	712,116	**2,266,883**	2,080,057
Loan / financing impairment charges and other credit risk provisions	**(63,078)**	(36,732)	**(175,066)**	(169,517)
Impairment losses on intangible assets	**-**	-	**-**	(4,900)
Net operating income	**697,048**	675,384	**2,091,817**	1,905,640
Other operating expenses	**(278,986)**	(295,524)	**(899,113)**	(900,282)
Profit before income tax expense	**418,062**	379,860	**1,192,704**	1,005,358
Income tax expense	**(97,068)**	(104,878)	**(293,070)**	(262,893)
Profit for the period	**320,994**	274,982	**899,634**	742,465
Other comprehensive income				
Cash flow hedge				
Effective portion of changes in fair value	**(129)**	862	**(257)**	907
Net amount transferred to profit and loss	**(104)**	-	**(300)**	-
Fair value reserve				
Change in fair value	**(6,731)**	4,399	**530**	2,702
Amount transferred to profit or loss	**-**	(20)	**-**	(1,431)
Income tax relating to components of other comprehensive income	**1,750**	(1,321)	**16**	(544)
Other comprehensive income for the period, net of income tax	**(5,214)**	3,920	**(11)**	1,634
Total comprehensive income for the period	**315,780**	278,902	**899,623**	744,099
Profit attributable to owner of the Bank	**320,994**	274,982	**899,634**	742,465
Total comprehensive income attributable to owner of the Bank	**315,780**	278,902	**899,623**	744,099
Basic earnings per MYR0.50 ordinary share	**140.2 sen**	120.1 sen	**392.9 sen**	324.2 sen
Dividends per MYR0.50 ordinary share (net)				
- final dividend paid in respect of prior year	**-**	-	**131.0 sen**	109.2 sen
- interim dividend paid	**87.3 sen**	87.3 sen	**87.3 sen**	87.3 sen

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HSBC Bank Malaysia Berhad – Results for the Financial Period Ended 30 September 2012/7

Unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income

	Bank			
	3rd quarter ended		**Year-To-Date ended**	
Figures in MYR'000s	**30 Sept 2012**	30 Sept 2011 Restated	**30 Sept 2012**	30 Sept 2011 Restated
Revenue	**901,201**	909,262	**2,728,740**	2,645,725
Interest income	**572,456**	570,383	**1,742,183**	1,667,447
Interest expense	**(242,045)**	(268,781)	**(736,740)**	(755,000)
Net interest income	**330,411**	301,602	**1,005,443**	912,447
Fee and commission income	**124,968**	123,230	**387,278**	370,953
Fee and commission expense	**(9,092)**	(3,041)	**(22,113)**	(15,075)
Net fee and commission income	**115,876**	120,189	**365,165**	355,878
Net trading income	**165,078**	188,235	**489,985**	514,907
Other operating income	**38,699**	27,414	**109,294**	92,418
Operating income before impairment losses	**650,064**	637,440	**1,969,887**	1,875,650
Loan / financing impairment charges and other credit risk provisions	**(30,433)**	(4,888)	**(80,956)**	(93,445)
Impairment losses on intangible assets	**-**	-	**-**	(4,900)
Net operating income	**619,631**	632,552	**1,888,931**	1,777,305
Other operating expenses	**(252,918)**	(276,823)	**(827,492)**	(854,312)
Profit before income tax expense	**366,713**	355,729	**1,061,439**	922,993
Income tax expense	**(89,156)**	(99,194)	**(267,433)**	(246,065)
Profit for the period	**277,557**	256,535	**794,006**	676,928
Other comprehensive income				
Cash flow hedge				
Effective portion of changes in fair value	**(129)**	862	**(257)**	907
Net amount transferred to profit and loss	**(104)**	-	**(300)**	-
Fair value reserve				
Change in fair value	**(5,981)**	3,997	**795**	2,486
Amount transferred to profit or loss	**-**	(20)	**-**	(1,431)
Income tax relating to components of other comprehensive income	**1,554**	(1,221)	**(59)**	(490)
Other comprehensive income for the period, net of income tax	**(4,660)**	3,618	**179**	1,472
Total comprehensive income for the period	**272,897**	260,153	**794,185**	678,400
Profit attributable to owner of the Bank	**277,557**	256,535	**794,006**	676,928
Total comprehensive income attributable to owner of the Bank	**272,897**	260,153	**794,185**	678,400
Basic earnings per MYR0.50 ordinary share	**121.2 sen**	112.0 sen	**346.7 sen**	295.6 sen
Dividends per MYR0.50 ordinary share (net)				
- final dividend paid in respect of prior year	**-**	-	**131.0 sen**	109.2 sen
- interim dividend paid	**87.3 sen**	87.3 sen	**87.3 sen**	87.3 sen

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