

29 November 2010

## **HSBC BANK MALAYSIA BERHAD RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 - HIGHLIGHTS**

- Profit before tax for the nine months ended 30 September 2010 was MYR802 million, 27.2 per cent higher than the MYR631 million reported for the same period in 2009.
- Operating income grew to MYR1.813 billion, an increase of MYR164 million or 10.0 per cent compared with the same period in 2009.
- Loan impairment charges and other credit risk provisions decreased by MYR39 million or 19.3 per cent to MYR165 million for the nine months ended 30 September 2010, compared with the same period in 2009.
- The cost efficiency ratio for the nine months ended 30 September 2010 improved to 46.6 per cent from 48.8 per cent for the corresponding period in 2009.
- Total assets of MYR59.5 billion at 30 September 2010 were up 8.0 per cent from MYR55.1 billion at 31 December 2009.
- The core capital ratio and risk-weighted capital ratio (net of proposed dividends) were 9.8 per cent and 14.2 per cent respectively at 30 September 2010, compared with 10.2 per cent and 14.8 per cent respectively at 30 September 2009.

*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 and Global CEO, HSBC Amanah commented:

"The improvement in the bank's results for the nine months ended 30 September 2010 is a reflection of the robust economic activity in Malaysia and the normalisation in interest rates over the past few months.

"We remain optimistic on the bank's prospects as Malaysian exports are experiencing a strong rebound while domestic consumption continues to be on an uptrend. As the world economy recovers, we will continue to invest in our business, with special focus on network expansion to meet growing demand for banking and financial services. We are confident that the country's Economic Transformation Programme ("ETP") will help reshape the Malaysian economy as a number of high impact projects have been earmarked for implementation under this programme. The ETP is expected to generate more economic activities, as well as build up the demand for credit and the need for other banking services, and we are well positioned to capitalise on these opportunities."

## **Financial Commentary**

HSBC Bank Malaysia Berhad achieved profits before tax of MYR802 million in the first nine months of 2010, up 27.2 per cent compared with the same period in 2009. This is a reflection of our continuing investment in the growth of the business and the robust growth of the Malaysian economy in the period.

Operating income grew by MYR164 million or 10.0 per cent compared with the same period in 2009. This was mainly due to an increase in trading profits of MYR74 million, up 21.5 per cent; an increase in net interest income of MYR56 million, up 7.3 per cent; an increase in income from Islamic banking of MYR34 million, up 17.0 per cent; and an increase in net fee income of MYR27 million, up 9.2 per cent. These increases were partially offset by a decrease in gains on disposal of available-for-sale financial investments of MYR22 million.

Trading profits continued to benefit from favourable market conditions and also from sales of financial assets held-for-trading, while net interest income improved from a combination of growth in loans and advances and the higher Base Lending Rate.

The growth in Islamic banking income reflects our ongoing investment in the development of this business, with the increase mainly due to substantial growth in Islamic advances and financing balances as well as the increase in the Overnight Policy Rate.

Net fee income grew primarily on higher sales of third party unit trusts and higher service charges.

Other operating expenses for the nine months ended 30 September 2010 increased by 5.2 per cent or MYR42 million to MYR846 million compared with MYR804 million for the same period in 2009, primarily due to higher general administrative expenses (up MYR21 million or 9.2 per cent) and promotion and marketing expenses (up MYR14 million or 26.4 per cent). General administrative expenses were higher due to business development investment, including the opening of new branches.

**HSBC Bank Malaysia Berhad Results for the third quarter and nine months ended 30 September 2010/3**

The cost efficiency ratio for the nine months ended 2010 improved to 46.6 per cent from 48.8 per cent in the same period last year as growth in operating income outpaced the increased expenditure.

Loan impairment charges and other credit risk provisions for the nine months ended 30 September 2010 decreased by MYR39 million or 19.3 per cent against the corresponding period in 2009, largely reflecting improved corporate credit quality as a result of the robust economic conditions.

Total assets increased by MYR4.4 billion to MYR59.5 billion, up 8.0 per cent compared to 31 December 2009, mainly due to the increase in inter bank deposits and deposits from customers of MYR3.2 billion. Net loans, advances and financing as at 30 September 2010 stood at MYR32.4 billion, MYR3.8 billion higher than the MYR28.6 billion recorded as at 31 December 2009, mostly due to higher trade financing and mortgages.

The bank remains strongly capitalised and highly liquid.

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**Note to editors:**

**HSBC Bank Malaysia Berhad**

HSBC Bank Malaysia Berhad is a wholly-owned subsidiary of the HSBC Group. HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 8,000 offices in 87 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$2,418 billion at 30 June 2010, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

**HSBC Bank Malaysia Berhad Results for the third quarter and nine months ended 30 September 2010/4**

**Unaudited Condensed Statements of Financial Position as at 30 September 2010**

<i>Figures in MYR '000s</i>	<u>Group</u>		<u>Bank</u>	
	<b>30 Sept 2010</b>	31 Dec 2009	<b>30 Sept 2010</b>	31 Dec 2009
<b><u>Assets</u></b>		Restated*		Restated*
Cash and short-term funds	<b>14,396,169</b>	11,709,558	<b>13,400,703</b>	11,480,483
Securities purchased under resale agreements	<b>4,014,825</b>	6,780,923	<b>4,014,825</b>	6,780,923
Deposits and placements with banks and other financial institutions	<b>59,795</b>	142,812	<b>1,150,649</b>	1,085,869
Financial Assets Held-for-Trading	<b>3,723,035</b>	1,282,817	<b>3,294,904</b>	1,155,431
Financial Investments Available-for-Sale	<b>2,397,756</b>	4,855,892	<b>2,071,597</b>	4,471,672
Loans, advances and financing	<b>32,426,607</b>	28,623,792	<b>28,314,848</b>	25,458,819
Other assets	<b>1,839,823</b>	1,135,215	<b>2,100,403</b>	1,116,912
Statutory deposits with Central Bank	<b>198,627</b>	178,827	<b>167,598</b>	150,298
Investment in subsidiaries	-	-	<b>660,021</b>	660,021
Property and equipment	<b>282,880</b>	287,872	<b>270,306</b>	280,372
Intangible assets	<b>54,367</b>	57,187	<b>52,688</b>	54,964
Deferred tax assets	<b>150,772</b>	82,614	<b>132,005</b>	68,730
<b>Total assets</b>	<b>59,544,656</b>	55,137,509	<b>55,630,547</b>	52,764,494
<b><u>Liabilities</u></b>				
Deposits from customers	<b>45,806,471</b>	44,686,358	<b>42,706,201</b>	42,213,968
Deposits and placements of banks and other financial institutions	<b>4,869,633</b>	2,819,638	<b>4,274,749</b>	2,710,022
Bills and acceptances payable	<b>398,920</b>	311,616	<b>395,469</b>	308,318
Other liabilities	<b>2,778,739</b>	1,821,930	<b>2,666,511</b>	2,118,650
Recourse obligation on loans sold to National Mortgage Corporation	<b>530,694</b>	575,511	<b>530,694</b>	575,511
Provision for taxation	<b>104,029</b>	37,773	<b>100,110</b>	33,986
Subordinated bonds	<b>1,010,788</b>	1,000,385	<b>1,010,788</b>	1,000,385
<b>Total liabilities</b>	<b>55,499,274</b>	51,253,211	<b>51,684,522</b>	48,960,840
<b><u>Equity</u></b>				
Share capital	<b>114,500</b>	114,500	<b>114,500</b>	114,500
Reserves	<b>3,930,882</b>	3,519,798	<b>3,831,525</b>	3,439,154
Proposed dividend	-	250,000	-	250,000
<b>Total equity attributable to shareholders</b>	<b>4,045,382</b>	3,884,298	<b>3,946,025</b>	3,803,654
<b>Total liabilities and equity</b>	<b>59,544,656</b>	55,137,509	<b>55,630,547</b>	52,764,494
<b>Commitments and contingencies</b>	<b>90,644,674</b>	75,667,293	<b>88,843,321</b>	74,087,292

\* 2009 figures restated due to various changes in accounting policies adopted in 2010. Full details are set out on pages 32 to 34 of HSBC Bank Malaysia's Unaudited Condensed Interim Financial Statements dated 30 September 2010 which are available at [www.hsbc.com.my](http://www.hsbc.com.my).

**HSBC Bank Malaysia Berhad Results for the third quarter and nine months ended 30 September 2010/5**

**Unaudited Condensed Statements of Comprehensive Income  
for the Third Quarter and Nine Months ended 30 September 2010**

<i>Figures in MYR'000s</i>	<i>Group</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sept 2010</b>	30 Sept 2009	<b>30 Sept 2010</b>	30 Sept 2009
Revenue	<b>865,342</b>	742,583	<b>2,460,216</b>	2,278,793
Interest income	<b>493,205</b>	421,201	<b>1,396,036</b>	1,329,095
Interest expense	<b>(209,385)</b>	(175,070)	<b>(582,192)</b>	(570,754)
Net Interest income	<b>283,820</b>	246,131	<b>813,844</b>	758,341
Fee and commission income	<b>111,150</b>	110,446	<b>342,549</b>	311,888
Fee and commission expense	<b>(7,301)</b>	(6,690)	<b>(22,126)</b>	(18,544)
Net fee and commission income	<b>103,849</b>	103,756	<b>320,423</b>	293,344
Net trading income	<b>150,365</b>	124,677	<b>415,537</b>	341,880
Income from Islamic Banking	<b>81,670</b>	64,576	<b>232,082</b>	198,393
Other operating income	<b>8,934</b>	10,404	<b>30,846</b>	56,381
Operating income before impairment losses	<b>628,638</b>	549,544	<b>1,812,732</b>	1,648,339
Loan impairment charges and other credit risk provisions	<b>(41,585)</b>	(69,492)	<b>(164,914)</b>	(204,255)
Impairment losses on available-for-sale financial investments	-	-	-	(9,637)
Net operating income	<b>587,053</b>	480,052	<b>1,647,818</b>	1,434,447
Other operating expenses	<b>(280,635)</b>	(291,201)	<b>(845,634)</b>	(803,802)
Profit before income tax expense	<b>306,418</b>	188,851	<b>802,184</b>	630,645
Income tax expense	<b>(78,509)</b>	(49,506)	<b>(211,311)</b>	(161,412)
<b>Profit attributable to shareholders</b>	<b>227,909</b>	139,345	<b>590,873</b>	469,233
<b>Other comprehensive income</b>				
Deferred tax adjustment on revaluation reserve	-	-	-	804
Fair value reserve (available-for-sale financial investments):				
-Change in fair value	<b>9,707</b>	18,849	<b>10,740</b>	6,109
-Amount transferred to profit or loss	-	-	<b>(6,129)</b>	(22,799)
-Impairment charges reclassified to income statement	-	-	-	9,637
Income tax relating to components of other comprehensive income	<b>(2,291)</b>	(4,711)	<b>(1,371)</b>	1,728
<b>Other comprehensive income for the period, net of income tax</b>	<b>7,416</b>	14,138	<b>3,240</b>	(4,521)
<b>Total comprehensive income for the period</b>	<b>235,325</b>	153,483	<b>594,113</b>	464,712
Profit attributable to shareholders	<b>227,909</b>	139,345	<b>590,873</b>	469,233
Total comprehensive income attributable to shareholders	<b>235,325</b>	153,483	<b>594,113</b>	464,712
Basic earnings per MYR0.50 ordinary share	<b>99.5 sen</b>	60.8 sen	<b>258.0 sen</b>	204.9 sen
Dividends per MYR0.50 ordinary share (net)				
-paid in respect of prior year	-	-	<b>109.2 sen</b>	<b>65.5 sen</b>
-interim dividend paid	<b>87.3 sen</b>	<b>87.3 sen</b>	<b>87.3 sen</b>	<b>87.3 sen</b>

**HSBC Bank Malaysia Berhad Results for the third quarter and nine months ended 30 September 2010/6**

**Unaudited Condensed Statements of Comprehensive Income  
for the Third Quarter and Nine Months ended 30 September 2010**

<i>Figures in MYR'000s</i>	<i>Bank</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sept 2010</b>	30 Sept 2009	<b>30 Sept 2010</b>	30 Sept 2009
Revenue	<b>797,911</b>	692,325	<b>2,282,206</b>	2,115,946
Interest income	<b>502,241</b>	427,106	<b>1,420,200</b>	1,346,858
Interest expense	<b>(209,385)</b>	(175,070)	<b>(582,192)</b>	(570,754)
Net Interest income	<b>292,856</b>	252,036	<b>838,008</b>	776,104
Fee and commission income	<b>111,150</b>	110,446	<b>342,549</b>	311,888
Fee and commission expense	<b>(7,301)</b>	(6,690)	<b>(22,126)</b>	(18,544)
Net fee and commission income	<b>103,849</b>	103,756	<b>320,423</b>	293,344
Net trading income	<b>150,365</b>	124,677	<b>415,537</b>	341,880
Other operating income	<b>34,155</b>	30,096	<b>103,920</b>	115,320
Operating income before impairment losses	<b>581,225</b>	510,565	<b>1,677,888</b>	1,526,648
Loan impairment charges and other credit risk provisions	<b>(18,243)</b>	(58,231)	<b>(106,164)</b>	(166,459)
Impairment losses on available-for-sale financial investments	-	-	-	(9,637)
Net operating income	<b>562,982</b>	452,334	<b>1,571,724</b>	1,350,552
Other operating expenses	<b>(266,609)</b>	(281,383)	<b>(800,241)</b>	(770,222)
Profit before income tax expense	<b>296,373</b>	170,951	<b>771,483</b>	580,330
Income tax expense	<b>(73,106)</b>	(44,580)	<b>(200,136)</b>	(147,715)
<b>Profit attributable to shareholders</b>	<b>223,267</b>	126,371	<b>571,347</b>	432,615
<b>Other comprehensive income</b>				
Deferred tax adjustment on revaluation reserve	-	-	-	804
Fair value reserve (available-for-sale financial investments):				
-Change in fair value	<b>9,704</b>	19,214	<b>11,570</b>	6,052
-Amount transferred to profit or loss	-	-	<b>(6,129)</b>	(22,799)
-Impairment charges reclassified to income statement	-	-	-	9,637
Income tax relating to components of other comprehensive income	<b>(2,425)</b>	(4,802)	<b>(1,356)</b>	1,728
<b>Other comprehensive income for the period, net of income tax</b>	<b>7,279</b>	14,412	<b>4,085</b>	(4,578)
<b>Total comprehensive income for the period</b>	<b>230,546</b>	140,783	<b>575,432</b>	428,037
Profit attributable to shareholders	<b>223,267</b>	126,371	<b>571,347</b>	432,615
Total comprehensive income attributable to shareholders	<b>230,546</b>	140,783	<b>575,432</b>	428,037
Basic earnings per MYR0.50 ordinary share	<b>97.5 sen</b>	55.2 sen	<b>249.5 sen</b>	188.9 sen
Dividends per MYR0.50 ordinary share (net)				
-paid in respect of prior year	-	-	<b>109.2 sen</b>	<b>65.5 sen</b>
-interim dividend paid	<b>87.3 sen</b>	<b>87.3 sen</b>	<b>87.3 sen</b>	<b>87.3sen</b>

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