



HSBC AMANAH MALAYSIA BERHAD
(Company No. 807705-X)
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2014

Domiciled in Malaysia.
Registered Office :
2, Leboh Ampang,
50100 Kuala Lumpur

HSBC AMANAH MALAYSIA BERHAD
(Company No. 807705-X)
(Incorporated in Malaysia)

MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed interim financial statements for the financial period ended 30 September 2014 have been prepared from 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 Islamic Banking Institutions issued by Bank Negara Malaysia in 2013.

SAW SAY PIN
Chief Financial Officer

Date: 27 October 2014

HSBC AMANAH MALAYSIA BERHAD
(Company No. 807705-X)
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2014

	<i>Note</i>	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Assets			
Cash and short-term funds	10	3,493,467	3,093,206
Deposits and placements with banks and other financial institutions	11	161,596	163,950
Financial assets held-for-trading	12	20,094	89,659
Financial investments available-for-sale	13	1,272,503	1,341,006
Financing and advances	14	10,121,387	9,175,173
Derivative financial assets	31	116,476	85,464
Other assets	16	258,001	181,011
Statutory deposits with Bank Negara Malaysia	17	427,562	390,562
Equipment		17,627	22,793
Intangible assets		4	9
Deferred tax assets		6,641	7,093
Tax recoverable		-	14,472
Total assets		<u>15,895,358</u>	<u>14,564,398</u>
Liabilities			
Deposits from customers	18	11,040,899	11,030,564
Deposits and placements from banks and other financial institutions	19	2,513,610	1,580,469
Bills and acceptances payable		14,581	10,972
Derivative financial liabilities	31	126,056	117,031
Other liabilities	20	146,430	147,980
Provision for taxation		8,819	-
Multi-Currency Sukuk Programme	21	500,000	500,000
Subordinated Commodity Murabahah Financing	22	254,817	-
Total liabilities		<u>14,605,212</u>	<u>13,387,016</u>
Equity			
Share capital		50,000	50,000
Reserves		1,240,146	1,127,382
Total equity attributable to owner of the Bank		<u>1,290,146</u>	<u>1,177,382</u>
Total liabilities and equity		<u>15,895,358</u>	<u>14,564,398</u>
Commitments and Contingencies	30	<u>15,253,203</u>	<u>12,007,406</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2013 and the accompanying explanatory notes on pages 5 to 27 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 27 October 2014.

HSBC AMANAH MALAYSIA BERHAD
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**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014**

		Third Quarter		Year-To-Date Ended	
	<i>Note</i>	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
		RM'000	RM'000	RM'000	RM'000
			Restated		Restated
Income derived from investment of depositors' funds and others	23	162,871	151,552	478,565	441,817
Income derived from investment of shareholder's funds	24	34,841	29,688	102,541	96,680
Impairment losses on financing	25	(21,382)	(11,878)	(53,414)	(58,526)
Total distributable income		176,330	169,362	527,692	479,971
Income attributable to depositors	26	(74,833)	(66,427)	(210,284)	(188,159)
Total net income		101,497	102,935	317,408	291,812
Personnel expenses	27	(11,325)	(10,090)	(32,738)	(28,380)
Other overheads and expenditures	28	(47,572)	(40,205)	(143,336)	(129,873)
Profit before income tax		42,600	52,640	141,334	133,559
Income tax expense		(8,510)	(11,797)	(31,223)	(31,115)
Profit for the period		34,090	40,843	110,111	102,444
Other comprehensive (expenses)/ income					
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i>					
Available-for-sale reserve:					
Change in fair value		1,695	(45)	3,552	(3,859)
Amount transferred to profit or loss		-	108	-	108
Income tax expense relating to components of other comprehensive income		(424)	(16)	(888)	938
Other comprehensive (expenses)/ income for the period, net of income tax		1,271	47	2,664	(2,813)
Total comprehensive income for the period		35,361	40,890	112,775	99,631
Profit attributable to the owner of the Bank		34,090	40,843	110,111	102,444
Total comprehensive income attributable to the owner of the Bank		35,361	40,890	112,775	99,631
Basic earnings per RM0.50 ordinary share		34.1 sen	40.8 sen	110.1 sen	102.4 sen

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HSBC AMANAH MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014

	←		Non-distributable		→			
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Available-for-sale reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve*</i>	<i>Retained profits</i>	<i>Total</i>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014								
Balance at 1 January	50,000	610,000	50,000	(5,960)	1,292	-	472,050	1,177,382
Total comprehensive income for the period								
Net profit for the period	-	-	-	-	-	-	110,111	110,111
Other comprehensive income, net of income tax								
Available-for-sale reserve:								
Net change in fair value	-	-	-	2,664	-	-	-	2,664
Total other comprehensive income	-	-	-	2,664	-	-	-	2,664
Total comprehensive income for the period	-	-	-	2,664	-	-	110,111	112,775
Transactions with the owner (the ultimate holding company), recorded directly in equity								
Share based payment transactions	-	-	-	-	186	-	(197)	(11)
Transfer relating to regulatory reserves	-	-	-	-	-	13,000	(13,000)	-
Balance at 30 September	50,000	610,000	50,000	(3,296)	1,478	13,000	568,964	1,290,146
2013								
Balance at 1 January	50,000	610,000	50,000	534	1,161	-	328,085	1,039,780
Total comprehensive income for the period								
Net profit for the period	-	-	-	-	-	-	102,444	102,444
Other comprehensive income, net of income tax								
Available-for-sale reserve:								
Net change in fair value	-	-	-	(2,813)	-	-	-	(2,813)
Total other comprehensive income	-	-	-	(2,813)	-	-	-	(2,813)
Total comprehensive income for the period	-	-	-	(2,813)	-	-	102,444	99,631
Transactions with the owner (the ultimate holding company), recorded directly in equity								
Share based payment transactions	-	-	-	-	64	-	(9)	55
Balance at 30 September	50,000	610,000	50,000	(2,279)	1,225	-	430,520	1,139,466

* 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 Bank for the financial year ended 31 December 2013 and the accompanying explanatory notes on pages 5 to 27 attached to the unaudited condensed interim financial statements.

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HSBC AMANAH MALAYSIA BERHAD
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UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014

	30 Sep 2014	30 Sep 2013
	RM'000	RM'000
Profit before income tax expense	141,334	133,559
Adjustments for non-operating and non-cash items	6,620	7,919
Operating profit before working capital changes	147,954	141,478
Changes in working capital:		
Net changes in operating assets	(1,019,297)	(694,791)
Net changes in operating liabilities	954,364	2,108,763
Taxation paid	(8,369)	(25,000)
Net cash (used in)/ generated from operating activities	74,652	1,530,450
Net cash (used in)/ generated from investing activities	70,792	109,017
Net cash generated from financing activities	254,817	-
	325,609	109,017
Net changes in cash and cash equivalents	400,261	1,639,467
Cash and cash equivalents at beginning of the period	3,093,206	1,650,386
Cash and cash equivalents at end of the period	3,493,467	3,289,853
Analysis of cash and cash equivalents		
Cash and short-term funds	3,493,467	3,289,853

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2013 and the accompanying explanatory notes on pages 5 to 27 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 27 October 2014.

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NOTES TO THE FINANCIAL STATEMENTS

1 General Information

HSBC Amanah Malaysia Berhad ('the Bank') was incorporated on 26 February 2008 and is a licensed Islamic Bank under the Islamic Financial Services Act, 2013. The registered office of the Bank is at No. 2, Leboh Ampang, 50100 Kuala Lumpur.

The principal activities of the Bank are Islamic banking and related financial services. 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 30 September 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, derivative financial instruments and financial instruments fair valued through profit and loss.

The unaudited condensed interim financial statements for the financial period ended 30 September 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') and Bank Negara Malaysia requirements on Shariah related disclosures.

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 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 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, interpretations and circular did not have any material impact on the financial results of the Bank.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2 Basis of Preparation

The following are amendments to MFRSs that have been issued by the MASB but have not been adopted by the 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 11, Joint Arrangements-Accounting for Acquisitions of Interests in Joint Operations
- 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)
- MFRS 14, Regulatory Deferral Accounts
- MFRS 15, Revenue from Contracts with Customers
- MFRS 116, Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)
- MFRS 116, Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141).
- MFRS 138, Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)
- MFRS 141, Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141)

The Bank plans 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 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 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 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 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 Bank for the financial period ended 30 September 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 financing and advances, 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 Bank for the financial period ended 30 September 2014.

7 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayment of debt or equity securities during the financial period ended 30 September 2014.

8 Dividend

No dividend was declared nor paid during the financial period ended 30 September 2014.

9 Significant and Subsequent Events

On 16 October 2014, the Bank issued RM500 million Sukuk from the existing RM3 billion Multi-Currency Sukuk Programme ("MCSP"). The Sukuk's maturity date is 16 October 2019 and bears a distribution rate of 4.22% per annum payable semi-annually in arrears. The Sukuk issued is measured at fair value through profit or loss, with profit payable recognised on accrual

Other than the above, there were no other material events subsequent to the date of the statement of financial position that requires disclosure or adjustments to the unaudited condensed interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

10 Cash and Short-Term Funds

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Cash and balances with banks and other financial institutions	193,467	143,206
Money at call and interbank placements maturing within one month	3,300,000	2,950,000
	<u>3,493,467</u>	<u>3,093,206</u>

11 Deposits and Placements with Banks and Other Financial Institutions

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Other financial institutions	<u>161,596</u>	<u>163,950</u>

12 Financial Assets Held-for-Trading

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government Islamic bonds	<u>20,094</u>	<u>89,659</u>

13 Financial Investments Available-for-Sale

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government Islamic bonds	1,206,545	1,316,015
Negotiable instruments of deposit	65,958	24,991
	<u>1,272,503</u>	<u>1,341,006</u>

The maturity structure of money market instruments held as financial investments available-for-sale is as follows:

Maturing within one year	186,027	573,850
More than one year to three years	384,216	304,708
More than three years to five years	692,344	442,664
Over five years	9,916	19,784
	<u>1,272,503</u>	<u>1,341,006</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Financing and Advances

(i) By type and Shariah contracts

	Sale-based contracts			Lease-based contracts		Equity-based	Ujrah	Total
	Commodity Murabahah	Bai Bithaman Ajil	Bai Al-Inah	Bai Al-Dayn	Ijarah	Ijarah Thumma Al-Bai		
30 Sep 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	88,653	-	646	-	-	-	-	89,299
Term financing:								
House financing	-	2,763	-	-	-	-	3,359,689	3,362,452
Hire purchase receivables	-	-	-	-	-	228,821	-	228,821
Lease receivables	-	-	-	-	4,748	-	-	4,748
Other term financing	3,114,656	126,411	181,085	-	-	-	1,196,831	4,618,983
Trust receipts	266,656	-	-	-	-	-	-	266,656
Claims on customers under acceptance credits	439,707	-	-	139,703	-	-	-	579,410
Staff financing-i	1,592	-	1,080	-	-	-	41,579	44,251
Credit cards-i	-	-	-	-	-	-	-	469,551
Revolving credit	625,052	-	-	-	-	-	-	625,052
Gross financing and advances	4,536,316	129,174	182,811	139,703	4,748	228,821	4,598,099	10,289,223
Less: Allowance for impaired financing								
Collective allowances for impairment								(120,218)
Individual allowances for impairment								(47,618)
Total net financing and advances								10,121,387

	Sale-based contracts			Lease-based contracts		Equity-based	Ujrah	Total
	Commodity Murabahah	Bai Bithaman Ajil	Bai Al-Inah	Bai Al-Dayn	Ijarah	Ijarah Thumma Al-Bai		
31 Dec 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	-	-	90,276	-	-	-	-	90,276
Term financing:								
House financing	-	5,486	63	-	-	-	2,654,446	2,659,995
Hire purchase receivables	-	-	-	-	-	252,560	-	252,560
Lease receivables	-	-	-	-	2,442	-	-	2,442
Other term financing	2,845,521	206,467	405,450	1,413	-	-	1,400,056	4,858,907
Trust receipts	55,039	-	-	-	-	-	-	55,039
Claims on customers under acceptance credits	466,918	-	-	184,052	-	-	-	660,683
Staff financing-i	278	-	2,305	-	-	-	43,932	46,515
Credit cards-i	-	-	-	-	-	-	-	470,834
Revolving credit	238,349	-	-	-	-	-	-	238,349
Gross financing and advances	3,606,105	211,953	498,094	185,465	2,442	252,560	4,098,434	9,335,600
Less: Allowance for impaired financing								
Collective allowances for impairment								(119,290)
Individual allowances for impairment								(41,137)
Total net financing and advances								9,175,173

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Financing and Advances (Cont'd)

(ii) By type of customer

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Domestic non-bank financial institutions	585,642	329,023
Domestic business enterprises:		
Small medium enterprises	1,457,250	1,713,220
Others	2,648,600	2,267,570
Government and statutory bodies	16,727	19,190
Individuals	4,707,157	4,500,134
Other domestic entities	1,684	1,722
Foreign entities	872,163	504,741
	<u>10,289,223</u>	<u>9,335,600</u>

(iii) By profit rate sensitivity

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
		Restated
Fixed rate:		
House financing	7,909	8,988
Hire purchase receivables	228,821	252,560
Other financing	1,789,833	1,807,208
Variable rate:		
BFR plus	7,165,563	6,555,768
Cost-plus	627,546	240,242
Other variable rates	469,551	470,834
	<u>10,289,223</u>	<u>9,335,600</u>

(iv) By residual contractual maturity

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Maturing within one year	4,482,027	3,821,794
More than one year to three years	416,880	571,348
More than three years to five years	709,554	666,145
Over five years	4,680,762	4,276,313
	<u>10,289,223</u>	<u>9,335,600</u>

(v) By sector

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Agriculture, hunting, forestry & fishing	286,665	367,359
Mining and quarrying	177,329	103,688
Manufacturing	1,135,959	1,118,514
Electricity, gas and water	76,212	90,568
Construction	698,658	664,984
Real estate	257,478	254,476
Wholesale & retail trade, restaurants & hotels	776,045	657,827
Transport, storage and communication	228,180	274,259
Finance, takaful and business services	858,695	576,063
Household - Retail	5,385,837	4,999,671
Others	408,165	228,191
	<u>10,289,223</u>	<u>9,335,600</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Financing and Advances (Cont'd)

(vi) By purpose

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Purchase of landed property:		
- Residential	3,081,559	2,509,261
- Non-residential	312,800	290,467
Purchase of transport vehicles	2,409	1,534
Purchase of fixed assets excluding land & building	23,156	20,199
Consumption credit	2,052,690	2,271,120
Construction	698,658	664,984
Working capital	3,906,057	3,551,919
Other purpose	211,894	26,116
	10,289,223	9,335,600

(vii) By geographical distribution

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Northern Region	1,326,902	1,403,353
Southern Region	1,521,787	1,413,876
Central Region	6,975,977	5,996,088
Eastern Region	464,557	522,283
	10,289,223	9,335,600

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 states 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 financing of customers is based on the location of the customer.

(viii) Assets under Management

The details of assets under management in respect of the Restricted Profit Sharing Investment account financing are as below. The exposures and the corresponding risk weighted amount are reported in HSBC Bank Malaysia Berhad's financial statements.

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Term financing	424,141	629,757
Less: Individual allowance for impaired financing	-	-
Total net financing and advances	424,141	629,757
	Principal	Risk
	RM'000	weighted
		RM'000
Total RWA for Credit Risk		
- at 30 Sep 2014	424,141	424,141
- at 31 Dec 2013	629,757	629,757

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Impaired Financing

(i) Movements in impaired financing and advances

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
At beginning of period/year	166,906	129,418
Classified as impaired during the period/year	201,595	261,752
Reclassified as performing	(102,997)	(85,345)
Amount recovered	(50,884)	(47,315)
Amount written off	(74,543)	(119,997)
Other movements	20,488	28,393
At end of period/year	160,565	166,906
Less: Individual allowance for impairment	(47,618)	(41,137)
Collective allowance for impairment (impaired portion)	(40,395)	(43,641)
Net impaired financing and advances	72,552	82,128

(ii) Movements in allowance for impaired financing

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Collective allowance for impairment		
At beginning of period/year	119,290	144,853
Made during the period/year	90,246	157,960
Amount released	(22,159)	(66,909)
Amount written off	(66,263)	(115,853)
Discount unwind	(896)	(761)
At end of period/year	120,218	119,290

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Individual allowance for impairment		
At beginning of period/year	41,137	30,379
Made during the period/year	43,349	42,424
Amount recovered	(37,699)	(36,823)
Amount written off	(6,482)	(4,705)
Other movement	7,749	10,291
Discount unwind	(436)	(429)
At end of period/year	47,618	41,137

(iii) By contract

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Bai Bithaman Ajil (<i>deferred payment sale</i>)	137	106
Bai Al-Dayn (<i>sale of debt</i>)	631	1,330
Ijarah Thumma Al-Bai (AITAB) (<i>hire purchase</i>)	13,316	7,670
Murabahah (<i>cost-plus</i>)	42,761	39,663
Musharakah (<i>profit and loss sharing</i>)	77,078	66,335
Bai Al-Inah (<i>sell and buy back</i>)	13,891	37,611
Ujrah (<i>fee-based</i>)	12,751	14,191
	160,565	166,906

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Impaired Financing (Cont'd)

(iv) By sector

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Manufacturing	11,462	6,358
Construction	979	2,455
Wholesale & retail trade, restaurants & hotels	2,734	2,092
Transport, storage and communication	4,252	960
Finance, takaful and business services	627	346
Household - Retail	139,915	154,504
Others	596	191
	160,565	166,906

(v) By purpose

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Purchase of landed property:		
- Residential	56,179	65,700
- Non-residential	8,118	102
Purchase of transport vehicles	354	69
Consumption credit	75,366	87,775
Construction	979	2,455
Working capital	18,883	10,092
Other purpose	686	713
	160,565	166,906

(vi) By geographical distribution

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Northern Region	36,683	38,608
Southern Region	21,305	26,209
Central Region	93,100	96,782
Eastern Region	9,477	5,307
	160,565	166,906

Refer Note 14(vii) for definition of each region.

16 Other Assets

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Income receivable	15,786	18,548
Amount due from holding company/ related companies	218,247	151,497
Other receivables, deposits and prepayments	23,968	10,966
	258,001	181,011

17 Statutory deposits with Bank Negara Malaysia

The non-profit 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18 Deposits From Customers

(i) By type of deposit

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
		Restated
Non-Mudharabah Fund		
Demand deposits		
- Wadiah	1,462,727	1,152,713
- Wakalah	-	98,682
Savings deposits		
- Wadiah	1,295,695	611,078
- Wakalah	-	617,472
Fixed return investment deposits		
- Murabahah	6,374,783	6,552,310
Islamic repurchase agreements		
- Bai Al-Inah	170,080	152,660
Negotiable instruments of deposits		
- Wakalah	-	10,703
- Wakalah with Commodity Wa'ad	705,302	526,705
Others		
- Wakalah with Commodity Wa'ad	895,467	1,138,431
- Wakalah with Murabahah	136,845	169,810
	11,040,899	11,030,564

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

	RM'000	RM'000
Due within six months	5,512,161	5,726,792
More than six months to one year	1,019,854	909,369
More than one year to three years	97,026	92,019
More than three years to five years	451,044	361,538
	7,080,085	7,089,718

(ii) By type of customer

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Government and statutory bodies	38,252	87,211
Business enterprises	2,057,459	1,930,020
Individuals	6,773,165	7,038,482
Others	2,172,023	1,974,851
	11,040,899	11,030,564

19 Deposits and Placements from Banks and Other Financial Institutions

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
		Restated
Non-Mudharabah		
Licensed banks	1,666,112	793,520
Bank Negara Malaysia	8,498	26,815
Other financial institutions	-	134
Mudharabah		
Licensed banks	779,000	760,000
Other financial institutions	60,000	-
	2,513,610	1,580,469

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20 Other Liabilities

	Note	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Profit payable		54,268	52,383
Amounts due to holding company/ related companies		238	9,137
Profit equalisation reserve	(a)	1,075	1,290
Other creditors and accruals	(b)	90,849	85,170
		146,430	147,980

(a) Movement in profit equalisation reserve is as follows:

	30 Sep 2014 RM'000	31 Dec 2013 RM'000
At beginning of period/year	1,290	1,340
Contribution to non-profit organisations	(215)	(50)
At end of period/year	1,075	1,290

(b) Other creditors and accruals

Included in other creditors and accruals is excess compensation balance and profit earned from inadvertent financing of Shariah non-compliant activities.

Source and use of charity funds

	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Source of charity funds		
At beginning of period/year	3	32
Income from inadvertent Shariah non-compliant activities	53	72
Use of charity funds		
Contribution to non-profit organisations	-	(101)
At end of period/year	56	3

21 Multi-Currency Sukuk Programme

	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Multi-Currency Sukuk Programme ("MCSP")	500,000	500,000

The Bank has established a RM3 billion Multi-Currency Sukuk Programme where the above is the first series/ issuance. 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.

22 Subordinated Commodity Murabahah Financing

	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Subordinated Commodity Murabahah Financing	254,817	-

This is a Basel III compliant Tier 2 subordinated Commodity Murabahah financing-i of USD equivalent of RM250 million from the Bank's immediate holding company, HSBC Bank Malaysia Berhad. The tenor of the facility is 10 years with the profit payable quarterly in arrears from the utilisation date.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

23 Income Derived from Investment of Depositors' Funds and Others

	Third Quarter		Year-To-Date Ended	
	30 Sep 2014 RM'000	30 Sep 2013 RM'000	30 Sep 2014 RM'000	30 Sep 2013 RM'000
Income derived from investment of:				
(i) general investment deposits	122,817	116,051	365,767	335,243
(ii) specific investment deposits	11,313	5,241	25,023	26,224
(iii) other deposits	28,741	30,260	87,775	80,350
	162,871	151,552	478,565	441,817
(i) Income derived from investment of general investment deposits				
	30 Sep 2014 RM'000	30 Sep 2013 RM'000	30 Sep 2014 RM'000	30 Sep 2013 RM'000
<u>Finance income and hibah:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	98,666	93,742	286,300	276,513
- Recoveries from impaired financing	2,696	1,776	8,687	5,871
Financial investments available-for-sale	11,713	2,783	32,090	12,096
Money at call and deposit with financial institutions	15,586	17,830	45,369	40,843
	128,661	116,131	372,446	335,323
<u>Other operating income</u>				
Net gains from dealing in foreign currency	871	-	7,959	-
Net gains/(loss) from sale of financial assets held-for-trading and other financial instruments	4,167	(80)	12,165	(80)
Net unrealised (loss)/gains from revaluation of financial assets held-for-trading	(587)	-	626	-
Net profit paid for financial assets held-for-trading and other financial instruments	(10,813)	-	(33,336)	-
Net gain from trading in derivatives	279	-	6,015	-
Others	239	-	(108)	-
	(5,844)	(80)	(6,679)	(80)
	122,817	116,051	365,767	335,243

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

23 Income Derived from Investment of Depositors' Funds and Others (Cont'd)

(ii) Income derived from investment of specific investment deposits

	Third Quarter		Year-To-Date Ended	
	30 Sep 2014 RM'000	30 Sep 2013 RM'000	30 Sep 2014 RM'000	30 Sep 2013 RM'000
<u>Finance income and hibah:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	6,435	2,738	16,626	12,339
Financial investments available-for-sale	-	5,009	-	12,650
	6,435	7,747	16,626	24,989
<u>Other operating income</u>				
Fees and commission	597	644	1,952	2,793
Net gains from dealing in foreign currency	4,281	6,743	6,445	15,737
Net gain from sale of financial assets				
held-for-trading and other financial instruments	-	3,808	-	14,255
Net gains from trading in derivatives	-	229	-	355
Net profit paid from financial assets				
held-for-trading and other financial instruments	-	(13,405)	-	(30,297)
Net unrealised loss from revaluation of financial assets held-for-trading	-	(525)	-	(1,608)
	4,878	(2,506)	8,397	1,235
	11,313	5,241	25,023	26,224
The above fees and commissions were derived from the following major contributors:				
Guarantee fees	174	284	688	810
Service charges and fees	388	19	1,152	78
Credit facilities	1	284	2	1,290

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

23 Income Derived from Investment of Depositors' Funds and Others (Cont'd)

(iii) Income derived from investment of other deposits

	Third Quarter		Year-To-Date Ended	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	23,112	24,507	68,705	66,274
- Recoveries from impaired financing	629	471	2,085	1,407
Financial investments available-for-sale	2,750	771	7,701	2,899
Money at call and deposit with financial institutions	3,651	4,530	10,888	9,789
	30,142	30,279	89,379	80,369
<u>Other operating income</u>				
Net gains from dealing in foreign currency	188	-	1,910	-
Net gains/(loss) from sale of financial assets held-for-trading and other financial instruments	976	(19)	2,919	(19)
Net gain from trading in derivatives	49	-	1,443	-
Net unrealised (loss)/gains from revaluation of financial assets held-for-trading	(145)	-	150	-
Net profit paid from financial assets held-for-trading and other financial instruments	(2,527)	-	(8,000)	-
Others	58	-	(26)	-
	(1,401)	(19)	(1,604)	(19)
	28,741	30,260	87,775	80,350

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24 Income Derived from Investment of Shareholder's Funds

	Third Quarter		Year-To-Date Ended	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	11,499	9,815	32,681	30,916
- Recoveries from impaired financing	316	184	992	657
Financial investments available-for-sale	1,363	277	3,663	1,352
Money at call and deposit with financial institutions	1,817	1,910	5,179	4,567
	14,995	12,186	42,515	37,492
<u>Other operating income</u>				
Fees and commission	19,640	16,593	57,441	56,346
Net gains from dealing in foreign currency	108	-	908	-
Net gains/(loss) from sale of financial assets held-for-trading and other financial instruments	486	(9)	1,389	(9)
Net gain from trading in derivatives	39	-	687	-
Net unrealised (loss)/gains from revaluation of financial assets held-for-trading	(66)	-	71	-
Net profit paid from financial assets held-for-trading and other financial instruments	(1,262)	-	(3,805)	-
Shared-service fees from holding company	873	859	2,707	2,668
Other income	28	59	628	183
	19,846	17,502	60,026	59,188
	34,841	29,688	102,541	96,680
The above fees and commissions were derived from the following major contributors:				
Service charges and fees	4,676	4,181	14,183	14,846
Cards	8,024	6,643	23,634	20,295
Agency fees	3,730	4,043	12,493	12,971

25 Impairment Losses on Financing

	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
Impairment charges on financing:				
(a) Individual allowance for impairment				
- Provided	13,062	11,359	43,349	31,119
- Written back	(14,463)	(9,601)	(37,699)	(25,883)
(b) Collective allowance for impairment				
- Provided	34,648	29,995	90,246	106,517
- Written back	(4,424)	(13,251)	(22,159)	(32,364)
Impaired financing				
- Recovered	(7,790)	(7,505)	(23,029)	(23,052)
- Written off	349	881	2,706	2,189
	21,382	11,878	53,414	58,526

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26 Income Attributable to Depositors

	Third Quarter		Year-To-Date Ended	
	30 Sep 2014 RM'000	30 Sep 2013 RM'000 Restated	30 Sep 2014 RM'000	30 Sep 2013 RM'000 Restated
Non-Mudharabah Fund				
Deposits from customers	55,121	51,645	163,706	143,694
Deposits and placements of banks and other financial institutions	4,866	2,146	8,107	4,836
Others	6,992	5,272	17,516	15,247
Mudharabah Fund				
Deposits and placements of banks and other financial institutions	7,854	7,364	20,955	24,382
	74,833	66,427	210,284	188,159

27 Personnel Expenses

	30 Sep 2014		30 Sep 2013	
	RM'000	RM'000 Restated	RM'000	RM'000 Restated
Salaries, allowances and bonuses	9,326	8,330	26,900	23,229
Employees Provident Fund contributions	1,536	1,329	4,394	3,379
Other staff related costs	463	431	1,444	1,772
	11,325	10,090	32,738	28,380

28 Other Overheads and Expenditures

	30 Sep 2014		30 Sep 2013	
	RM'000	RM'000 Restated	RM'000	RM'000 Restated
Promotion and marketing related expenses	5,239	3,335	16,804	13,471
Establishment related expenses				
Depreciation of equipment	2,143	2,563	6,428	7,741
Amortisation of intangible assets	2	6	6	17
Information technology costs	783	742	1,905	1,652
Hire of equipment	-	4	3	27
Rental of premises	2,174	1,948	6,176	5,942
Equipment written off	-	-	-	14
Utilities	580	449	1,334	1,323
Others	285	250	903	668
	5,967	5,962	16,755	17,384
General administrative expenses				
Intercompany expenses	32,374	27,609	97,957	90,323
Auditors' remuneration				
<u>Statutory audit fees</u>				
KPMG Malaysia	30	30	90	90
<u>Other services</u>				
KPMG Malaysia	73	75	168	150
Professional fees	472	235	1,295	1,093
Communication	424	184	1,050	1,172
Entertainment	104	81	306	262
Others	2,889	2,694	8,911	5,928
	36,366	30,908	109,777	99,018
	47,572	40,205	143,336	129,873

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29 Capital Adequacy

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Tier 1 capital		
Paid-up ordinary share capital	50,000	50,000
Share premium	610,000	610,000
Retained profits	535,071	472,050
Other reserves	60,083	43,345
Regulatory adjustments	(20,560)	(5,116)
Total Common Equity Tier 1 (CET1) and Tier 1 capital	<u>1,234,594</u>	<u>1,170,279</u>
Tier 2 capital		
Subordinated Commodity Murabahah financing	254,817	-
Collective impairment allowance (unimpaired portion) & regulatory reserves	92,823	75,649
Total Tier 2 capital	<u>347,640</u>	<u>75,649</u>
Capital base	<u>1,582,234</u>	<u>1,245,928</u>
CET1 and Tier 1 Capital ratio	11.804%	12.300%
Total Capital ratio	15.128%	13.095%

The total capital and capital adequacy ratios have been computed based on the Standardised Approach in accordance with the Capital Adequacy Framework for Islamic Banks (CAFIB). The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

Breakdown of risk-weighted assets ("RWA") in the various categories of risk weights:

	30 Sep 2014		31 Dec 2013	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	18,364,897	9,424,600	16,569,610	8,580,305
Total RWA for market risk	-	120,486	-	78,252
Total RWA for operational risk	-	913,994	-	856,104
	<u>18,364,897</u>	<u>10,459,080</u>	<u>16,569,610</u>	<u>9,514,661</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 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 as at the statement of financial position date. The underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

	Principal amount RM'000	Positive fair value of derivative contracts ^ RM'000	Credit equivalent amount * RM'000	Risk weighted amount * RM'000
30 Sep 2014				
Direct credit substitutes	489,141	-	489,141	400,671
Transaction-related contingent items	1,029,017	-	514,508	358,984
Short-term self-liquidating trade-related contingencies	45,905	-	9,181	5,394
Irrevocable commitments to extend credit				
- Maturity not exceeding one year	2,074,769	-	414,954	340,281
- Maturity exceeding one year	1,105,079	-	552,540	535,425
Unutilised credit card lines	1,267,305	-	253,461	190,096
Equity related contracts				
- Less than one year	215,142	1,008	14,141	2,828
- One year to less than five years	930,447	3,968	78,404	15,681
Profit rate related contracts				
- Less than one year	83,000	64	177	35
- One year to less than five years	4,746,531	68,358	190,806	56,254
Foreign exchange related contracts				
- Less than one year	2,351,276	28,823	56,270	13,810
- One year to less than five years	817,191	9,968	83,515	54,096
- Over five years	98,400	4,287	14,127	10,191
	15,253,203	116,476	2,671,225	1,983,746
		Note 31		

31 Dec 2013

Direct credit substitutes	493,365	-	493,365	448,235
Transaction-related contingent items	832,700	-	416,350	293,927
Short-term self-liquidating trade-related contingencies	19,611	-	3,922	3,288
Irrevocable commitments to extend credit				
- Maturity not exceeding one year	1,873,926	-	374,785	333,163
- Maturity exceeding one year	861,017	-	430,508	416,910
Unutilised credit card lines	1,030,840	-	206,168	154,626
Equity related contracts				
- Less than one year	644,322	11	39,062	18,346
- One year to less than five years	752,273	5,095	67,296	31,154
Profit rate related contracts				
- Less than one year	98,500	359	537	269
- One year to less than five years	3,101,025	58,935	154,051	85,717
Foreign exchange related contracts				
- Less than one year	2,201,457	16,424	62,439	37,043
- Over five years	98,370	4,640	14,587	12,127
	12,007,406	85,464	2,263,070	1,834,805
		Note 31		

^ The foreign exchange, equity related and profit rate related contracts are off-balance sheet derivative financial instruments whose values change in response to change in prices or rates (such as foreign exchange rates, profit 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 Capital Adequacy Framework for Islamic Banks, "CAFIB".

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Derivative Financial Instruments

Details of derivative financial instruments outstanding are as follows:

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

30 Sep 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	2,325,665	-	-	2,325,665	25,356	-	-	25,356	21,399	-	-	21,399
- Swaps	-	808,595	94,920	903,515	-	9,968	4,287	14,255	-	2,064	3,456	5,520
- Options	37,687	-	-	37,687	3,466	-	-	3,466	22	-	-	22
Profit rate related contracts												
- Swaps	83,000	3,660,083	-	3,743,083	64	12,501	-	12,565	-	10,087	-	10,087
- Options	-	806,448	-	806,448	-	55,243	-	55,243	-	63,648	-	63,648
Equity related contracts												
- Options	215,142	930,447	-	1,145,589	1,041	3,935	-	4,976	671	24,516	-	25,187
Sub- total	<u>2,661,494</u>	<u>6,205,573</u>	<u>94,920</u>	<u>8,961,987</u>	<u>29,927</u>	<u>81,647</u>	<u>4,287</u>	<u>115,861</u>	<u>22,092</u>	<u>100,315</u>	<u>3,456</u>	<u>125,863</u>
Hedging Derivatives:												
Fair Value Hedge												
Profit rate related contracts												
- Swaps	-	280,000	-	280,000	-	615	-	615	-	193	-	193
Sub- total	<u>-</u>	<u>280,000</u>	<u>-</u>	<u>280,000</u>	<u>-</u>	<u>615</u>	<u>-</u>	<u>615</u>	<u>-</u>	<u>193</u>	<u>-</u>	<u>193</u>
Total	<u>2,661,494</u>	<u>6,485,573</u>	<u>94,920</u>	<u>9,241,987</u>	<u>29,927</u>	<u>82,262</u>	<u>4,287</u>	<u>116,476</u>	<u>22,092</u>	<u>100,508</u>	<u>3,456</u>	<u>126,056</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Derivative Financial Instruments (Cont'd)

31 Dec 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	2,178,902	-	-	2,178,902	13,607	-	-	13,607	13,186	-	-	13,186
- Swaps	-	-	94,905	94,905	-	-	4,750	4,750	-	-	3,970	3,970
- Options	26,020	-	-	26,020	-	2,707	-	2,707	23	-	-	23
Profit rate related contracts												
- Swaps	98,500	1,802,194	550,000	2,450,694	359	8,230	3,487	12,076	-	5,674	1,879	7,553
- Options	-	668,832	-	668,832	-	46,720	-	46,720	-	58,873	-	58,873
Equity related contracts												
- Options	644,322	707,865	-	1,352,187	11	5,095	-	5,106	26,100	7,326	-	33,426
Sub- total	2,947,744	3,178,891	644,905	6,771,540	13,977	62,752	8,237	84,966	39,309	71,873	5,849	117,031
Hedging Derivatives:												
Fair Value Hedge												
Profit rate related contracts												
- Swaps	-	80,000	-	80,000	-	498	-	498	-	-	-	-
Sub- total	-	80,000	-	80,000	-	498	-	498	-	-	-	-
Total	2,947,744	3,258,891	644,905	6,851,540	13,977	63,250	8,237	85,464	39,309	71,873	5,849	117,031

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Performance Review

The Bank achieved profit before tax of RM141.3 million, an increase of RM7.8 million, or 5.8% against history.

Total net income at RM317.4 million improved by RM25.6 million or 8.8% compared to the financial period ended 30 September 2013. Impairment losses on financing declined by RM5.1 million mainly due to lower net collective impairment provision whilst net finance income improved by RM20.7 million. Operating expenses increased by RM17.8 million arising from higher personnel expenses (up RM4.4 million), intercompany expenses (up RM7.6 million) and promotion and marketing related expenses (up RM3.3 million).

Balance sheet size grew by RM1.3 billion or 9.1% against 31 December 2013. Growth in total assets was principally due to increase in financing and advances (+RM0.9 billion) and cash and short term funds (up RM0.4 billion). The growth was mainly funded by increase in deposits and placements from banks and financial institutions (up RM0.9 billion) and subordinated liabilities (up RM0.3 billion).

33 Business Prospects

The Malaysian economy registered a strong growth of 6.4% in 2Q 2014 (2Q 2013:4.2 %), higher than the initial forecast of 4.5%-5.5% for 2014. This was driven by higher exports and continued strength in private domestic demand.

Growth in private investment has expanded by 12.1% reflecting investments in services and manufacturing sectors. Private consumption increased by 6.5%, supported by stable employment conditions and continued wage growth. In contrast, growth in public consumption has declined marginally by 1.3%, reflecting lower Government spending on emoluments, and supplies and services.

The Overnight Policy Rate (OPR) was maintained at 3.00% during the second quarter of 2014, and raised by 25 basis points to 3.25% on 10 July 2014. Notwithstanding the rise in the OPR, monetary conditions continue to remain supportive of economic activity.

The Bank's priorities in 2014 remain unchanged, to grow the business, implement the highest global standards of conduct and compliance, and streamline processes and procedures. On growing the business, the Bank continues to invest in Premier and Advance propositions especially in the offering of wealth management solutions to meet customer needs. Leveraging on HSBC Group expertise, the Bank is able to provide holistic banking services solution to our existing and new corporate customers. Further, the Bank will 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.

The Bank has adopted the relationship based approach (as opposed to the product push approach) for a number of years and this journey will continue.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Comparative Figures

Restatement of Comparative Figures

The presentation and classification of items in the current financial statements are consistent with the previous year except for

(i) Reclassification to conform to current period's presentation

Statement of financial position at 31 December 2013

	RM'000 As restated	RM'000 As previously stated
a) Financing and Advances		
By profit rate sensitivity	9,335,600	9,335,600
<i>(of which the affected components are disclosed below) :</i>		
Variable rate:		
House financing	-	3,266,668
Other financing	-	4,000,176
BFR plus	6,555,768	-
Cost-plus	240,242	-
Other variable rates	470,834	-
	<u>7,266,844</u>	<u>7,266,844</u>
b) Deposits from customers	11,030,564	11,030,564
<i>(of which the affected components are disclosed below) :</i>		
Others		
Hybrid	-	93,769
Wakalah	-	60,467
Murabahah	-	1,154,005
Wakalah with Commodity Wa'ad	1,138,431	-
Wakalah with Murabahah	169,810	-
c) Deposits and Placements from Banks and Other Financial Institutions		
Non-Mudharabah		
Licensed banks	793,520	-
Bank Negara Malaysia	26,815	-
Other financial institutions	134	-
Mudharabah		
Licensed banks	760,000	1,553,520
Bank Negara Malaysia	-	26,815
Other financial institutions	-	134
	<u>1,580,469</u>	<u>1,580,469</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Comparative Figures (Cont'd)

Restatement of Comparative Figures (Cont'd)

Statement of profit or loss and other comprehensive income for the financial period ended 30 September 2013

	Third Quarter		Year-To-Date Ended	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
a) Income Attributable to Depositors	66,427	66,427	188,159	188,159
<i>(of which the affected components are disclosed below) :</i>				
Non-Mudharabah Fund				
Deposits and placements of banks and other financial institutions	2,146	-	4,836	-
Others	5,272	-	15,247	-
Mudharabah Fund				
Deposits and placements of banks and other financial institutions	7,364	9,510	24,382	29,218
Others	-	5,272	-	15,247
b) Personnel Expenses	10,090	10,126	28,380	28,570
<i>(of which the affected components are disclosed below) :</i>				
Other staff related costs	431	467	1,772	1,962
c) Promotion and marketing related expenses	3,335	3,392	13,471	13,655
d) Establishment related expenses	5,962	5,962	17,384	17,384
<i>(of which the affected components are disclosed below) :</i>				
Utilities	449	-	1,323	-
Others	250	699	668	1,991
d) Other Overheads and Expenditures				
<i>(of which the affected components are disclosed below) :</i>				
General administrative expenses	30,908	30,815	99,018	98,644
Communication	184	-	1,172	-
Entertainment	81	-	262	-
Others	2,694	2,866	5,928	6,988