

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
31 March 2015

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

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed interim financial statements for the financial period ended 31 March 2015 have been prepared from the Group and 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 Banking Institutions issued by Bank Negara Malaysia in 2015.

Saw Say Pin
Chief Financial Officer

Date : 24 April 2015

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AT 31 MARCH 2015

	Note	<i>Group</i>		<i>Bank</i>	
		31 Mar 2015 RM'000	31 Dec 2014 RM'000 (Restated)	31 Mar 2015 RM'000	31 Dec 2014 RM'000 (Restated)
Assets					
Cash and short-term funds	11	15,554,757	7,839,057	13,390,729	8,077,960
Securities purchased under resale agreements		5,277,672	2,265,607	5,277,672	2,265,607
Deposits and placements with banks and other financial institutions	12	780,384	2,936,713	2,599,534	4,780,622
Financial assets held for trading	13	2,991,332	2,947,082	2,971,272	2,927,027
Financial investments available-for-sale	14	14,065,221	17,103,489	11,058,272	12,968,166
Loans, advances and financing	15	46,006,276	45,433,692	34,968,878	34,753,154
Derivative financial assets	33	2,276,395	1,799,701	2,289,348	1,831,403
Other assets	17	745,169	663,033	620,686	563,960
Statutory deposits with Bank Negara Malaysia	18	1,412,760	1,479,060	1,007,398	999,998
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		345,362	351,502	330,634	335,288
Intangible assets		62,659	61,603	62,658	61,601
Tax recoverable		10,136	44,711	-	35,850
Deferred tax assets		59,698	71,653	54,847	63,896
Total assets		89,587,821	82,996,903	75,291,949	70,324,553
Liabilities					
Deposits from customers	19	63,888,409	61,420,015	53,336,960	50,443,855
Deposits and placements from banks and other financial institutions	20	10,636,733	8,167,177	9,332,540	8,147,534
Bills and acceptances payable		434,768	426,346	409,248	400,637
Derivative financial liabilities	33	2,086,701	1,606,375	2,110,917	1,634,302
Other liabilities	21	2,154,125	2,092,700	2,160,252	2,074,498
Provision for taxation		10,383	-	10,383	-
Multi-Currency Sukuk Programme	22	1,754,099	1,001,854	-	-
Subordinated liabilities	23	1,292,857	1,275,382	1,292,857	1,275,382
Total liabilities		82,258,075	75,989,849	68,653,157	63,976,208
Equity					
Share capital		114,500	114,500	114,500	114,500
Reserves		6,915,246	6,592,554	6,224,292	5,933,845
Proposed dividend		300,000	300,000	300,000	300,000
Total equity attributable to owner of the Bank		7,329,746	7,007,054	6,638,792	6,348,345
Total liabilities and equity		89,587,821	82,996,903	75,291,949	70,324,553
Commitments and Contingencies	32	156,139,431	138,441,341	153,000,892	135,592,425

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2014 and the accompanying explanatory notes on pages 6 to 30 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 24 April 2015.

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2015

	Note	Group		Bank	
		31 Mar 2015 RM'000	31 Mar 2014 RM'000	31 Mar 2015 RM'000	31 Mar 2014 RM'000
Revenue		1,132,986	1,000,278	978,882	853,348
Interest income	24	632,040	577,836	649,131	585,219
Interest expense	24	(252,054)	(211,373)	(252,054)	(211,373)
Net interest income	24	379,986	366,463	397,077	373,846
Fee and commission income	25	123,902	118,199	123,902	118,199
Fee and commission expense	25	(11,437)	(6,152)	(11,437)	(6,152)
Net fee and commission income	25	112,465	112,047	112,465	112,047
Net trading income	26	166,255	113,919	163,651	109,911
Income from Islamic banking operations	27	132,669	124,143	-	-
Other operating income	28	9,876	7,361	42,198	40,019
Operating income before impairment losses		801,251	723,933	715,391	635,823
Loans / financing impairment charges and other credit risk provisions	29	(44,086)	(22,377)	(15,983)	(7,629)
Net operating income		757,165	701,556	699,408	628,194
Other operating expenses	30	(360,364)	(306,513)	(332,209)	(282,926)
Profit before tax		396,801	395,043	367,199	345,268
Tax expense		(102,686)	(100,276)	(96,679)	(88,498)
Profit for the period		294,115	294,767	270,520	256,770
Other comprehensive income / (expense)					
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i>					
Cash flow hedge:					
Effective portion of changes in fair value		-	1	-	1
Net amount transferred to profit or loss		-	(64)	-	(64)
Available-for-sale reserve:					
Change in fair value		50,816	13,654	39,538	10,319
Amount transferred to profit or loss		(11,330)	453	(11,330)	453
Income tax credit relating to components of other comprehensive income		(9,477)	(3,511)	(6,770)	(2,677)
Other comprehensive income/(expense) for the period, net of income tax		30,009	10,533	21,438	8,032
Total comprehensive income for the period		324,124	305,300	291,958	264,802
Profit attributable to the owner of the Bank		294,115	294,767	270,520	256,770
Total comprehensive income attributable to the owner of the Bank		324,124	305,300	291,958	264,802
Basic earnings per RM0.50 ordinary share		128.4 sen	128.7 sen	118.1 sen	112.1 sen

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2014 and the accompanying explanatory notes on pages 6 to 30 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 24 April 2015.

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2015

Group (RM'000)	Non-distributable								Distributable		Total reserves	Dividends	Total equity	
	Share capital	Share premium	Statutory reserve	Revaluation reserve	Capital redemption reserve	Available-for-sale reserve	Cash flow hedge reserve	Capital contribution reserve	Regulatory reserve*	Retained profit				
2015														
Balance at 1 January	114,500	741,375	164,500	177,624	190,000	(10,975)	-	97,757	180,000	5,052,273	6,592,554	300,000	7,007,054	
Total comprehensive income for the period														
Profit for the period	-	-	-	-	-	-	-	-	-	294,115	294,115	-	294,115	
Other comprehensive income, net of income tax														
Revaluation reserve:														
Transfer to retained profit upon realisation of depreciation	-	-	-	(498)	-	-	-	-	-	498	-	-	-	
Available-for-sale reserve:														
Net change in fair value	-	-	-	-	-	38,620	-	-	-	-	38,620	-	38,620	
Net amount transferred to profit or loss	-	-	-	-	-	(8,611)	-	-	-	-	(8,611)	-	(8,611)	
<i>Total other comprehensive income</i>	-	-	-	(498)	-	30,009	-	-	-	498	30,009	-	30,009	
Total comprehensive income for the period	-	-	-	(498)	-	30,009	-	-	-	294,613	324,124	-	324,124	
Transactions with the owner (the ultimate holding company), recorded directly in equity														
Share based payment transactions	-	-	-	-	-	-	-	(1,917)	-	485	(1,432)	-	(1,432)	
Balance at 31 March	114,500	741,375	164,500	177,126	190,000	19,034	-	95,840	180,000	5,347,371	6,915,246	300,000	7,329,746	
2014														
Balance at 1 January	114,500	741,375	164,500	166,049	190,000	(6,871)	48	95,470	-	4,674,062	6,024,633	300,000	6,439,133	
Total comprehensive income for the period														
Profit for the period	-	-	-	-	-	-	-	-	-	294,767	294,767	-	294,767	
Other comprehensive income, net of income tax														
Revaluation reserve:														
Transfer to retained profit upon realisation of depreciation	-	-	-	(466)	-	-	-	-	-	466	-	-	-	
Cash flow hedge:														
Net amount transferred to profit or loss	-	-	-	-	-	-	(48)	-	-	-	(48)	-	(48)	
Available-for-sale reserve:														
Net change in fair value	-	-	-	-	-	10,241	-	-	-	-	10,241	-	10,241	
Net amount transferred to profit or loss on disposal	-	-	-	-	-	340	-	-	-	-	340	-	340	
<i>Total other comprehensive income</i>	-	-	-	(466)	-	10,581	(48)	-	-	466	10,533	-	10,533	
Total comprehensive income for the period	-	-	-	(466)	-	10,581	(48)	-	-	295,233	305,300	-	305,300	
Transfer relating to regulatory reserves	-	-	-	-	-	-	-	-	100,000	(100,000)	-	-	-	
Transactions with the owner (the ultimate holding company), recorded directly in equity														
Share based payment transactions	-	-	-	-	-	-	-	2,731	-	(1,115)	1,616	-	1,616	
Balance at 31 March	114,500	741,375	164,500	165,583	190,000	3,710	-	98,201	100,000	4,868,180	6,331,549	300,000	6,746,049	

* The Group and the Bank maintain a regulatory reserve to meet 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 Group and Bank for the financial year ended 31 December 2014 and the accompanying explanatory notes on pages 6 to 30 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 24 April 2015.

HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2015 (continued)

Bank (RM'000)	Non-distributable									Distributable		Dividends	Total equity
	Share capital	Share premium	Statutory reserve	Revaluation reserve	Capital redemption reserve	Available-for-sale reserve	Cash flow hedge reserve	Capital contribution reserve	Regulatory reserve*	Retained profit	Total reserves		
2015													
Balance at 1 January	114,500	741,375	114,500	177,624	190,000	(4,487)	-	96,383	167,000	4,451,450	5,933,845	300,000	6,348,345
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	270,520	270,520	-	270,520
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(498)	-	-	-	-	-	498	-	-	-
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	30,049	-	-	-	-	30,049	-	30,049
Net amount transferred to profit or loss	-	-	-	-	-	(8,611)	-	-	-	-	(8,611)	-	(8,611)
<i>Total other comprehensive income</i>	-	-	-	(498)	-	21,438	-	-	-	498	21,438	-	21,438
Total comprehensive income for the period	-	-	-	(498)	-	21,438	-	-	-	271,018	291,958	-	291,958
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	(1,996)	-	485	(1,511)	-	(1,511)
Balance at 31 March	114,500	741,375	114,500	177,126	190,000	16,951	-	94,387	167,000	4,722,953	6,224,292	300,000	6,638,792
2014													
Balance at 1 January	114,500	741,375	114,500	166,049	190,000	(911)	48	94,178	-	4,202,012	5,507,251	300,000	5,921,751
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	256,770	256,770	-	256,770
Other comprehensive income, net of income tax													
Revaluation reserve:													
Transfer to retained profit upon realisation of depreciation	-	-	-	(466)	-	-	-	-	-	466	-	-	-
Cash flow hedge:													
Net amount transferred to profit or loss	-	-	-	-	-	-	(48)	-	-	-	(48)	-	(48)
Available-for-sale reserve:													
Net change in fair value	-	-	-	-	-	7,740	-	-	-	-	7,740	-	7,740
Net amount transferred to profit or loss on disposal	-	-	-	-	-	340	-	-	-	-	340	-	340
<i>Total other comprehensive income</i>	-	-	-	(466)	-	8,080	(48)	-	-	466	8,032	-	8,032
Total comprehensive income for the period	-	-	-	(466)	-	8,080	(48)	-	-	257,236	264,802	-	264,802
Transfer relating to regulatory reserves	-	-	-	-	-	-	-	-	100,000	(100,000)	-	-	-
Transactions with the owner (the ultimate holding company), recorded directly in equity													
Share based payment transactions	-	-	-	-	-	-	-	2,603	-	(1,115)	1,488	-	1,488
Balance at 31 March	114,500	741,375	114,500	165,583	190,000	7,169	-	96,781	100,000	4,358,133	5,773,541	300,000	6,188,041

* The Bank maintains a regulatory reserve to meet 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 Group and Bank for the financial year ended 31 December 2014 and the accompanying explanatory notes on pages 6 to 30 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 24 April 2015.

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015	31 Mar 2014	31 Mar 2015	31 Mar 2014
	RM'000	RM'000	RM'000	RM'000
Profit before tax	396,801	395,043	367,199	345,268
Adjustments for non-operating and non-cash items	15,335	14,519	11,109	12,210
Operating profit before working capital changes	412,136	409,562	378,308	357,478
Changes in working capital:				
Net changes in operating assets	(1,965,100)	(2,100,332)	(1,613,017)	(1,838,809)
Net changes in operating liabilities	5,505,598	1,505,221	4,666,566	810,349
Income tax paid	(55,250)	(87,500)	(48,167)	(87,500)
Net cash generated from operations	3,897,384	(273,049)	3,383,690	(758,482)
Net cash generated from/ (used in) investing activities	3,068,316	(1,136,029)	1,929,079	(800,255)
Net cash used in financing activity	750,000	-	-	-
	3,818,316	(1,136,029)	1,929,079	(800,255)
Net changes in cash and cash equivalents	7,715,700	(1,409,078)	5,312,769	(1,558,737)
Cash and cash equivalents at 1 January	7,839,057	15,454,507	8,077,960	12,558,786
Cash and cash equivalents at 31 March	15,554,757	14,045,429	13,390,729	11,000,049
Analysis of cash and cash equivalents				
Cash and short-term funds	15,554,757	14,045,429	13,390,729	11,000,049

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2014 and the accompanying explanatory notes on pages 6 to 30 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 24 April 2015.

HSBC BANK MALAYSIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS

1 General Information

HSBC Bank Malaysia Berhad ('the Bank') is principally engaged in the provision of banking and other related financial services. The subsidiaries of the Bank are principally engaged in the businesses of Islamic Banking and nominee services. Islamic Banking operations refer generally to the acceptance of deposits and granting of financing under the principles of Shariah. The Bank and its subsidiaries are collectively known as the Group.

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 31 March 2015 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 31 March 2015 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'). The unaudited condensed interim financial statements incorporate those activities relating to Islamic Banking which have been undertaken by the Bank's Islamic subsidiary.

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 Group and the Bank for the financial year ended 31 December 2014. 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 Group and Bank since the financial year ended 31 December 2014.

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 2014.

The following are accounting standards, amendments and interpretations that have been issued by the MASB but have not been adopted by the Group and Bank as they are either not applicable or not yet effective:-

MFRSs, interpretations and amendments effective for annual periods commencing on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, interpretations and amendments effective for annual periods commencing on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, interpretations and amendments effective for annual periods commencing on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*

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 Group and 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Auditors' Report On Preceding Annual Financial Statements

The audit report on the audited annual financial statements for the financial year ended 31 December 2014 was not subject to any qualification.

4 Seasonality or Cyclical Factors

The business operations of the Group and Bank are not subject to material seasonal or cyclical fluctuations.

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 Group and Bank for the financial period ended 31 March 2015.

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 loans, advances and financing, 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 Group and Bank for the financial period ended 31 March 2015.

7 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 31 March 2015, except those disclosed under Note 22.

8 Dividend

A final dividend of RM1.31 per ordinary share amounting to RM300 million in respect of the financial year ended 31 December 2014 was paid on 16 April 2015.

No dividend was declared subsequent to 31 March 2015.

9 Carrying Amount of Revalued Assets

Property and equipment are stated at cost/valuation less accumulated depreciation and impairment losses (if any) except for freehold land which is stated at professional valuation. There was no change in the valuation of property and equipment that was brought forward from the previous audited financial statements for the financial period ended 31 March 2015.

10 Significant and Subsequent Events

There were no material events subsequent to the date of the statement of financial position that require disclosure or adjustments to the unaudited condensed interim financial statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Cash and Short Term Funds

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,290,167	1,354,154	1,121,267	1,183,220
Money at call and interbank placements maturing within one month	14,264,590	6,484,903	12,269,462	6,894,740
	15,554,757	7,839,057	13,390,729	8,077,960

12 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Licensed banks	680,524	936,713	2,499,674	2,780,622
Bank Negara Malaysia	-	2,000,000	-	2,000,000
Other financial institutions	99,860	-	99,860	-
	780,384	2,936,713	2,599,534	4,780,622

13 Financial Assets Held for Trading

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government treasury bills	95,996	96,088	95,996	96,088
Bank Negara Malaysia bills and notes	167,947	569,163	167,947	569,163
Bank Negara Malaysia Islamic bills and notes	-	1,451,961	-	1,451,961
Malaysian Government securities	2,233,634	479,451	2,233,634	479,451
Malaysian Government Islamic bonds	342,026	194,577	321,966	174,522
Islamic fixed rate bonds	8,955	8,827	8,955	8,827
Cagamas bonds and notes	23,045	7,283	23,045	7,283
	2,871,603	2,807,350	2,851,543	2,787,295
Unquoted securities:				
Private and Islamic debt securities	119,729	139,732	119,729	139,732
(including commercial paper)	2,991,332	2,947,082	2,971,272	2,927,027

14 Financial Investments Available-for-Sale

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government treasury bills	29,924	-	29,924	-
Bank Negara Malaysia bills and notes	880,109	2,237,917	880,109	2,237,917
Bank Negara Malaysia Islamic bills	3,068,961	5,981,313	2,407,713	3,496,504
Malaysian Government securities	4,398,381	4,336,360	4,398,381	4,336,360
Malaysian Government Islamic bonds	4,065,595	3,129,628	2,146,684	1,707,988
Islamic fixed rate Sukuk	30,015	-	30,015	-
Cagamas bonds and notes	189,728	229,750	189,728	229,750
Negotiable instruments of deposit	756,814	808,944	330,024	580,070
Bankers' acceptance and Islamic accepted bills	628,315	362,198	628,315	362,198
	14,047,842	17,086,110	11,040,893	12,950,787
Unquoted securities:				
Shares*	16,908	16,908	16,908	16,908
Private debt securities	471	471	471	471
(including commercial paper)	17,379	17,379	17,379	17,379
	14,065,221	17,103,489	11,058,272	12,968,166

*Stated at cost due to the lack of quoted prices in an active market or / and the fair values of the investments cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Financial Investments Available-for-Sale (continued)

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Maturing within one year	6,866,918	12,229,175	5,328,872	9,415,649
More than one year to three years	6,107,677	3,847,847	5,283,778	3,164,356
More than three years to five years	775,712	803,859	130,708	165,553
Over five years	297,535	205,229	297,535	205,229
	14,047,842	17,086,110	11,040,893	12,950,787

15 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000 (Restated)	31 Mar 2015 RM'000	31 Dec 2014 RM'000
At amortised cost				
Overdrafts	1,126,988	1,145,597	1,042,592	1,052,389
Term loans/ financing:				
Housing loans/ financing	18,330,367	18,036,318	14,384,609	14,215,572
Factoring receivables	227,574	202,751	227,574	202,751
Hire purchase receivables	239,861	234,709	183	179
Lease receivables	5,065	5,373	-	-
Other term loans/ financing [^]	13,238,197	12,124,505	8,395,666	7,533,131
Bills receivable	1,906,242	2,311,721	1,906,242	2,311,721
Trust receipts	1,724,207	2,051,102	1,335,031	1,692,511
Claims on customers under acceptance credits	2,604,150	2,679,153	2,000,712	2,059,895
Staff loans/ financing	191,751	271,252	184,179	263,215
Credit/ charge cards	2,749,854	2,761,988	2,238,291	2,262,168
Revolving credit	4,281,611	4,226,563	3,689,726	3,608,324
Other loans/ financing	4,670	5,240	4,670	5,240
Gross loans, advances and financing	46,630,537	46,056,272	35,409,475	35,207,096
Less: Allowances for impaired loans, advances and financing				
- Collectively assessed	(414,831)	(388,060)	(275,890)	(263,243)
- Individually assessed	(209,430)	(234,520)	(164,707)	(190,699)
Total net loans, advances and financing	46,006,276	45,433,692	34,968,878	34,753,154

[^] Included in the loans, advances and financing of the Bank at 31 Dec 2014 is a Investment Agency Account ("IAA") balance amounting to RM499.09m (Dec 2014: RM415.74m). This amount is residing under other term loans/financing.

The IAA arrangement is with the Bank's fully owned subsidiary, HSBC Amanah Malaysia Berhad ("HBMS"), and the contract is based on the Mudharabah principle where the Bank (as the investor) solely provides capital, whilst the assets are managed by HBMS (as the agent). The profits of the underlying assets are shared based on pre-agreed ratios, whilst risks on the financing are borne by the Bank. Hence, the underlying assets and allowances for impairment arising thereon, if any, are recognised and accounted for by the Bank. The recognition and derecognition treatment is in accordance to Note 3(g) on financial instruments in the audited financial statements of the Group and Bank for the financial year ended 31 December 2014.

The accounts under the IAA are disclosed as "Assets Under Management" in the financial statements of HBMS.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 Loans, Advances and Financing (continued)

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000 (Restated)	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Domestic non-bank financial institutions	452,531	441,157	40,034	48,218
Domestic business enterprises:				
Small medium enterprises	8,921,651	8,792,820	6,556,948	6,834,808
Others	11,161,247	10,401,256	9,110,784	8,185,015
Government and statutory bodies	16,405	15,898	-	-
Individuals	21,486,489	21,475,960	16,469,800	16,544,176
Other domestic entities	8,625	7,569	5,768	5,912
Foreign entities	4,583,589	4,921,612	3,226,141	3,588,967
	46,630,537	46,056,272	35,409,475	35,207,096

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000 (Restated)	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Maturity within one year	18,060,180	19,008,204	13,954,193	14,296,962
More than one year to three years	2,764,799	2,462,824	1,968,419	2,060,725
More than three years to five years	3,205,926	2,575,614	1,983,852	1,702,259
More than five years	22,599,632	22,009,630	17,503,011	17,147,150
	46,630,537	46,056,272	35,409,475	35,207,096

(iv) By interest/ profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000 (Restated)	31 Mar 2015 RM'000	31 Dec 2014 RM'000 (Restated)
Fixed rate:				
Housing loans/ financing	2,799	3,180	732	824
Hire purchase receivables	235,243	234,709	183	179
Other fixed rate loans/ financing	7,687,014	8,376,962	5,836,719	6,537,261
Variable rate:				
BLR/BFR plus	23,216,060	23,177,661	18,276,961	18,334,179
Cost-plus	12,739,567	11,501,772	9,056,589	8,072,485
Other variable rates	2,749,854	2,761,988	2,238,291	2,262,168
	46,630,537	46,056,272	35,409,475	35,207,096

(v) By sector

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000 (Restated)	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Agricultural, hunting, forestry and fishing	873,367	1,059,841	622,678	793,502
Mining and quarrying	466,094	426,246	273,821	258,451
Manufacturing	6,997,270	6,944,964	5,793,702	5,711,852
Electricity, gas and water	79,199	85,730	7,379	9,540
Construction	2,445,306	2,329,628	1,854,788	1,627,031
Real estate	2,019,905	1,698,471	1,790,323	1,460,445
Wholesale & retail trade and restaurants & hotels	3,060,007	3,154,948	2,261,965	2,361,583
Transport, storage and communication	505,407	351,263	265,488	137,821
Finance, insurance and business services	3,599,599	3,149,171	2,526,370	2,460,050
Household-retail	24,567,353	24,441,387	18,919,448	18,913,944
Others	2,017,030	2,414,623	1,093,513	1,472,877
	46,630,537	46,056,272	35,409,475	35,207,096

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 Loans, Advances and Financing (continued)

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000 (Restated)	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Purchase of property:				
Residential	18,420,637	18,308,549	14,472,134	14,485,372
Non residential	1,761,130	1,653,267	962,829	857,020
Purchase of securities	7,598	7,714	7,598	7,714
Purchase of transport vehicles	41,076	42,309	38,946	39,950
Purchase of fixed assets excluding land & building	8,994	12,716	-	-
Consumption credit	5,485,182	5,457,907	4,044,916	4,008,147
Construction	2,116,920	2,329,628	1,557,451	1,627,031
Working capital	17,259,389	16,259,428	13,539,843	12,951,649
Other purpose	1,529,611	1,984,754	785,758	1,230,213
	46,630,537	46,056,272	35,409,475	35,207,096

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000 (Restated)	31 Mar 2015 RM'000	31 Dec 2014 RM'000 (Restated)
Northern Region	6,767,665	6,950,812	5,414,602	5,581,975
Southern Region	6,587,076	6,397,801	5,005,679	4,868,264
Central Region	29,815,037	29,046,138	21,988,825	21,577,292
Eastern Region	3,460,759	3,661,521	3,000,369	3,179,565
	46,630,537	46,056,272	35,409,475	35,207,096

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 state 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 loans, advances and financing is based on the location of the borrower.

16 Impaired Loans, Advances and Financing

(i) Movements in impaired loans, advances and financing

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
At beginning of period/year	688,245	792,365	526,018	625,459
Classified as impaired during the period/year	230,112	1,042,144	161,338	776,210
Reclassified as performing	(108,492)	(556,075)	(84,262)	(423,343)
Amount recovered	(68,396)	(374,863)	(48,731)	(310,591)
Amount written off	(64,632)	(289,199)	(42,415)	(191,843)
Other movements	2,913	73,873	2,243	50,126
At end of period/year	679,750	688,245	514,191	526,018
Less: Individual allowance for impairment	(209,430)	(234,520)	(164,707)	(190,699)
Collective allowance for impairment (impaired portion)	(84,498)	(82,829)	(44,136)	(41,701)
Net impaired loans, advances and financing	385,822	370,896	305,348	293,618

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 Impaired Loans, Advances and Financing (continued)

(ii) Movements in allowances for impaired loans, advances and financing

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Collective allowance for impairment				
At beginning of period/year	388,060	382,316	263,243	263,026
Made during the period/year	99,094	281,197	52,137	162,585
Amount released	(21,577)	(69,701)	(10,165)	(43,828)
Amount written off	(50,873)	(206,018)	(29,376)	(119,680)
Other movements	127	266	51	1,140
At end of period/year	414,831	388,060	275,890	263,243

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Individual allowance for impairment				
At beginning of period/year	234,520	318,112	190,699	276,975
Made during the period/year	38,277	122,431	26,482	88,788
Amount released	(46,761)	(178,266)	(35,284)	(146,527)
Amount written off	(20,060)	(60,502)	(18,806)	(52,354)
Discount unwind	(1,148)	(2,173)	(1,064)	(1,713)
Other movements	4,602	34,918	2,680	25,530
At end of period/year	209,430	234,520	164,707	190,699

(iii) By sector

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Agricultural, hunting, forestry and fishing	930	964	930	964
Manufacturing	37,050	48,174	32,454	34,582
Electricity, gas and water	-	3	-	-
Construction	42,723	44,512	42,535	43,730
Real estate	589	8	589	8
Wholesale & retail trade, restaurants & hotels	51,093	71,742	47,805	68,801
Transport, storage and communication	6,268	6,440	719	770
Finance, insurance and business services	220	1,596	57	971
Household-retail	540,597	513,716	388,822	375,699
Others	280	1,090	280	493
	679,750	688,245	514,191	526,018

(iv) By purpose

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Purchase of property:				
Residential	326,557	304,763	252,436	248,800
Non residential	23,502	23,649	15,911	16,463
Purchase of securities	1	1	1	1
Purchase of transport vehicles	633	872	499	576
Consumption credit	194,200	187,622	123,181	112,948
Construction	42,539	44,512	42,351	43,730
Working capital	91,640	126,140	79,812	103,500
Other purpose	678	686	-	-
	679,750	688,245	514,191	526,018

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 Impaired Loans, Advances and Financing (continued)

(v) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
	RM'000	RM'000	RM'000	RM'000
Northern Region	132,278	142,255	102,549	108,391
Southern Region	90,616	91,696	71,535	70,451
Central Region	394,456	386,431	287,546	288,451
Eastern Region	62,400	67,863	52,561	58,725
	679,750	688,245	514,191	526,018

17 Other Assets

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
	RM'000	RM'000	RM'000	RM'000
Interest/ income receivable	111,600	123,964	95,563	115,109
Other receivables, deposits and prepayments	633,569	539,069	525,123	448,851
	745,169	663,033	620,686	563,960

18 Statutory Deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia (BNM) 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.

19 Deposits from Customers

(i) By type of deposit

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Demand deposits	18,441,554	16,422,923	16,331,934	14,873,978
Savings deposits	12,410,027	11,884,375	10,969,264	10,533,204
Fixed / Investment deposits	27,340,008	27,235,752	21,470,286	21,153,190
Repurchase agreements	240,757	205,055	48,677	-
Negotiable instruments of deposit	1,288,848	1,565,790	805,965	884,379
Wholesale money market deposits	678,997	722,480	678,997	722,480
Structured investments	3,376,942	3,271,858	2,920,561	2,164,842
Others deposits	111,276	111,782	111,276	111,782
	63,888,409	61,420,015	53,336,960	50,443,855

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

Due within six months	22,067,995	21,491,012	16,997,636	16,212,088
More than six months to one year	5,150,257	5,749,002	4,269,482	4,764,425
More than one year to three years	1,113,838	1,067,139	997,599	997,257
More than three years to five years	296,766	494,389	11,534	63,799
	28,628,856	28,801,542	22,276,251	22,037,569

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Deposits from Customers (continued)

(ii) By type of customer	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)
Government and statutory bodies	186,660	184,994	177,096	173,440
Business enterprises	21,563,779	19,796,380	18,837,761	17,632,658
Individuals	31,102,454	30,838,842	25,259,198	24,049,006
Others	11,035,516	10,599,799	9,062,905	8,588,751
	63,888,409	61,420,015	53,336,960	50,443,855

20 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)
Licensed banks	573,322	434,025	573,343	434,025
Bank Negara Malaysia	36,357	19,643	17,372	-
Other financial institutions	10,027,054	7,713,509	8,741,825	7,713,509
	10,636,733	8,167,177	9,332,540	8,147,534

21 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
	RM'000	RM'000	RM'000	RM'000
Interest/ profit payable	285,607	253,984	226,257	193,687
Profit equalisation reserve	768	943	-	-
Other creditors and accruals	1,867,750	1,837,773	1,933,995	1,880,811
	2,154,125	2,092,700	2,160,252	2,074,498

Movement in allowance for commitments and contingencies is as follows:

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
	RM'000	RM'000	RM'000	RM'000
At the beginning of the period/year	-	13,936	-	13,936
Allowance made during the period/year	-	-	-	-
Amount released	-	(830)	-	(830)
	-	(830)	-	(830)
Other movements	-	(13,106)	-	(13,106)
At the end of the period/year	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Multi-Currency Sukuk Programme

	<i>Group</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Multi-Currency Sukuk Programme ('MCSP')	1,754,099	1,001,854

HSBC Amanah Malaysia Berhad, a subsidiary of the Bank, issued the following series of 5-year Sukuk under its RM3 billion MCSP:

<u>Issuance under MCSP</u>	Nominal Value (RM'000)	Issue Date	Maturity Date	Carrying Value (RM'000)	
				31 Mar 2015	31 Dec 2014
1st series at amortised cost	500,000	28-Sep-2012	28-Sep-2017	500,000	500,000
2nd series at fair value through profit and loss	500,000	16-Oct-2014	16-Oct-2019	501,781	501,854
3rd series at fair value through profit and loss	750,000	27-Mar-2015	27-Mar-2020	752,318	-
				1,754,099	1,001,854

23 Subordinated Liabilities

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Subordinated Liabilities	1,292,857	1,275,382	1,292,857	1,275,382
(i) Subordinated bonds, at par	1,000,000	1,000,000	1,000,000	1,000,000
Fair value changes arising from fair value hedge	5,528	3,746	5,528	3,746
	1,005,528	1,003,746	1,005,528	1,003,746

- (a) 4.35% coupon rate for RM 500 million due 2022 callable with a 100 bp step up coupon in 2017
(b) 5.05% coupon rate for RM 500 million due 2027 callable with a 100 bp step up coupon in 2022

The subordinated bonds qualify as a component of Tier 2 capital of the Bank. Under the Capital Adequacy Framework (Capital Components), the par value of the subordinated bonds are amortised on a straight line basis, with 10% of the par value phased out each year, with effect from 2013 for regulatory capital base purposes.

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
(ii) Subordinated term loan - At amortised costs	287,329	271,636	287,329	271,636
	287,329	271,636	287,329	271,636

This is a Basel III compliant Tier 2 subordinated loan of USD equivalent of RM250 million from the Bank's immediate holding company, HBAP (Hongkong and Shanghai Banking Corporation Limited). The Bank further invested a similar amount into HSBC Amanah Malaysia Berhad. The tenor of the facility is 10 years with the interest payable quarterly in arrears from the utilisation date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 Net Interest Income

	Group		Bank	
	31 Mar 2015 RM'000	31 Mar 2014 RM'000	31 Mar 2015 RM'000	31 Mar 2014 RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	406,037	387,663	406,037	387,663
- Interest income recognised from impaired loans	11,481	12,698	11,481	12,698
Money at call and deposit placements with financial institutions	103,312	130,895	120,403	138,278
Financial investments available-for-sale	111,210	46,580	111,210	46,580
	632,040	577,836	649,131	585,219
Interest expense				
Deposits and placements of banks and other financial institutions	(34,074)	(19,063)	(34,074)	(19,063)
Deposits from customers	(202,341)	(178,874)	(202,341)	(178,874)
Subordinated liabilities	(12,969)	(10,791)	(12,969)	(10,791)
Others	(2,670)	(2,645)	(2,670)	(2,645)
	(252,054)	(211,373)	(252,054)	(211,373)
Net interest income	379,986	366,463	397,077	373,846

25 Net Fee and Commission Income

	Group		Bank	
	31 Mar 2015 RM'000	31 Mar 2014 RM'000	31 Mar 2015 RM'000	31 Mar 2014 RM'000
Fee and commission income				
Credit cards	44,359	43,519	44,359	43,519
Service charges and fees	51,573	37,366	51,573	37,366
Fees on credit facilities	7,755	9,208	7,755	9,208
Agency fee	11,257	13,615	11,257	13,615
Others	8,958	14,491	8,958	14,491
	123,902	118,199	123,902	118,199
Fee and commission expense				
Interbank and clearing fees	(444)	(324)	(444)	(324)
Brokerage	(541)	(580)	(541)	(580)
Others	(10,452)	(5,248)	(10,452)	(5,248)
	(11,437)	(6,152)	(11,437)	(6,152)
Net fee and commission income	112,465	112,047	112,465	112,047

26 Net Trading Income

	Group		Bank	
	31 Mar 2015 RM'000	31 Mar 2014 RM'000	31 Mar 2015 RM'000	31 Mar 2014 RM'000
Realised gains on financial assets/liabilities held for trading and other financial instruments	36,057	3,642	36,057	3,642
Net interest income from financial assets held for trading	2,091	6,608	2,091	6,608
Net unrealised gains on revaluation of financial assets held for trading	2,043	11,171	2,043	11,171
Net realised gains arising from dealing in foreign currency	111,149	119,055	109,903	112,480
Net unrealised gains/(losses) from dealing in foreign currency	(7,935)	(23,307)	(7,935)	(23,307)
Net realised (losses)/gains arising from dealing in derivatives	(2,206)	36,251	(3,914)	36,579
Net unrealised gains/(losses) on revaluation of derivatives	26,820	(39,318)	25,308	(37,079)
(Losses)/gains arising from fair value hedges	(1,764)	(183)	98	(183)
	166,255	113,919	163,651	109,911

NOTES TO THE FINANCIAL STATEMENTS (continued)

27 Income from Islamic Banking operations

	Group	
	31 Mar 2015 RM'000	31 Mar 2014 RM'000
Income derived from investment of depositor funds and others	169,985	150,243
Income derived from investment of shareholders funds	30,928	32,720
Income attributable to the depositors	(68,244)	(58,820)
	132,669	124,143

28 Other Operating Income

	Group		Bank	
	31 Mar 2015 RM'000	31 Mar 2014 RM'000	31 Mar 2015 RM'000	31 Mar 2014 RM'000
Disposal of financial investments available-for-sale	3,349	-	3,349	-
Dividend income from financial investments available-for-sale				
- Unquoted in Malaysia	-	930	-	930
Rental income	1,556	1,685	1,556	1,685
Net gains on disposal of property and equipment	66	2	66	2
Other operating income	4,905	4,744	37,227	37,402
	9,876	7,361	42,198	40,019

29 Loans/ Financing Impairment Charges and other Credit Risk Provisions

	Group		Bank	
	31 Mar 2015 RM'000	31 Mar 2014 RM'000	31 Mar 2015 RM'000	31 Mar 2014 RM'000
Impairment charges on loans and financing:				
(a) Individual allowance for impairment				
Made during the period	38,277	41,617	26,482	30,328
Written back	(46,761)	(47,468)	(35,284)	(38,352)
(b) Collective allowance for impairment				
Made during the period	99,094	68,649	52,137	38,283
Written back	(21,577)	(19,596)	(10,165)	(9,287)
Impaired loans and financing				
Recovered during the period	(28,117)	(21,688)	(19,762)	(13,980)
Written off	3,170	1,693	2,575	1,467
Impairment charges on other credit related items				
Made during the period	-	(830)	-	(830)
	44,086	22,377	15,983	7,629

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 Other Operating Expenses

	Group		Bank	
	31 Mar 2015 RM'000	31 Mar 2014 RM'000	31 Mar 2015 RM'000	31 Mar 2014 RM'000
Personnel expenses	182,000	148,696	169,202	138,287
Promotion and marketing related expenses	28,621	25,651	22,193	20,575
Establishment related expenses	37,287	36,331	31,785	30,804
General administrative expenses	112,456	95,835	109,029	93,260
	360,364	306,513	332,209	282,926
Personnel expenses				
Salaries, allowances and bonuses	142,635	113,762	132,110	105,336
Employees Provident Fund contributions	22,038	18,474	20,377	17,128
Others	17,327	16,460	16,715	15,823
	182,000	148,696	169,202	138,287
Promotion and marketing related expenses	28,621	25,651	22,193	20,575
Establishment related expenses				
Depreciation of property and equipment	8,675	9,145	6,748	6,966
Amortisation of intangible assets	5,935	4,688	5,933	4,686
Information technology costs	3,267	4,351	2,284	3,608
Hire of equipment	2,850	2,891	2,850	2,889
Rental of premises	10,731	9,437	8,715	7,435
Property and equipment written off	5	2	5	2
General repairs and maintenance	521	1,647	521	1,647
Utilities	3,775	2,778	3,303	2,460
Others	1,528	1,392	1,426	1,111
	37,287	36,331	31,785	30,804
General administrative expenses				
Intercompany expenses	79,850	66,237	79,766	67,080
Auditors' remuneration				
<u>Statutory audit fees</u>				
PwC/ KPMG Malaysia	130	126	100	96
<u>Other services</u>				
PwC/ KPMG Malaysia	408	233	304	165
Professional fees	1,576	2,491	1,250	2,236
Communication	4,838	5,090	4,605	4,763
Others	25,654	21,658	23,004	18,920
	112,456	95,835	109,029	93,260

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 Capital Adequacy

	<i>Group</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Tier 1 capital		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Retained profits (including proposed dividend)	5,352,273	5,352,272
Other reserves	861,531	824,618
Regulatory adjustments	(568,655)	(558,088)
Total Common Equity Tier 1 (CET 1) and Tier 1 capital	6,501,024	6,474,677
Tier 2 capital		
Subordinated liabilities	700,000	800,000
Subordinated term loan	287,329	271,636
Collective impairment allowance (unimpaired portion) & regulatory reserves	510,333	485,231
Regulatory adjustments	92,766	93,061
Total Tier 2 capital	1,590,428	1,649,928
Capital base	8,091,452	8,124,605
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	11.679%	12.229%
Total Capital ratio	14.536%	15.345%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	11.140%	11.662%
Total Capital ratio	13.997%	14.778%

The total capital and capital adequacy ratios of the Group have been computed based on the Standardised Approach in accordance with the Capital Adequacy Framework (Capital Components).

For HSBC Amanah Malaysia Berhad (a fully owned subsidiary of the Bank), the total capital and capital adequacy ratios have been computed in accordance with the Capital Adequacy Framework for Islamic Banks (CAFIB). HSBC Amanah Malaysia Berhad has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

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

	<i>Group</i>			
	31 Mar 2015		31 Dec 2014	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	104,001,964 *	48,048,308 *	96,267,040 *	45,497,242 *
Total RWA for market risk	-	1,877,521	-	1,738,308
Total RWA for operational risk	-	5,737,751	-	5,711,241
	104,001,964	55,663,580	96,267,040	52,946,791

* The principal and risk weighted amount for credit risk relating to the IAA (refer Note 15(i) for more details) is RM873.38m for both on 31 December 2014 (2014: RM415.74m).

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 Capital Adequacy (continued)

	<i>Bank</i>	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Tier 1 capital		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Retained profits (including proposed dividend)	4,751,450	4,751,450
Other reserves	794,337	768,781
Regulatory adjustments	<u>(812,487)</u>	<u>(674,418)</u>
Total Common Equity Tier 1 (CET1) and Tier 1 capital	<u>5,589,175</u>	<u>5,701,688</u>
Tier 2 capital		
Subordinated liabilities	700,000	800,000
Subordinated term loan	287,329	271,636
Collective impairment allowance (unimpaired portion) & regulatory reserves	398,754	388,542
Regulatory adjustments	<u>(590,576)</u>	<u>(706,592)</u>
Total Tier 2 capital	<u>795,507</u>	<u>753,586</u>
Capital base	<u>6,384,682</u>	<u>6,455,274</u>
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	12.451%	13.272%
Total Capital ratio	14.223%	15.026%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	11.782%	12.573%
Total Capital ratio	13.554%	14.327%

The total capital and capital adequacy ratios have been computed based on the Standardised Approach in accordance with the Capital Adequacy Framework (Capital Components).

Breakdown of gross RWA in the various categories of risk-weights:

	<i>Bank</i>			
	31 Mar 2015		31 Dec 2014	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	86,319,396 *	37,998,093 *	80,460,467 *	36,254,715 *
Total RWA for market risk	-	1,773,197	-	1,627,955
Total RWA for operational risk	-	5,119,324	-	5,079,063
	<u>86,319,396</u>	<u>44,890,614</u>	<u>80,460,467</u>	<u>42,961,733</u>

* The principal and risk weighted amount for credit risk relating to the IAA (refer Note 15(i) for more details) is RM873.38m for both on 31 December 2014 (2013: RM415.74m).

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 Commitments and Contingencies

The table below shows the contracts or underlying principal amounts, credit equivalent amounts and risk weighted amounts of unmatured off-balance sheet transactions at the statement of financial position date. The underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

31 March 2015

	Group		
	Credit Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
Direct credit substitutes	2,365,869	2,365,869	1,798,854
Transaction-related contingent items	8,269,728	4,134,864	3,076,408
Short-term self-liquidating trade-related contingencies	357,734	71,547	62,779
Irrevocable commitments to extend credit:			
- Maturity not exceeding one year	15,518,197	3,103,639	2,769,475
- Maturity exceeding one year	10,581,031	5,290,516	4,798,463
Unutilised credit card lines	8,095,340	1,619,068	1,214,301
Foreign exchange related contracts:			
- Less than one year	53,886,826	1,862,126	883,357
- Over one year to less than five years	9,849,256	1,510,267	697,479
- Over five years	3,465,993	606,868	254,747
Interest/profit rate related contracts:			
- Less than one year	8,405,648	25,240	8,856
- Over one year to less than five years	29,660,320	811,385	267,262
- Over five years	2,870,738	233,677	80,706
Gold and other precious metals contracts:			
- Less than one year	11,036	-	-
Equity related contracts:			
- Less than one year	442,020	29,251	5,766
- Over one year to less than five years	2,359,695	191,438	34,587
	156,139,431	21,855,755	15,953,040

of which the amount related to IAA arrangement (refer Note 15(i) for more detail) are as below:

Irrevocable commitments to extend credit:

- Maturity not exceeding one year	669,429	133,886	133,886
- Maturity exceeding one year	480,805	240,403	240,403

[^] The foreign exchange and equity related contracts, interest/profit rate related contracts, gold and other precious metals contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest/profit rates and commodities price) of the underlying instruments. The table above shows the Group'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 for the Bank were based on the guidelines of the Capital Adequacy Framework on the Standardised Approach. The credit conversion factors and risk weighting rules for HSBC Amanah Malaysia Berhad were based on the Basel II Capital Adequacy Framework for Islamic Bank (CAFIB).

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 Commitments and Contingencies (continued)

The table below shows the contracts or underlying principal amounts, credit equivalent amounts and risk weighted amounts of unmatured off-balance sheet transactions at the statement of financial position date. The underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

31 December 2014	Group		
	Credit Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
Direct credit substitutes	2,388,301	2,388,301	1,830,575
Transaction-related contingent items	7,448,338	3,724,169	2,868,474
Short-term self-liquidating trade-related contingencies	369,806	73,961	62,613
Irrevocable commitments to extend credit:			
- Maturity not exceeding one year	15,443,433	3,088,687	2,796,855
- Maturity exceeding one year	7,947,673	3,973,837	3,484,516
Unutilised credit card lines	7,954,697	1,590,939	1,193,205
Foreign exchange related contracts:			
- Less than one year	41,149,393	1,503,850	831,571
- Over one year to less than five years	9,513,564	1,251,056	601,533
- Over five years	3,354,844	528,333	264,683
Interest/profit rate related contracts:			
- Less than one year	8,790,160	24,310	9,349
- Over one year to less than five years	28,640,942	790,728	298,274
- Over five years	2,568,230	217,844	90,586
Gold and other precious metals contracts:			
- Less than one year	11,978	-	-
Equity related contracts:			
- Less than one year	491,934	32,357	6,471
- Over one year to less than five years	2,368,048	197,487	39,497
	<u>138,441,341</u>	<u>19,385,859</u>	<u>14,378,202</u>

[^] The foreign exchange and equity related contracts, interest/profit rate related contracts, gold and other precious metals contract are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest/profit rates and commodities price) of the underlying instruments. The table above shows the Group'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 for the Bank were based on the guidelines of the Capital Adequacy Framework on the Standardised Approach. The credit conversion factors and risk weighting rules for HSBC Amanah Malaysia Berhad were based on the Basel II CAFIB.

Of the amounts included in the Commitment and Contingencies balances above, none relate to the IAA arrangement (refer Note 15(i) for more details).

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 Commitments and Contingencies (continued)

The table below shows the contracts or underlying principal amounts, credit equivalent amounts and risk weighted amounts of unmatured off-balance sheet transactions at the statement of financial position date. The underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

31 March 2015

	Bank		
	Credit Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
Direct credit substitutes	1,528,360	1,528,360	1,320,120
Transaction-related contingent items	7,102,929	3,551,464	2,735,327
Short-term self-liquidating trade-related contingencies	313,464	62,693	57,369
Irrevocable commitments to extend credit:			
- Maturity not exceeding one year	13,151,041	2,630,208	2,381,168
- Maturity exceeding one year	8,772,288	4,386,145	3,942,455
Unutilised credit card lines	6,697,685	1,339,537	1,004,653
Foreign exchange related contracts:			
- Less than one year	55,002,836	1,869,467	884,428
- Over one year to less than five years	9,849,257	1,501,610	589,975
- Over five years	3,465,993	606,868	254,747
Interest rate related contracts:			
- Less than one year	8,475,648	25,385	8,928
- Over one year to less than five years	32,563,308	922,008	301,948
- Over five years	2,870,738	233,677	80,706
Gold and other precious metals contracts:			
- Less than one year	11,036	-	-
Equity related contracts:			
- Less than one year	527,146	38,395	11,268
- Over one year to less than five years	2,669,163	217,375	45,678
	153,000,892	18,913,192	13,618,770

of which the amount related to IAA arrangement (refer Note 15(i) for more detail) are as below:

Irrevocable commitments to extend credit:

- Maturity not exceeding one year	669,429	133,886	133,886
- Maturity exceeding one year	480,805	240,403	240,403

[^] The foreign exchange and equity related contracts, interest rate related contracts, gold and other precious metals contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest 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 the guidelines of the Capital Adequacy Framework on the Standardised Approach.

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 Commitments and Contingencies (continued)

The table below shows the contracts or underlying principal amounts, credit equivalent amounts and risk weighted amounts of unmatured off-balance sheet transactions at the statement of financial position date. The underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

31 December 2014	Bank		
	Credit Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
Direct credit substitutes	1,556,077	1,556,077	1,370,266
Transaction-related contingent items	6,435,174	3,217,587	2,523,191
Short-term self-liquidating trade-related contingencies	335,394	67,079	59,376
Irrevocable commitments to extend credit:			
- Maturity not exceeding one year	13,011,194	2,602,239	2,381,215
- Maturity exceeding one year	6,640,810	3,320,405	2,848,654
Unutilised credit card lines	6,603,881	1,320,776	990,582
Foreign exchange related contracts:			
- Less than one year	41,875,669	1,507,112	830,287
- Over one year to less than five years	9,513,565	1,242,873	520,639
- Over five years	3,354,844	528,333	264,683
Interest rate related contracts:			
- Less than one year	8,820,160	24,330	9,359
- Over one year to less than five years	30,962,201	904,896	325,418
- Over five years	2,568,230	217,844	90,586
Gold and other precious metals contracts:			
- Less than one year	11,978	-	-
Equity related contracts:			
- Less than one year	546,306	37,976	11,193
- Over one year to less than five years	3,356,942	297,729	81,664
	<u>135,592,425</u>	<u>16,845,256</u>	<u>12,307,113</u>

^The foreign exchange and equity related contracts, interest rate related contracts, gold and other precious metals contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest 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 the guidelines of the Capital Adequacy Framework on the Standardised Approach.

Of the amounts included in the Commitment and Contingencies balances above, none relate to the IAA arrangement (refer Note 15(i) for more details).

NOTES TO THE FINANCIAL STATEMENTS (continued)

33 Derivative Financial Instruments

Details of derivative financial instruments outstanding are as follows:

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

Group At 31 March 2015	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	49,999,165	800,227	-	50,799,392	874,141	40,472	-	914,613	844,144	4,919	-	849,063
- Swaps	2,599,335	9,295,672	3,202,957	15,097,964	168,930	744,032	229,142	1,142,104	168,819	651,494	172,657	992,970
- Options	1,114,801	189,918	-	1,304,719	25,571	19,581	-	45,152	-	-	-	-
Interest/profit rate related contracts												
- Options	120,000	481,997	96,250	698,247	-	16,442	801	17,243	2,161	438	-	2,599
- Swaps	8,018,647	27,430,325	2,774,487	38,223,459	11,295	90,604	38,320	140,219	10,317	118,209	49,525	178,051
Equity related contracts												
- Options	442,019	2,359,696	-	2,801,715	2,717	837	-	3,554	19,721	36,213	-	55,934
Precious metal contracts												
- Options	11,036	-	-	11,036	-	-	-	-	23	-	-	23
Sub- total	62,305,003	40,557,835	6,073,694	108,936,532	1,082,654	911,968	268,263	2,262,885	1,045,185	811,273	222,182	2,078,640
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	340,000	1,675,000	-	2,015,000	1,175	12,335	-	13,510	-	-	-	-
Sub- total	340,000	1,675,000	-	2,015,000	1,175	12,335	-	13,510	-	-	-	-
Total	62,645,003	42,232,835	6,073,694	110,951,532	1,083,829	924,303	268,263	2,276,395	1,045,185	811,273	222,182	2,078,640

NOTES TO THE FINANCIAL STATEMENTS (continued)

33 Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding are as follows (continued):

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

Group	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
At 31 December 2014												
Trading derivatives:												
Foreign exchange contracts												
- Forwards	37,403,278	545,277	-	37,948,555	708,822	19,763	-	728,585	636,207	5,986	-	642,193
- Swaps	3,263,913	8,690,296	3,091,809	15,046,018	147,588	539,932	168,296	855,816	136,946	462,798	121,306	721,050
- Options	840,536	182,692	-	1,023,228	25,012	12,620	-	37,632	5,490	-	-	5,490
Interest/profit rate related contracts												
- Options	100,000	661,623	-	761,623	-	14,111	-	14,111	-	5,753	-	5,753
- Swaps	8,420,161	26,314,318	2,568,230	37,302,709	8,212	94,342	33,132	135,686	12,195	114,699	37,326	164,220
Equity related contracts												
- Options	491,934	2,368,048	-	2,859,982	2,581	6,584	-	9,165	22,110	45,512	-	67,622
Precious metal contracts												
- Options	11,978	-	-	11,978	20	-	-	20	47	-	-	47
Sub- total	50,531,800	38,762,254	5,660,039	94,954,093	892,235	687,352	201,428	1,781,015	812,995	634,748	158,632	1,606,375
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	340,000	1,595,000	-	1,935,000	1,752	16,934	-	18,686	-	-	-	-
Sub- total	340,000	1,595,000	-	1,935,000	1,752	16,934	-	18,686	-	-	-	-
Total	50,871,800	40,357,254	5,660,039	96,889,093	893,987	704,286	201,428	1,799,701	812,995	634,748	158,632	1,606,375

NOTES TO THE FINANCIAL STATEMENTS (continued)

33 Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding are as follows (continued):

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

Bank At 31 March 2015	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	51,079,513	800,227	-	51,879,740	881,344	40,472	-	921,816	858,080	4,919	-	862,999
- Swaps	2,599,335	9,295,672	3,202,957	15,097,964	168,930	738,666	229,142	1,136,738	168,819	651,584	172,657	993,060
- Options	1,150,464	189,918	-	1,340,382	25,574	19,581	-	45,155	9,408	-	-	9,408
Interest rate related contracts												
- Options	120,000	739,985	96,250	956,235	-	17,792	801	18,593	2,161	469	-	2,630
- Swaps	8,088,648	30,075,324	2,774,487	40,938,459	11,296	93,610	38,320	143,226	10,487	124,673	49,525	184,685
Equity related contracts												
- Options	555,754	2,640,555	-	3,196,309	6,968	3,342	-	10,310	21,185	36,927	-	58,112
Precious metal contracts												
- Options	11,036	-	-	11,036	-	-	-	-	23	-	-	23
Sub- total	63,604,750	43,741,681	6,073,694	113,420,125	1,094,112	913,463	268,263	2,275,838	1,070,163	818,572	222,182	2,110,917
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	340,000	1,675,000	-	2,015,000	1,175	12,335	-	13,510	-	-	-	-
Sub- total	340,000	1,675,000	-	2,015,000	1,175	12,335	-	13,510	-	-	-	-
Total	63,944,750	45,416,681	6,073,694	115,435,125	1,095,287	925,798	268,263	2,289,348	1,070,163	818,572	222,182	2,110,917

NOTES TO THE FINANCIAL STATEMENTS (continued)

33 Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding are as follows (continued):

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

Bank	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
At 31 December 2014												
Trading derivatives:												
Foreign exchange contracts												
- Forwards	38,112,437	545,277	-	38,657,714	708,075	19,763	-	727,838	650,580	5,986	-	656,566
- Swaps	3,263,914	8,690,295	3,091,809	15,046,018	147,588	534,150	168,296	850,034	136,946	462,798	121,306	721,050
- Options	857,654	182,692	-	1,040,346	25,335	12,620	-	37,955	7,452	-	-	7,452
Interest rate related contracts												
- Options	100,000	1,037,884	-	1,137,884	-	20,742	-	20,742	-	5,753	-	5,753
- Swaps	8,450,159	28,259,318	2,568,230	39,277,707	8,213	100,089	33,132	141,434	12,207	121,932	37,326	171,465
Equity related contracts												
- Options	562,740	3,340,508	-	3,903,248	4,891	29,803	-	34,694	23,549	48,420	-	71,969
Precious metal contracts												
- Options	11,978	-	-	11,978	20	-	-	20	47	-	-	47
Sub- total	51,358,882	42,055,974	5,660,039	99,074,895	894,122	717,167	201,428	1,812,717	830,781	644,889	158,632	1,634,302
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	340,000	1,595,000	-	1,935,000	1,752	16,934	-	18,686	-	-	-	-
Sub- total	340,000	1,595,000	-	1,935,000	1,752	16,934	-	18,686	-	-	-	-
Total	51,698,882	43,650,974	5,660,039	101,009,895	895,874	734,101	201,428	1,831,403	830,781	644,889	158,632	1,634,302

34 Performance Review

The Group recorded profit before tax of RM397 million for the period ended 31 March 2015. Total revenue posted for the period was RM1,133 million, an increase of 13.3% or RM133 million compared against history. The higher profit was due to higher operating income of RM77 million, mitigated by higher operating expenses of RM54 million, higher loan/financing impairment charges of RM22 million.

Higher operating income was primarily due to higher net trading income (+RM52 million or 45.9%), on higher gain from derivatives, debt securities, foreign exchange. Higher volatility in the market had increased higher demand of Ringgit securities, as well as revaluation gain made on government bonds portfolio following the decrease in bond yield. Meanwhile, net interest income improved (+RM14 million or 3.7%), in tandem with the growth in average customer advances.

Operating expenses grew, on higher intragroup expenses, higher personnel expenses, and larger promotion and marketing expenses. Loan/financing impairment charges increased, primarily due to higher collective impairment provisions related to local risk adjustments. The Group's capital and liquidity ratios remain strong and well above regulatory requirements.

Total balance sheet size at 31 March 2015 stood at RM89.6 billion, RM6.6 billion higher compared against 31 December 2014 (RM83.0 billion), mainly on higher deposits from customers, banks and other financial institutions, which were deployed into securities and investments.

35 Business Prospects

The Malaysian economy registered a strong growth of 5.8% in 4Q 2014, bringing an annual growth of 6.0% (2013: 4.7%), which is higher than the initial forecast of 4.5%-5.5% for 2014. Growth was driven by stronger private sector expenditure of 8.5%, and a turnaround in public sector spending.

Growth in private investment has expanded at a faster pace of 11.2%, driven by capital spending in the manufacturing and services sectors, particularly in the transport and retail industries. Private consumption grew stronger by 7.8%, supported by stable labour market conditions and continued wage growth. Growth in public consumption has registered a positive growth of 0.6%, reflecting slower decline in investment, amid the moderation in public consumption. On the supply side, growth was sustained by the major economic sectors, supported by trade and domestic activities.

For 2014, inflation averaged 3.2% (2013: 2.1%) and projected to be above its long-term average for 2015 due to domestic cost factors. Monetary Policy Committee has decided to maintain the Overnight Policy Rate (OPR) at 3.25%. The current stance of monetary policy remains accommodative and is assessed to be appropriate given the developments in monetary and financial conditions.

Besides growing concerns on the prospects of global growth, regional currencies also faced depreciation pressure due to the strengthening of the US dollar, which was driven by the expectations of interest rate normalisation by the Fed amid the recovery in the US economy. However, the ringgit has depreciated more than other regional currencies, especially in December 2014, following heightened market concerns on the impact of the sharp fall in oil prices on the Malaysia economy, particularly on the Government's fiscal position.

The Group's priorities in 2015 remain unchanged, to leverage on our increased resource investments into the business, grow both the business and dividends with new distribution channels and increased productivity across existing channels, implement the highest global standards of conduct and compliance, and streamline processes and procedures for the benefit of the customers. The Group will continue to invest in Premier and Advance propositions and expanding its wealth management offerings. Leveraging on HSBC Group expertise, the Group is able to provide holistic banking service solutions to our existing and new corporate customers. Further, the Group will capitalise on the HSBC Group's international connectivity for cross border trade initiatives and offer banking services for inbound investments by HSBC Group customers into Malaysia.

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

36 Comparative Figures

The presentation and classification of items in the current interim financial statements are consistent with the previous financial period except those listed below. The restatement of 31 Dec 2014 financial data in relation to (a) and (b) is a result of an initiative rolled out by the Group and the Bank in Q1 2015 to align financial reporting data with Central Credit Reference Information System (CCRIS) data. Similar reclassification is made to 31 Dec 2014 data so that they are comparable to 31 Mar 2015 data. The Group's and the Bank's prior period profit and loss and retained earning brought forward are not affected by these reclassifications.

Statement of Financial Position at 31 December 2014

	Group		Bank	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
(a) Loans, advances and financing	45,433,692	45,260,697	-	-
<i>(of which the affected components are disclosed below) :</i>				
<u>By type</u>				
Term loans/ financing:				
Housing loans/ financing	18,036,318	17,524,631	-	-
Other term loans/ financing	12,124,505	12,423,345	-	-
Staff loans/ financing	271,252	311,104	-	-
<u>By type of customer</u>				
Foreign entities	4,921,612	4,748,617	-	-
<u>By interest/ profit rate sensitivity</u>				
Fixed rate:				
Housing loans/ financing	3,180	128,471	824	121,524
Other fixed rate loans/ financing	8,376,962	4,060,557	6,537,261	2,149,926
Variable rate:				
BLR/BFR plus	23,177,661	34,467,990	18,334,179	27,064,976
Cost-plus	11,501,772	4,229,562	8,072,485	3,608,323
<u>By sector</u>				
Others	2,414,623	2,241,628	-	-
<u>By purpose</u>				
Purchase of property:				
Residential	18,308,549	17,517,122	-	-
Non residential	1,653,267	1,183,472	-	-
Consumption credit	5,457,907	6,249,334	-	-
Working capital	16,259,428	16,729,223	-	-
Other purpose	1,984,754	1,811,759	-	-
<u>By geographical distribution</u>				
Northern Region	6,950,812	7,516,532	5,581,975	6,147,695
Southern Region	6,397,801	6,363,471	4,868,264	4,833,934
Central Region	29,046,138	28,340,052	21,577,292	21,044,201
Eastern Region	3,661,521	3,663,222	3,179,565	3,181,266
	46,056,272	45,883,277	35,207,096	35,207,096
(b) Deposits and placements with banks and other financial institutions	2,936,713	3,109,649	-	-
<i>(of which the affected components are disclosed below) :</i>				
Licensed banks	936,713	1,109,649	-	-
(c) Deposits from customers	61,420,015	61,308,233	50,443,855	50,332,073
<i>(of which the affected components are disclosed below) :</i>				
<u>By type of deposit</u>				
Other Deposits	111,782	-	111,782	-
<u>By type of customer</u>				
Government and statutory bodies	184,994	73,212	173,440	61,658
(d) Deposits and placements from banks and other financial institutions	8,167,177	8,278,959	8,147,534	8,259,316
<i>(of which the affected components are disclosed below) :</i>				
Other financial institutions	7,713,509	7,825,291	7,713,509	7,825,291