

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2016

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

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2016

	Note	<i>Group</i>		<i>Bank</i>	
		30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Assets					
Cash and short-term funds	11	10,815,488	18,251,909	8,729,012	14,318,083
Securities purchased under resale agreements		3,903,466	6,553,754	3,903,466	6,553,754
Deposits and placements with banks and other financial institutions	12	1,391,385	-	3,205,665	2,635,204
Financial assets held-for-trading	13	5,648,391	1,497,358	5,647,690	1,486,866
Financial investments available-for-sale	14	8,171,678	7,013,509	6,847,097	5,312,266
Loans, advances and financing	15	46,448,984	51,222,193	34,891,671	39,253,976
Derivative financial assets	34	2,302,849	3,317,190	2,489,521	3,488,229
Other assets	17	2,754,699	280,200	2,731,200	258,731
Statutory deposits with Bank Negara Malaysia	18	1,048,360	1,174,110	726,398	844,448
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		334,434	341,386	326,114	331,098
Intangible assets		64,848	64,702	64,848	64,702
Tax recoverable		30,183	26,012	20,850	20,850
Deferred tax assets		80,120	85,001	74,283	79,453
Total assets		82,994,885	89,827,324	70,317,836	75,307,681
Liabilities					
Deposits from customers	19	59,468,901	63,420,810	50,633,560	54,034,687
Deposits and placements from banks and other financial institutions	20	5,387,220	7,962,366	5,357,642	6,635,605
Bills and acceptances payable		397,069	337,218	370,232	322,314
Derivative financial liabilities	34	2,688,285	3,433,760	2,706,564	3,438,867
Other liabilities	21	3,027,606	3,401,386	1,808,445	2,146,153
Provision for taxation		150,268	52,100	150,268	52,100
Multi-Currency Sukuk Programme	22	1,757,968	1,749,823	-	-
Subordinated liabilities	23	1,584,941	1,621,340	1,584,941	1,621,340
Total liabilities		74,462,258	81,978,803	62,611,652	68,251,066
Equity					
Share capital		114,500	114,500	114,500	114,500
Reserves		8,418,127	7,734,021	7,591,684	6,942,115
Total equity attributable to owner of the Bank		8,532,627	7,848,521	7,706,184	7,056,615
Total liabilities and equity		82,994,885	89,827,324	70,317,836	75,307,681
Commitments and Contingencies	33	158,960,988	167,309,408	154,072,747	164,768,749

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 2015 and the accompanying explanatory notes on pages 9 to 45 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 21 July 2016.

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
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UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	<i>Note</i>	<i>Group</i>			
		Second Quarter		Six Months Ended	
		30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
		RM'000	RM'000	RM'000	RM'000
			(Restated)		(Restated)
Interest income	24	560,910	656,859	1,159,365	1,288,899
Interest expense	24	(210,868)	(276,610)	(450,039)	(528,664)
Net interest income	24	350,042	380,249	709,326	760,235
Fee and commission income	25	112,128	125,397	224,850	249,299
Fee and commission expense	25	(18,063)	(8,208)	(40,137)	(30,365)
Net fee and commission income	25	94,065	117,189	184,713	218,934
Net trading income	26	128,587	124,384	350,444	290,639
Income from Islamic banking operations	27	155,394	124,736	256,358	254,427
Other operating income	28	18,339	12,336	29,133	22,212
Operating income before impairment losses		746,427	758,894	1,529,974	1,546,447
Loans/financing impairment (charges)/release and other credit risk provisions	29	(14,051)	44,531	(48,423)	445
Net operating income		732,376	803,425	1,481,551	1,546,892
Other operating expenses	30	(378,554)	(395,052)	(735,813)	(741,718)
Profit before tax		353,822	408,373	745,738	805,174
Tax expense	31	(86,140)	(103,049)	(184,514)	(205,735)
Profit for the period		267,682	305,324	561,224	599,439
Other comprehensive income/(expense)					
<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		32,111	11,725	204,904	62,541
Amount transferred to profit or loss		(16,321)	(1,207)	(47,890)	(12,537)
Income tax effect		(3,789)	(2,524)	(37,683)	(12,001)
Other comprehensive income for the financial year, net of income tax		12,001	7,994	119,331	38,003
Total comprehensive income for the period		279,683	313,318	680,555	637,442
Profit attributable to owner of the Bank		267,682	305,324	561,224	599,439
Total comprehensive income attributable to owner of the Bank		279,683	313,318	680,555	637,442
Basic earnings per RM0.50 ordinary share		116.9 sen	133.3 sen	245.1 sen	261.8 sen
Dividends per RM0.50 ordinary share (net)					
- proposed interim dividend in respect of current year		87.3 sen	-	87.3 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 2015 and the accompanying explanatory notes on pages 9 to 45 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 21 July 2016.

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
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UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	<i>Note</i>	<i>Bank</i>			
		Second Quarter		Six Months Ended	
		30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
		RM'000	RM'000	RM'000	RM'000
			(Restated)		(Restated)
Interest income	24	578,863	672,115	1,199,830	1,321,246
Interest expense	24	(210,868)	(276,610)	(450,039)	(528,664)
Net interest income	24	367,995	395,505	749,791	792,582
Fee and commission income	25	112,128	125,397	224,850	249,299
Fee and commission expense	25	(18,063)	(8,208)	(40,137)	(30,365)
Net fee and commission income	25	94,065	117,189	184,713	218,934
Net trading income	26	152,247	122,746	327,394	286,397
Other operating income	28	49,835	44,512	96,056	86,710
Operating income before impairment losses		664,142	679,952	1,357,954	1,384,623
Loans impairment release and other credit risk provisions	29	12,361	38,471	25,877	22,488
Net operating income		676,503	718,423	1,383,831	1,407,111
Other operating expenses	30	(348,929)	(367,009)	(679,519)	(688,498)
Profit before tax		327,574	351,414	704,312	718,613
Tax expense		(79,888)	(92,048)	(176,172)	(188,727)
Profit for the period		247,686	259,366	528,140	529,886
Other comprehensive income/(expense)					
<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		30,253	10,604	199,115	50,142
Amount transferred to profit or loss		(16,321)	(975)	(44,835)	(12,305)
Income tax effect		(3,343)	(2,311)	(37,027)	(9,081)
Other comprehensive income for the financial year, net of income tax		10,589	7,318	117,253	28,756
Total comprehensive income for the period		258,275	266,684	645,393	558,642
Profit attributable to owner of the Bank		247,686	259,366	528,140	529,886
Total comprehensive income attributable to owner of the Bank		258,275	266,684	645,393	558,642
Basic earnings per RM0.50 ordinary share		108.2 sen	113.3 sen	230.6 sen	231.4 sen
Dividends per RM0.50 ordinary share (net)					
- proposed interim dividend in respect of current year		87.3 sen	-	87.3 sen	-

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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

Group (RM'000)	<i>Non-distributable</i>							<i>Distributable</i>	<i>Total equity</i>	
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Revaluation reserve</i>	<i>Capital redemption reserve</i>	<i>Available-for-sale reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve¹¹⁾</i>		<i>Retained profit</i>
2016										
Balance at 1 January	114,500	741,375	164,500	186,962	190,000	18,569	95,953	284,000	6,052,662	7,848,521
Total comprehensive income for the financial period										
Profit for the financial period	-	-	-	-	-	-	-	-	561,224	561,224
Other comprehensive income, net of income tax										
Revaluation reserve:										
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,041)	-	-	-	-	1,041	-
Available-for-sale reserve:										
Net change in fair value	-	-	-	-	-	155,727	-	-	-	155,727
Net amount transferred to profit or loss	-	-	-	-	-	(36,396)	-	-	-	(36,396)
<i>Total other comprehensive income</i>	-	-	-	(1,041)	-	119,331	-	-	1,041	119,331
Total comprehensive income for the financial period	-	-	-	(1,041)	-	119,331	-	-	562,265	680,555
Transactions with the owner (the ultimate holding company), recorded directly in equity										
Share based payment transactions	-	-	-	-	-	-	1,603	-	1,948	3,551
Balance at 30 June	114,500	741,375	164,500	185,921	190,000	137,900	97,556	284,000	6,616,875	8,532,627

¹¹⁾ 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 Bank for the financial year ended 31 December 2015 and the accompanying explanatory notes on pages 9 to 45 attached to the unaudited condensed interim financial statements.

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016 (Cont'd)

Group (RM'000)	<i>Non-distributable</i>							<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Revaluation reserve</i>	<i>Capital redemption reserve</i>	<i>Available-for-sale reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve¹¹</i>	<i>Retained profit</i>	
2015										
Balance at 1 January	114,500	741,375	164,500	177,624	190,000	(10,975)	97,757	180,000	5,352,273	7,007,054
Total comprehensive income for the financial period										
Profit for the financial period	-	-	-	-	-	-	-	-	599,439	599,439
Other comprehensive income, net of income tax										
Revaluation reserve:										
Transfer to retained profit upon realisation of depreciation	-	-	-	(997)	-	-	-	-	997	-
Available-for-sale reserve:										
Net change in fair value	-	-	-	-	-	47,531	-	-	-	47,531
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(9,528)	-	-	-	(9,528)
<i>Total other comprehensive income</i>	-	-	-	(997)	-	38,003	-	-	997	38,003
Total comprehensive income for the financial period	-	-	-	(997)	-	38,003	-	-	600,436	637,442
Transfer relating to regulatory reserves	-	-	-	-	-	-	-	46,000	(46,000)	-
Transactions with the owner (the ultimate holding company), recorded directly in equity										
Share based payment transactions	-	-	-	-	-	-	(1,971)	-	(2,060)	(4,031)
Dividends paid to owner - 2014 final	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Balance at 30 June	114,500	741,375	164,500	176,627	190,000	27,028	95,786	226,000	5,604,649	7,340,465

¹¹ 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.

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016 (Cont'd)

Bank (RM'000)	<i>Non-distributable</i>							<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Revaluation reserve</i>	<i>Capital redemption reserve</i>	<i>Available-for-sale reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve^[1]</i>	<i>Retained profit</i>	
2016										
Balance at 1 January	114,500	741,375	114,500	186,962	190,000	13,623	94,895	250,000	5,350,760	7,056,615
Total comprehensive income for the financial period										
Profit for the financial period	-	-	-	-	-	-	-	-	528,140	528,140
Other comprehensive income, net of income tax										
Revaluation reserve:										
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,041)	-	-	-	-	1,041	-
Available-for-sale reserve:										
Net change in fair value	-	-	-	-	-	151,327	-	-	-	151,327
Net amount transferred to profit or loss	-	-	-	-	-	(34,074)	-	-	-	(34,074)
<i>Total other comprehensive income</i>	-	-	-	(1,041)	-	117,253	-	-	1,041	117,253
Total comprehensive income for the financial period	-	-	-	(1,041)	-	117,253	-	-	529,181	645,393
Transactions with the owner (the ultimate holding company), recorded directly in equity										
Share based payment transactions	-	-	-	-	-	-	2,228	-	1,948	4,176
Balance at 30 June	114,500	741,375	114,500	185,921	190,000	130,876	97,123	250,000	5,881,889	7,706,184

^[1] 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.

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016 (Cont'd)

Bank (RM'000)	<i>Non-distributable</i>							<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Revaluation reserve</i>	<i>Capital redemption reserve</i>	<i>Available-for-sale reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve^[1]</i>	<i>Retained profit</i>	
2015										
Balance at 1 January	114,500	741,375	114,500	177,624	190,000	(4,487)	96,383	167,000	4,751,450	6,348,345
Total comprehensive income for the financial period										
Profit for the financial period	-	-	-	-	-	-	-	-	529,886	529,886
Other comprehensive income, net of income tax										
Revaluation reserve:										
Transfer to retained profit upon realisation of depreciation	-	-	-	(997)	-	-	-	-	997	-
Available-for-sale reserve:										
Net change in fair value	-	-	-	-	-	38,108	-	-	-	38,108
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(9,352)	-	-	-	(9,352)
<i>Total other comprehensive income</i>	-	-	-	(997)	-	28,756	-	-	997	28,756
Total comprehensive income for the financial period	-	-	-	(997)	-	28,756	-	-	530,883	558,642
Transfer relating to regulatory reserves	-	-	-	-	-	-	-	40,000	(40,000)	-
Transactions with the owner (the ultimate holding company), recorded directly in equity										
Share based payment transactions	-	-	-	-	-	-	(2,174)	-	(2,060)	(4,234)
Dividends paid to owner - 2014 final	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Balance at 30 June	114,500	741,375	114,500	176,627	190,000	24,269	94,209	207,000	4,940,273	6,602,753

^[1]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.

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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Profit before tax	745,738	805,174	704,312	718,613
Adjustments for non-operating and non-cash items	251,030	30,332	177,451	20,839
Operating profit before working capital changes	996,768	835,506	881,763	739,452
Changes in working capital:				
Net changes in operating assets	251,168	(2,110,704)	698,359	(1,156,452)
Net changes in operating liabilities	(7,515,650)	2,266,624	(5,673,899)	1,118,191
Income tax paid	(123,319)	(138,125)	(109,861)	(120,417)
Net cash generated from operations	(6,391,033)	853,301	(4,203,638)	580,774
Net cash generated from investing activities	(971,259)	7,467,746	(1,354,841)	5,040,099
Net cash used in financing activity	(74,129)	700,299	(30,592)	(49,701)
	(1,045,388)	8,168,045	(1,385,433)	4,990,398
Net changes in cash and cash equivalents	(7,436,421)	9,021,346	(5,589,071)	5,571,172
Cash and cash equivalents at 1 January	18,251,909	7,839,057	14,318,083	8,077,960
Cash and cash equivalents at 30 June	10,815,488	16,860,403	8,729,012	13,649,132
Analysis of cash and cash equivalents				
Cash and short-term funds	10,815,488	16,860,403	8,729,012	13,649,132
Cash and cash equivalents comprise the following:				
Cash and short-term funds	10,815,488	16,860,403	8,729,012	13,649,132
Adjustment for cash collateral	(1,132,181)	(679,715)	(1,482,181)	(1,029,715)
Cash and Cash Equivalents	9,683,307	16,180,688	7,246,831	12,619,417

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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.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 2, Leboh Ampang, 50100 Kuala Lumpur.

The immediate parent bank and the ultimate holding company during the financial period are The Hongkong and Shanghai Banking Corporation Limited (HBAP) and HSBC Holdings plc, respectively.

The financial statements were approved and authorised for issue by the Board of Directors on 21 July 2016.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 30 June 2016 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 June 2016 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 2015. 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 2015.

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 2015.

(i) Standards and amendments to published standards that are effective and applicable to the Group and the Bank

The new accounting standards and amendments to published standards that are effective and applicable to the Group and the Bank for the financial year beginning on 1 January 2016 are as follows:

- Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' clarify that the use of revenue-based methods to calculate the depreciation of an item of property, plant and equipment is not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The adoption of the new accounting standards, amendments and improvements to published standards did not have a material impact on the financial statements of the Group and the Bank.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2 Basis of Preparation (Cont'd)

- (ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

The Group and the Bank will apply these standards, amendments to published standards from:

a. Financial year beginning on/after 1 January 2017:

- Amendments to MFRS 107 'Disclosure Initiative'

Disclosure Initiative introduces additional disclosure on changes in liabilities arising from financing activities.

- Amendments to MFRS 112 'Recognition of Deferred Tax Assets for Unrealised Losses'

Amendments to MFRS 112 clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

b. Financial year beginning on/after 1 January 2018:

- MFRS 9 'Financial Instruments' will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (OCI). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 'Revenue from contracts with customers' replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

c. Financial year beginning on/after 1 January 2019:

MFRS 16 'Leases'

On 15 April 2016, MASB issued MFRS 16 effective for annual periods beginning on or after 1 January 2019. MFRS 16 requires recognition of operating lease commitments on balance sheet together with a right of use asset.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2 Basis of Preparation (Cont'd)

- (ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (Cont'd)

The initial application of the above accounting standards, amendments and interpretation are not expected to have any material financial impacts to the current and prior year's financial statement of the Group and the Bank upon their first adoption, except for MFRS 9.

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. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

The financial statements of the Group and the Bank have been prepared under the historical cost convention, except for the following assets and liabilities as disclosed in their respective accounting policy notes:

- Trading assets and liabilities
- Financial investments
- Property and equipment
- Derivatives and hedge accounting

3 Auditors' Report On Preceding Annual Financial Statements

The audit report on the audited annual financial statements for the financial year ended 31 December 2015 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 30 June 2016.

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 30 June 2016.

7 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 30 June 2016.

8 Dividend

The directors now recommend an interim dividend of RM0.873 per ordinary share amounting to RM200 million in respect of the current financial period on the fully issued and paid up ordinary shares of the Bank.

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 30 June 2016.

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 statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11 Cash and Short Term Funds

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Cash and balances with banks and other financial institutions	847,050	1,576,991	688,356	1,207,981
Money at call and interbank placements maturing within one month	9,968,438	16,674,918	8,040,656	13,110,102
	10,815,488	18,251,909	8,729,012	14,318,083

Included in cash and short term funds of the Group and the Bank are cash collateral pledged on derivative contracts subject to an enforceable master netting arrangement amounting to RM1,132.2 million (31 December 2015: RM1,356.4 million) and RM1,482.2 million (31 December 2015: RM1,706.4 million) respectively.

12 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Licensed banks	1,391,385	-	3,205,665	2,635,204
	1,391,385	-	3,205,665	2,635,204

Included in Deposits and Placements with Banks and Other Financial Institutions of the Bank are placements with the Bank's fully owned subsidiary, HSBC Amanah Malaysia Berhad (HBMS) of RM1,814.3 million (31 December 2015: RM2,635.2 million).

13 Financial Assets Held-for-Trading

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
At fair value				
Money market instruments:				
Malaysian Government treasury bills	560,026	4,662	560,026	4,662
Bank Negara Malaysia bills and notes	2,006,700	32,459	2,006,700	32,459
Malaysian Government securities	2,668,397	1,160,876	2,668,397	1,160,876
Malaysian Government Islamic bonds	340,651	194,887	340,150	194,397
Islamic fixed rate bonds	9,036	8,951	9,036	8,951
Cagamas bonds and notes	2,461	2,422	2,461	2,422
	5,587,271	1,404,257	5,586,770	1,403,767
Unquoted:				
Corporate bonds and Sukuk	61,120	93,101	60,920	83,099
	5,648,391	1,497,358	5,647,690	1,486,866

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Financial Investments Available-for-Sale

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
At fair value	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government securities	2,520,382	2,684,851	2,520,382	2,684,851
Malaysian Government Islamic bonds	3,618,602	3,695,010	2,294,021	1,993,767
Islamic fixed rate Sukuk	514,113	501,409	514,113	501,409
Cagamas bonds and notes	419,925	114,860	419,925	114,860
Negotiable instruments of deposit	899,956	-	899,956	-
Bankers' acceptance and Islamic accepted bills	30,670	-	30,670	-
	8,003,648	6,996,130	6,679,067	5,294,887
Unquoted:				
Shares	167,559	16,908	167,559	16,908
Corporate bonds	471	471	471	471
	168,030	17,379	168,030	17,379
	8,171,678	7,013,509	6,847,097	5,312,266

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

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	1,809,105	608,040	1,638,389	436,330
More than one year to three years	3,259,466	3,677,058	2,146,307	2,366,184
More than three years to five years	1,367,794	1,797,261	1,347,552	1,578,602
Over five years	1,567,283	913,771	1,546,819	913,771
	8,003,648	6,996,130	6,679,067	5,294,887

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
At amortised cost	RM'000	RM'000	RM'000	RM'000
Overdrafts/cash line	1,047,533	1,147,624	952,557	1,057,224
Term loans/financing:				
Housing loans/financing	19,493,416	19,167,843	15,205,161	14,959,077
Syndicated term loans/financing	2,137,101	2,666,343	1,506,476	1,711,784
Factoring receivables	211,655	272,248	211,655	272,248
Hire purchase receivables	223,536	229,552	-	-
Lease receivables	3,430	4,103	-	-
Other term loans/financing ^[1]	10,894,355	12,503,574	7,000,260	8,635,042
Bills receivable	1,192,681	3,521,886	1,192,681	3,521,886
Trust receipts	1,560,044	1,681,763	1,052,816	1,078,082
Claims on customers under acceptance credits	2,648,562	2,914,765	1,912,886	2,080,795
Staff loans/financing	149,867	164,549	142,948	157,040
Credit/charge cards	2,792,265	2,827,815	2,179,070	2,258,457
Revolving credit	4,721,840	4,789,157	3,929,596	3,982,459
Other loans/financing	7,297	5,502	7,297	5,502
Gross loans, advances and financing	47,083,582	51,896,724	35,293,403	39,719,596
Less: Allowance for impaired loans, advances and financing				
- Collectively assessed	(429,280)	(444,234)	(250,582)	(303,970)
- Individually assessed	(205,318)	(230,297)	(151,150)	(161,650)
Total net loans, advances and financing	46,448,984	51,222,193	34,891,671	39,253,976

^[1] Included in the loans, advances and financing of the Bank at 30 June 2016 are financing which are disclosed as "Asset under Management" in the financial statements of HSBC Amanah Malaysia Berhad. These details are as follows:

	<i>Bank</i>	
	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
Under SIAF/IAA arrangement	623,695	1,130,134
Under RPSIA arrangement	-	19,918
	623,695	1,150,052

The Restricted Profit Sharing Investment Account (RPSIA) is with the Bank's fully owned subsidiary, HBMS, and the contract is based on the Mudharabah principle where the Bank provides the funds, whilst the assets are managed by HBMS. 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. Effective 31 March 2015, Syndicated Investment Account for Financing/Investment Agency Account (SIAF/IAA) replaces RPSIA for new advances and financing.

SIAF/IAA arrangement is with the Bank's fully owned subsidiary, HBMS, and the contract is based on the Wakalah principle where the Bank, solely or together with other financial institutions provide the funds, whilst the assets are managed by HBMS (as the Wakeel or agent). However, in the arrangement, the profits of the underlying assets are recognised by the Bank proportionately in relation to the funding it provides in the syndication arrangement. At the same time, risks on the financing are also proportionately borne by the Bank. Hence, the underlying assets and allowances for impairment arising thereon, if any, are proportionately recognised and accounted for by the Bank.

The recognition and derecognition treatments of the above are in accordance to Note 3(g) on financial instruments in the audited financial statements of the Group and the Bank for the financial year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Loans, Advances and Financing (Cont'd)

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Domestic non-bank financial institutions	594,412	694,721	-	24,423
Domestic business enterprises:				
Small medium enterprises	6,981,892	8,223,786	5,005,439	6,219,138
Others	12,986,750	14,469,283	10,505,439	11,524,779
Government and statutory bodies	11,851	13,566	-	-
Individuals	22,319,893	22,308,675	16,708,526	16,877,437
Other domestic entities	6,627	7,374	5,111	5,806
Foreign entities	4,182,157	6,179,319	3,068,888	5,068,013
	47,083,582	51,896,724	35,293,403	39,719,596

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Maturity within one year	17,005,826	21,355,694	12,785,392	16,822,828
More than one year to three years	4,153,377	3,319,943	3,459,445	2,677,241
More than three years to five years	2,376,566	3,891,796	1,215,239	2,401,563
More than five years	23,547,813	23,329,291	17,833,327	17,817,964
	47,083,582	51,896,724	35,293,403	39,719,596

(iv) By interest/profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Fixed rate:				
Housing loans/financing	1,738	2,252	1,009	1,117
Hire purchase receivables	223,536	229,552	-	-
Other fixed rate loans/financing	9,524,733	12,318,223	6,783,119	9,478,120
Variable rate:				
BR/BLR/BFR plus	24,040,654	24,212,548	18,645,752	18,934,600
Cost-plus	13,292,921	15,134,149	9,863,523	11,305,759
	47,083,582	51,896,724	35,293,403	39,719,596

(v) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Agricultural, hunting, forestry and fishing	1,209,233	1,720,576	1,040,522	1,096,316
Mining and quarrying	423,149	479,285	250,094	272,991
Manufacturing	6,348,026	7,521,846	5,081,893	6,215,602
Electricity, gas and water	34,464	22,666	6,660	7,894
Construction	2,273,396	2,729,566	1,923,193	2,132,411
Real estate	2,859,392	2,837,599	2,133,916	2,444,665
Wholesale & retail trade and restaurants & hotels	3,719,899	4,272,413	2,715,364	3,183,647
Transport, storage and communication	281,537	273,544	111,980	107,101
Finance, insurance and business services	2,890,699	3,004,155	1,906,199	1,968,693
Household-retail	25,717,043	25,630,503	19,468,548	19,556,780
Others	1,326,744	3,404,571	655,034	2,733,496
	47,083,582	51,896,724	35,293,403	39,719,596

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Loans, Advances and Financing (Cont'd)

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Purchase of property:				
Residential	19,591,066	19,271,634	15,299,458	15,059,601
Non residential	1,701,618	1,744,138	849,770	903,557
Purchase of securities	6,137	6,862	6,137	6,862
Purchase of transport vehicles	33,229	35,792	31,391	33,670
Purchase of fixed assets excluding land & building	5,065	9,104	4,551	5,398
Consumption credit	5,517,038	5,723,729	3,842,302	4,135,358
Construction	1,818,949	2,169,570	1,462,960	1,583,287
Working capital	17,605,845	20,059,671	13,480,191	15,598,026
Other purpose	804,635	2,876,224	316,643	2,393,837
	47,083,582	51,896,724	35,293,403	39,719,596

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Northern Region	6,994,140	7,152,739	5,567,416	5,703,936
Southern Region	6,697,983	7,065,940	5,087,342	5,427,271
Central Region	30,441,768	34,509,511	22,159,424	25,900,380
Eastern Region	2,949,691	3,168,534	2,479,221	2,688,009
	47,083,582	51,896,724	35,293,403	39,719,596

Concentration by location for loans, advances and financing is based on the location of the borrower.

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.

16 Impaired Loans, Advances and Financing

(i) Movements in impaired loans, advances and financing

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Balance at 1 January	941,081	688,245	705,802	526,018
Classified as impaired during the financial period/year	516,483	1,181,396	365,849	861,773
Reclassified as performing	(257,938)	(452,339)	(201,418)	(342,958)
Amount recovered	(116,074)	(240,611)	(91,180)	(185,717)
Amount written off	(126,813)	(235,610)	(60,234)	(153,314)
Balance at 30 June/31 December	956,739	941,081	718,819	705,802

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16 Impaired Loans, Advances and Financing (Cont'd)

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

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Collective allowance for impairment				
Balance at 1 January	444,234	388,060	303,970	263,243
Made during the financial period/year	207,946	400,892	87,977	248,706
Amount released	(126,203)	(161,354)	(90,857)	(103,044)
Amount written off	(96,697)	(183,364)	(50,508)	(104,935)
Balance at 30 June/31 December	429,280	444,234	250,582	303,970

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Individual allowance for impairment				
Balance at 1 January	230,297	234,520	161,650	190,699
Made during the financial period/year	59,427	115,782	42,198	69,953
Amount released	(55,962)	(93,421)	(42,197)	(65,704)
Amount written off	(28,444)	(26,584)	(10,501)	(33,298)
Balance at 30 June/31 December	205,318	230,297	151,150	161,650

(iii) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Agricultural, hunting, forestry and fishing	120,031	125,667	120,031	125,667
Manufacturing	17,643	44,890	15,046	23,797
Construction	58,561	44,467	58,357	44,263
Real estate	402	700	402	700
Wholesale & retail trade, restaurants & hotels	57,639	58,603	42,445	48,931
Transport, storage and communication	5,609	8,668	1,657	3,225
Finance, insurance and business services	7,588	5,531	1,944	4
Household-retail	688,349	651,902	478,650	459,215
Others	917	653	287	-
	956,739	941,081	718,819	705,802

(iv) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Purchase of property:				
Residential	411,625	402,093	306,496	307,109
Non residential	24,181	22,768	11,287	12,513
Purchase of transport vehicles	453	688	430	555
Purchase of fixed assets excluding land & building	358	358	-	-
Consumption credit	264,497	237,962	162,719	142,192
Construction	58,826	44,782	58,622	44,578
Working capital	196,799	232,430	179,265	198,855
	956,739	941,081	718,819	705,802

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16 Impaired Loans, Advances and Financing (Cont'd)

(v) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Northern Region	162,019	168,686	118,553	114,584
Southern Region	102,690	107,824	74,513	77,557
Central Region	500,616	464,794	344,560	323,030
Eastern Region	191,414	199,777	181,193	190,631
	956,739	941,081	718,819	705,802

17 Other Assets

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Settlements	2,510,586	38,819	2,510,586	38,819
Interest/profit receivable	117,077	94,452	110,273	93,111
Other receivables, deposits and prepayments	127,036	146,929	110,341	126,801
	2,754,699	280,200	2,731,200	258,731

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 Deposits from Customers

(i) By type of deposit	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
At amortised cost				
Demand deposits	17,843,784	20,391,898	16,073,236	18,534,667
Savings deposits	12,950,303	13,232,616	11,363,187	11,643,195
Fixed/Investment deposits	24,603,657	25,627,793	19,216,011	19,828,734
Repurchase agreements	90,031	140,412	-	-
Wholesale money market deposits	488,928	497,383	488,928	497,383
Negotiable instruments of deposit	751,636	759,821	751,636	759,821
	56,728,339	60,649,923	47,892,998	51,263,800
At fair value				
Structured investments ^[1]	2,740,562	2,770,887	2,740,562	2,770,887
	59,468,901	63,420,810	50,633,560	54,034,687

^[1] Effective 1 July 2015, Islamic structured products are classified in Other Liabilities (refer to Note 21)

Structured investments and negotiable instruments of deposits (included as customer deposits) are measured at fair value over the life of the instruments. Structured investments are deposits with embedded derivatives, of which both interest paid and fair valuation on the structured investments are recorded in net trading income, as per the accounting policy in Note 3(j), and respective fair value on trading liabilities is shown in Note 5(b)(ii) in the financial statements of the Group and the Bank for the financial year ended 31 December 2015.

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

Due within six months	19,277,066	20,002,882	14,761,090	15,096,219
More than six months to one year	5,185,551	5,241,926	4,345,071	4,393,641
More than one year to three years	808,993	1,088,277	780,236	1,046,214
More than three years to five years	83,683	54,529	81,250	52,481
	25,355,293	26,387,614	19,967,647	20,588,555

(ii) By type of customer	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Government and statutory bodies	32,252	40,167	21,881	31,319
Business enterprises	19,133,898	22,005,082	17,040,231	19,625,098
Individuals	27,862,373	28,564,864	23,049,870	23,498,950
Others	12,440,378	12,810,697	10,521,578	10,879,320
	59,468,901	63,420,810	50,633,560	54,034,687

20 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Licensed banks	1,660,310	1,139,449	1,660,310	1,139,470
Bank Negara Malaysia	34,678	49,614	5,100	-
Other financial institutions	3,692,232	6,773,303	3,692,232	5,496,135
	5,387,220	7,962,366	5,357,642	6,635,605

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Settlements	399,159	191,926	378,372	191,926
Interest/profit payable	266,194	266,260	200,640	197,348
Other creditors and accruals	1,331,189	1,674,543	1,229,433	1,756,879
	1,996,542	2,132,729	1,808,445	2,146,153
At fair value				
Islamic structured products ^[1]	1,031,064	1,268,657	-	-
	3,027,606	3,401,386	1,808,445	2,146,153

^[1] Effective 1 July 2015, Islamic structured products are being reclassified from Deposit from Customers (refer to Note 19). Islamic structured products are measured at fair value over the life of the instruments. Islamic structured products are deposits with embedded derivatives, of which both profit paid and fair valuation on the Islamic structured products are recorded in net trading income, as per accounting policy in Note 3(e), and respective fair value on trading liabilities is shown in Note 5(b)(ii) in the financial statements of the Group and the Bank for the financial year ended 31 December 2015.

22 Multi-Currency Sukuk Programme

	<i>Group</i>	
	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
Multi-Currency Sukuk Programme (MCSP)	1,757,968	1,749,823

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)	
				30 Jun 2016	31 Dec 2015
At amortised cost					
1st series at amortised cost	500,000	28 Sep 2012	28 Sep 2017	500,000	500,000
At fair value					
2nd series	500,000	16 Oct 2014	16 Oct 2019	503,519	500,641
3rd series	750,000	27 Mar 2015	27 Mar 2020	754,449	749,182
	<u>1,250,000</u>			<u>1,257,968</u>	<u>1,249,823</u>
Total	<u>1,750,000</u>			<u>1,757,968</u>	<u>1,749,823</u>

<u>Movement in MCSP</u>	2nd series		3rd series	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Balance at 1 January	500,641	501,854	749,182	-
New issuance during the financial period/year	-	-	-	750,000
Change in fair value other than from own credit risk	6,768	1,374	11,814	(7,020)
Change in fair value from own credit risk	(3,890)	(2,587)	(6,547)	6,202
Balance at 30 June/31 December	503,519	500,641	754,449	749,182

	<i>Group</i>	
	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
The cumulative change in fair value due to changes in own credit risk	(10,437)	3,615

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

23 Subordinated Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Subordinated Liabilities	1,584,941	1,621,340	1,584,941	1,621,340
(i) Subordinated liabilities, at par	1,000,000	1,000,000	1,000,000	1,000,000
Fair value changes arising from fair value hedge	3,936	2,879	3,936	2,879
	1,003,936	1,002,879	1,003,936	1,002,879

(a) 4.35% coupon rate for RM500 million due 2022 callable with a 100 bp step up coupon in 2017

(b) 5.05% coupon rate for RM500 million due 2027 callable with a 100 bp step up coupon in 2022

The unsecured subordinated liabilities qualify as a component of Tier 2 capital of the Bank. Under the Capital Adequacy Framework (Capital Components), the par value of the subordinated liabilities 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>	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
(ii) Subordinated term loan				
- First tranche issued on 25 June 2014	313,316	333,515	313,316	333,515
- Second tranche issued on 30 June 2015	267,689	284,946	267,689	284,946
	581,005	618,461	581,005	618,461

The subordinated term loans comprised two tranches of Basel III compliant Tier 2 subordinated loans of USD equivalent of RM250 million each from the Bank's immediate holding company, HBAP. The tenor for both the subordinated term loans is 10 years from the utilisation date with interest payable quarterly in arrears.

The subordinated term loans constitute direct, unsecured and subordinated obligations of the Bank. The Bank further invested a similar amount into HBMS.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24 Net Interest Income

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	404,577	406,287	816,870	812,324
- Interest income recognised from impaired loans	10,718	8,698	21,292	20,179
Money at call and deposit placements with financial institutions	92,214	158,765	214,824	262,077
Financial investments available-for-sale	53,401	83,109	106,379	194,319
	560,910	656,859	1,159,365	1,288,899
Interest expense				
Deposits and placements of banks and other financial institutions	(10,545)	(53,729)	(23,521)	(87,803)
Deposits from customers	(182,188)	(206,784)	(390,165)	(409,125)
Subordinated liabilities	(15,307)	(13,210)	(30,746)	(26,179)
Others	(2,828)	(2,887)	(5,607)	(5,557)
	(210,868)	(276,610)	(450,039)	(528,664)
Net interest income	350,042	380,249	709,326	760,235
<i>Bank</i>				
	Second Quarter		Six Months Ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	404,577	406,287	816,870	812,324
- Interest income recognised from impaired loans	10,718	8,698	21,292	20,179
Money at call and deposit placements with financial institutions	110,167	174,021	255,289	294,424
Financial investments available-for-sale	53,401	83,109	106,379	194,319
	578,863	672,115	1,199,830	1,321,246
Interest expense				
Deposits and placements of banks and other financial institutions	(10,545)	(53,729)	(23,521)	(87,803)
Deposits from customers	(182,188)	(206,784)	(390,165)	(409,125)
Subordinated liabilities	(15,307)	(13,210)	(30,746)	(26,179)
Others	(2,828)	(2,887)	(5,607)	(5,557)
	(210,868)	(276,610)	(450,039)	(528,664)
Net interest income	367,995	395,505	749,791	792,582

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

25 Net Fee and Commission Income

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Fee and commission income				
Credit cards	35,753	41,161	73,290	85,520
Service charges and fees	35,607	32,940	71,563	84,513
Fees on credit facilities	14,650	20,582	28,427	28,337
Agency fee	16,375	17,176	32,951	28,433
Others	9,743	13,538	18,619	22,496
	112,128	125,397	224,850	249,299
Fee and commission expense				
Interbank and clearing fees	(251)	(260)	(770)	(704)
Brokerage	(342)	(872)	(916)	(1,413)
Others	(17,470)	(7,076)	(38,451)	(28,248)
	(18,063)	(8,208)	(40,137)	(30,365)
Net fee and commission income	94,065	117,189	184,713	218,934

	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Credit cards	35,753	41,161	73,290	85,520
Service charges and fees	35,607	32,940	71,563	84,513
Fees on credit facilities	14,650	20,582	28,427	28,337
Agency fee	16,375	17,176	32,951	28,433
Others	9,743	13,538	18,619	22,496
	112,128	125,397	224,850	249,299
Fee and commission expense				
Interbank and clearing fees	(251)	(260)	(770)	(704)
Brokerage	(342)	(872)	(916)	(1,413)
Others	(17,470)	(7,076)	(38,451)	(28,248)
	(18,063)	(8,208)	(40,137)	(30,365)
Net fee and commission income	94,065	117,189	184,713	218,934

26 Net Trading Income

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Realised gains on financial assets/liabilities held-for-trading and other financial instruments	22,308	37,595	49,309	73,652
Net interest income/(expense) from financial assets held-for-trading	1,305	(7,254)	(2,035)	(5,163)
Net unrealised gains/(losses) on revaluation of financial assets held-for-trading	864	(2,649)	(10,029)	(606)
Net realised gains arising from dealing in foreign currency	69,016	12,462	462,716	124,437
Net unrealised gains/(losses) from dealing in foreign currency	39,200	87,356	(153,080)	78,595
Net realised (losses)/gains arising from dealing in derivatives	(17,157)	114,049	(3,831)	111,843
Net unrealised gains/(losses) on revaluation of derivatives	12,981	(117,346)	7,716	(92,388)
Gains/(Losses) arising from fair value hedges	70	171	(322)	269
	128,587	124,384	350,444	290,639

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26 Net Trading Income (Cont'd)

	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Realised gains on financial assets/liabilities held-for-trading and other financial instruments	22,308	37,595	49,309	73,652
Net interest income/(expenses) from financial assets held-for-trading	1,305	(7,254)	(2,035)	(5,163)
Net unrealised gains/(losses) on revaluation of financial assets held-for-trading	864	(2,649)	(10,029)	(606)
Net realised gains arising from dealing in foreign currency	70,401	18,549	466,277	128,452
Net unrealised gains/(losses) from dealing in foreign currency	56,932	78,549	(207,801)	70,614
Net (losses)/gains realised gains arising from dealing in derivatives	(17,481)	113,153	(3,926)	109,239
Net unrealised gains/(losses) on revaluation of derivatives	17,848	(115,368)	35,921	(90,060)
Gains/(Losses) arising from fair value hedges	70	171	(322)	269
	152,247	122,746	327,394	286,397

27 Income from Islamic Banking operations

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Income derived from investment of depositor funds and others	197,387	177,644	329,127	347,629
Income derived from investment of shareholders funds ^[1]	29,238	26,224	72,550	54,174
Income attributable to the depositors	(71,231)	(79,132)	(145,319)	(147,376)
Income from Islamic Banking operations	155,394	124,736	256,358	254,427

^[1] Included in income derived from investment of shareholders funds of the Group at 30 June are net gains/(losses) on financial instruments designated at fair value through profit or loss.

9,940 **(7,648)**

28 Other Operating Income

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Disposal of financial investments available-for-sale	10,057	3,513	16,618	6,862
Dividend income from financial investments available-for-sale				
- Unquoted in Malaysia	930	930	930	930
Rental income	1,548	1,668	3,039	3,224
Net gains on disposal of property and equipment	12	3	14	69
Other operating income	5,792	6,222	8,532	11,127
	18,339	12,336	29,133	22,212

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28 Other Operating Income (Cont'd)

	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Disposal of financial investments available-for-sale	10,057	3,513	16,618	6,862
Dividend income from financial investments available-for-sale				
- Unquoted in Malaysia	930	930	930	930
Rental income	1,548	1,668	3,039	3,224
Net gains on disposal of property and equipment	12	3	14	69
Other operating income	37,288	38,398	75,455	75,625
	49,835	44,512	96,056	86,710

29 Loans/Financing Impairment Charges and other Credit Risk Provisions

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Impairment charges on loans and financing:				
(a) Individual impairment				
Made during the financial period	23,261	13,939	59,427	52,216
Written back	(16,919)	(32,333)	(55,962)	(79,094)
(b) Collective impairment				
Made during the financial period	77,957	59,920	207,946	161,792
Written back	(50,530)	(57,222)	(126,203)	(81,577)
Impaired loans				
Recovered during the financial period	(22,980)	(31,101)	(44,113)	(59,218)
Written off	3,262	2,266	7,288	5,436
Impairment charges on other credit related items				
Made during the financial period	-	-	40	-
	14,051	(44,531)	48,423	(445)

	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Impairment charges on loans and financing:				
(a) Individual impairment				
Made during the financial period	15,972	11,790	42,198	38,272
Written back	(11,857)	(27,515)	(42,197)	(62,799)
(b) Collective impairment				
Made during the financial period	36,853	31,670	87,977	83,807
Written back	(41,275)	(33,189)	(90,857)	(43,354)
Impaired loans				
Recovered during the financial period	(14,574)	(22,806)	(28,458)	(42,568)
Written off	2,520	1,579	5,420	4,154
Impairment charges on other credit related items				
Made during the financial period	-	-	40	-
	(12,361)	(38,471)	(25,877)	(22,488)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Other Operating Expenses

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Personnel expenses	184,337	196,695	353,252	378,695
Promotion and marketing related expenses	20,019	16,791	36,403	31,714
Establishment related expenses	37,415	37,960	73,956	75,247
General administrative expenses	136,783	143,606	272,202	256,062
	378,554	395,052	735,813	741,718
Personnel expenses				
Salaries, allowances and bonuses	142,619	142,126	273,047	284,761
Employees Provident Fund contributions	24,024	23,784	44,794	45,822
Others	17,694	30,785	35,411	48,112
	184,337	196,695	353,252	378,695
Promotion and marketing related expenses	20,019	16,791	36,403	31,714
Establishment related expenses				
Depreciation of property and equipment	6,889	8,758	14,086	17,433
Amortisation of intangible assets	5,980	6,110	11,377	12,045
Intangible asset written off	-	438	-	438
Information technology costs	3,757	4,083	8,031	7,350
Hire of equipment	2,064	2,078	5,090	4,928
Rental of premises	9,701	8,958	19,011	19,689
Property and equipment written off	5	9	5	14
Others	9,019	7,526	16,356	13,350
	37,415	37,960	73,956	75,247
General administrative expenses				
Group recharges	91,313	95,167	181,760	175,017
Others	45,470	48,439	90,442	81,045
	136,783	143,606	272,202	256,062

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Other Operating Expenses (Cont'd)

	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Personnel expenses	172,109	183,090	332,655	352,292
Promotion and marketing related expenses	17,019	14,581	29,699	26,054
Establishment related expenses	32,665	32,778	64,184	64,563
General administrative expenses	127,136	136,560	252,981	245,589
	348,929	367,009	679,519	688,498
Personnel expenses				
Salaries, allowances and bonuses	133,348	131,406	256,720	263,516
Employees Provident Fund contributions	22,426	21,800	41,944	42,177
Others	16,335	29,884	33,991	46,599
	172,109	183,090	332,655	352,292
Promotion and marketing related expenses	17,019	14,581	29,699	26,054
Establishment related expenses				
Depreciation of property and equipment	5,631	6,829	11,478	13,577
Amortisation of intangible assets	5,980	6,110	11,377	12,043
Intangible asset written off	-	438	-	438
Information technology costs	3,305	3,634	6,886	5,918
Hire of equipment	2,060	2,078	5,086	4,928
Rental of premises	7,613	6,873	14,863	15,588
Property and equipment written off	5	9	5	14
Others	8,071	6,807	14,489	12,057
	32,665	32,778	64,184	64,563
General administrative expenses				
Group recharges	90,975	94,849	181,195	174,615
Others	36,161	41,711	71,786	70,974
	127,136	136,560	252,981	245,589

31 Credit exposure to connected parties

	Group		Bank	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Aggregate value of outstanding credit exposures to connected parties	4,845,494	5,179,948	4,146,382	4,632,190
As a percentage of total credit exposures	6.9%	6.7%	7.5%	7.5%
Aggregate value of total outstanding credit exposures to connected parties which is impaired or in default	-	-	-	-
As a percentage of total credit exposures	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Capital Adequacy

	<i>Group</i>	
	30 Jun 2016	31 Dec 2015
	RM'000	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)	6,616,875	6,052,662
Other reserves	1,133,102	975,854
Regulatory adjustments	(870,288)	(721,699)
Total Common Equity Tier 1 (CET 1) and Tier 1 capital	7,735,564	7,162,692
Tier 2 capital		
Subordinated liabilities	600,000	700,000
Subordinated term loan	581,005	618,461
Collective impairment allowance (unimpaired portion) & regulatory reserves	565,991	613,313
Regulatory adjustments	97,020	97,636
Total Tier 2 capital	1,844,016	2,029,410
Capital base	9,579,580	9,192,102
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	13.804%	12.099%
Total Capital ratio	17.095%	15.527%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	13.447%	12.099%
Total Capital ratio	16.738%	15.527%

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

For HSBC Amanah Malaysia Berhad (HBMS) 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). HBMS has adopted 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>			
	30 Jun 2016		31 Dec 2015	
	Principal	Risk-weighted	Principal	Risk-weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	95,506,158 ^[1]	48,841,405 ^[1]	106,377,180 ^[1]	51,974,803 ^[1]
Total RWA for market risk	-	1,310,404	-	1,376,626
Total RWA for operational risk	-	5,885,597	-	5,848,312
	95,506,158	56,037,406	106,377,180	59,199,741

^[1] The principal and risk weighted amount for credit risk relating to the SIAF/IAA/RPSIA (refer Note 15(i) for more details) are as follows:

	<i>Group</i>	
	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
Under SIAF/IAA arrangement	649,174	1,166,189
Under RPSIA arrangement	-	191,638
	649,174	1,357,827

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	30 Jun 2016 RM'000	31 Dec 2015 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)	5,881,889	5,350,760
Other reserves	1,039,427	884,289
Regulatory adjustments	(1,213,828)	(948,068)
Total Common Equity Tier 1 (CET1) and Tier 1 capital	6,563,363	6,142,856
Tier 2 capital		
Subordinated liabilities	600,000	700,000
Subordinated term loan	581,005	618,461
Collective impairment allowance (unimpaired portion) & regulatory reserves	437,030	495,101
Regulatory adjustments	(747,993)	(916,838)
Total Tier 2 capital	870,042	896,724
Capital base	7,433,405	7,039,580
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	14.355%	12.659%
Total Capital ratio	16.258%	14.507%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	13.918%	12.659%
Total Capital ratio	15.821%	14.507%

The total capital and capital adequacy ratios have been computed based on 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>			
	30 Jun 2016		31 Dec 2015	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	79,100,975 ^[1]	39,127,616 ^[1]	88,419,583 ^[1]	41,979,027 ^[1]
Total RWA for market risk	-	1,284,449	-	1,272,252
Total RWA for operational risk	-	5,308,759	-	5,272,799
	79,100,975	45,720,824	88,419,583	48,524,078

^[1] The principal and risk weighted amount for credit risk relating to the SIAF/IAA/RPSIA (refer Note 15(i) for more details) are as follows:

	<i>Bank</i>	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Under SIAF/IAA arrangement	649,174	1,166,189
Under RPSIA arrangement	-	191,638
	649,174	1,357,827

33 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.

These commitments and contingencies are not secured over the assets of the Group.

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Principal amount				
Direct credit substitutes	2,766,667	2,384,512	2,048,563	1,761,656
Transaction-related contingent items	7,947,644	8,872,513	6,885,947	7,783,118
Short-term self-liquidating trade-related contingencies	534,916	1,455,152	382,721	1,283,000
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	17,412,871	16,054,397	13,860,653	13,020,561
- Maturity exceeding one year	11,832,973	12,663,457	10,022,821	10,845,443
Unutilised credit card lines	9,405,710	8,645,649	7,368,423	6,967,131
Foreign exchange related contracts:				
- Less than one year	44,655,269	49,565,637	45,393,106	50,882,189
- Over one year to less than five years	12,889,452	12,445,384	12,889,452	12,445,384
- Over five years	1,358,630	3,219,454	1,358,630	3,219,453
Interest/profit rate related contracts:				
- Less than one year	10,787,619	10,102,027	11,842,619	11,267,026
- Over one year to less than five years	33,027,632	34,908,531	34,665,957	37,159,700
- Over five years	2,922,792	3,587,992	2,922,792	3,587,992
Gold and other precious metals contracts:				
- Less than one year	12,727	3,341	12,727	3,341
Equity related contracts:				
- Less than one year	1,759,555	286,480	2,232,011	479,203
- Over one year to less than five years	1,646,531	3,114,882	2,186,325	4,063,552
	158,960,988	167,309,408	154,072,747	164,768,749

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

Irrevocable commitments to extend credit:

Maturity not exceeding one year

- SIAF/IAA arrangement

- RPSIA arrangement

	127,395	149,672	127,395	180,273
	-	858,598	-	858,598
	127,395	1,008,270	127,395	1,038,871

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 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 30 Jun 2016	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	41,313,522	631,651	-	41,945,173	583,408	21,440	-	604,848	523,590	13,759	-	537,349
- Swaps	2,586,313	12,008,901	1,358,630	15,953,844	337,035	842,691	239,435	1,419,161	160,991	945,373	130,103	1,236,467
- Options	755,434	248,900	-	1,004,334	7,675	12,985	-	20,660	2,047	96	-	2,143
Interest/profit rate related contracts												
- Futures	20,165	-	-	20,165	-	-	-	-	643	-	-	643
- Options	150,416	533,031	96,250	779,697	2,644	9,165	799	12,608	765	301	-	1,066
- Swaps	10,527,038	30,517,516	2,470,245	43,514,799	6,520	194,758	38,539	239,817	10,623	187,535	70,909	269,067
Equity related contracts												
- Options	1,759,555	1,646,531	-	3,406,086	110	9	-	119	450,659	167,201	-	617,860
Precious metal contracts												
- Options	12,727	-	-	12,727	5	-	-	5	37	-	-	37
Sub- total	57,125,170	45,586,530	3,925,125	106,636,825	937,397	1,081,048	278,773	2,297,218	1,149,355	1,314,265	201,012	2,664,632
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	90,000	1,977,085	356,297	2,423,382	-	5,631	-	5,631	-	16,245	7,408	23,653
Sub- total	90,000	1,977,085	356,297	2,423,382	-	5,631	-	5,631	-	16,245	7,408	23,653
Total	57,215,170	47,563,615	4,281,422	109,060,207	937,397	1,086,679	278,773	2,302,849	1,149,355	1,330,510	208,420	2,688,285

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Derivative Financial Instruments (Cont'd)

Details of derivative financial instruments outstanding are as follows (Cont'd):

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

Group	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total
At 31 Dec 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	46,610,644	577,746	-	47,188,390	1,153,334	42,829	-	1,196,163	929,907	2,126	-	932,033
- Swaps	2,596,721	11,607,215	3,219,454	17,423,390	317,988	1,260,260	332,485	1,910,733	383,219	1,186,173	252,989	1,822,381
- Options	358,272	260,423	-	618,695	24,855	19,850	-	44,705	203	2,425	-	2,628
Interest/profit rate related contracts												
- Future	21,465	-	-	21,465	85	-	-	85	184	-	-	184
- Options	47,302	645,805	96,250	789,357	95	11,255	292	11,642	1,575	140	-	1,715
- Swaps	10,033,260	32,627,726	2,965,893	45,626,879	8,047	104,032	31,556	143,635	7,626	111,577	42,480	161,683
Equity related contracts												
- Options	286,480	3,114,882	-	3,401,362	84	324	-	408	88,844	421,417	-	510,261
Precious metal contracts												
- Options	3,341	-	-	3,341	-	-	-	-	15	-	-	15
Sub- total	59,957,485	48,833,797	6,281,597	115,072,879	1,504,488	1,438,550	364,333	3,307,371	1,411,573	1,723,858	295,469	3,430,900
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	-	1,635,000	525,849	2,160,849	-	7,331	2,488	9,819	-	1,007	1,853	2,860
Sub- total	-	1,635,000	525,849	2,160,849	-	7,331	2,488	9,819	-	1,007	1,853	2,860
Total	59,957,485	50,468,797	6,807,446	117,233,728	1,504,488	1,445,881	366,821	3,317,190	1,411,573	1,724,865	297,322	3,433,760

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Derivative Financial Instruments (Cont'd)

Details of derivative financial instruments outstanding are as follows (Cont'd):

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

Bank At 30 Jun 2016	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	42,051,359	631,651	-	42,683,010	591,150	21,440	-	612,590	523,609	13,759	-	537,368
- Swaps	2,586,313	12,008,901	1,358,630	15,953,844	337,035	843,805	239,435	1,420,275	160,991	945,373	130,103	1,236,467
- Options	755,434	248,900	-	1,004,334	7,773	12,889	-	20,662	2,145	-	-	2,145
Interest rate related contracts												
- Futures	20,165	-	-	20,165	-	-	-	-	643	-	-	643
- Options	150,416	731,356	96,250	978,022	2,644	9,165	799	12,608	765	5,083	-	5,848
- Swaps	11,672,038	32,147,516	2,470,245	46,289,799	6,885	196,198	38,539	241,622	11,242	200,283	70,909	282,434
Equity related contracts												
- Options	2,232,011	2,186,325	-	4,418,336	104,663	71,465	-	176,128	450,768	167,201	-	617,969
Precious metal contracts												
- Options	12,727	-	-	12,727	5	-	-	5	37	-	-	37
Sub- total	59,480,463	47,954,649	3,925,125	111,360,237	1,050,155	1,154,962	278,773	2,483,890	1,150,200	1,331,699	201,012	2,682,911
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	-	1,787,085	356,297	2,143,382	-	5,631	-	5,631	-	16,245	7,408	23,653
Sub- total	-	1,787,085	356,297	2,143,382	-	5,631	-	5,631	-	16,245	7,408	23,653
Total	59,480,463	49,741,734	4,281,422	113,503,619	1,050,155	1,160,593	278,773	2,489,521	1,150,200	1,347,944	208,420	2,706,564

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Derivative Financial Instruments (Cont'd)

Details of derivative financial instruments outstanding are as follows (Cont'd):

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

Bank	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total
At 31 Dec 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	47,888,895	577,746	-	48,466,641	1,149,258	42,829	-	1,192,087	930,497	2,126	-	932,623
- Swaps	2,596,721	11,607,215	3,219,453	17,423,389	317,988	1,264,250	332,485	1,914,723	383,219	1,186,173	252,989	1,822,381
- Options	396,573	260,423	-	656,996	25,852	18,854	-	44,706	1,200	1,429	-	2,629
Interest rate related contracts												
- Future	21,465	-	-	21,465	85	-	-	85	184	-	-	184
- Options	47,302	896,696	96,250	1,040,248	95	14,163	292	14,550	1,575	989	-	2,564
- Swaps	11,198,259	34,628,004	2,965,893	48,792,156	9,709	109,862	31,556	151,127	9,749	112,732	42,480	164,961
Equity related contracts												
- Options	479,203	4,063,552	-	4,542,755	70,702	90,430	-	161,132	88,927	421,723	-	510,650
Precious metal contracts												
- Options	3,341	-	-	3,341	-	-	-	-	15	-	-	15
Sub- total	62,631,759	52,033,636	6,281,596	120,946,991	1,573,689	1,540,388	364,333	3,478,410	1,415,366	1,725,172	295,469	3,436,007
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	-	1,635,000	525,849	2,160,849	-	7,331	2,488	9,819	-	1,007	1,853	2,860
Sub- total	-	1,635,000	525,849	2,160,849	-	7,331	2,488	9,819	-	1,007	1,853	2,860
Total	62,631,759	53,668,636	6,807,445	123,107,840	1,573,689	1,547,719	366,821	3,488,229	1,415,366	1,726,179	297,322	3,438,867

Included in the net non-profit income is the net gains/(losses) arising from fair value hedges during the financial period as follows:

	Group		Bank	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Loss on hedging instruments	(27,480)	(4,251)	(27,480)	(4,251)
Gain on the hedged items attributable to the hedged risk	27,158	4,520	27,158	4,520
	(322)	269	(322)	269

35 Interest/ Profit Rate Risk

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest/profit rates on its financial position and cash flows. The following tables summarise the Group and the Bank's exposure to interest/profit rate risk. The assets and liabilities at carrying amount are allocated to time bands by reference to the earlier of the next contractual repricing dates and maturity dates.

Group 30 Jun 2016	Non-trading book					Non- interest/profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
ASSETS									
Cash and short term funds	10,418,447	-	-	-	-	397,041	-	10,815,488	2.35
Securities purchased under resale agreements	3,903,466	-	-	-	-	-	-	3,903,466	3.17
Deposits and placements with banks and other financial institutions	-	1,129,240	262,145	-	-	-	-	1,391,385	2.37
Financial assets held-for-trading	-	-	-	-	-	-	5,648,391	5,648,391	3.09
Financial investments available-for-sale	101,036	905,811	802,258	4,627,260	1,567,754	167,559	-	8,171,678	3.49
Loans, advances and financing									
- performing	12,613,910	31,288,589	797,091	1,223,174	204,079	-	-	46,126,843	4.74
- impaired ^[1]	-	-	-	-	-	751,421	-	751,421	-
- collective allowance	-	-	-	-	-	(429,280)	-	(429,280)	-
Derivative financial assets	-	-	-	5,631	-	-	2,297,218	2,302,849	-
Other assets	-	-	-	-	-	2,667,144	-	2,667,144	-
Total Financial Assets	27,036,859	33,323,640	1,861,494	5,856,065	1,771,833	3,553,885	7,945,609	81,349,385	
LIABILITIES AND EQUITY									
Deposits from customers	29,740,612	5,954,457	8,310,351	290,466	-	11,680,816	3,492,199	59,468,901	1.99
Deposits and placements from banks and other financial institutions	4,048,816	117,867	198,262	633,837	362,970	25,468	-	5,387,220	1.40
Bills and acceptances payable	-	-	-	-	-	397,069	-	397,069	-
Multi-Currency Sukuk Programme	-	-	-	1,757,968	-	-	-	1,757,968	4.05
Subordinated liabilities	-	-	500,000	3,936	1,081,005	-	-	1,584,941	3.57
Derivative financial liabilities	-	-	-	16,245	7,408	-	2,664,632	2,688,285	-
Other liabilities	-	-	-	-	-	1,802,080	-	1,802,080	-
Total Financial Liabilities	33,789,428	6,072,324	9,008,613	2,702,452	1,451,383	13,905,433	6,156,831	73,086,464	
Total interest/profit sensitivity gap	(6,752,569)	27,251,316	(7,147,119)	3,153,613	320,450	(10,351,548)	1,788,778	8,262,921	

^[1] This is arrived at after deducting individual impairment allowance from impaired loans/financing.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Interest/ Profit Rate Risk (Cont'd)

Group 31 Dec 2015	Non-trading book					Non- interest/profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
ASSETS									
Cash and short term funds	17,751,869	-	-	-	-	500,040	-	18,251,909	2.77
Securities purchased under resale agreements	5,220,332	1,333,422	-	-	-	-	-	6,553,754	3.23
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	2.90
Financial assets held-for-trading	-	-	-	-	-	-	1,497,358	1,497,358	3.61
Financial investments available-for-sale	-	25,005	583,035	5,474,319	914,242	16,908	-	7,013,509	3.54
Loans, advances and financing									
- performing	15,014,022	33,102,212	1,473,674	1,271,039	94,696	-	-	50,955,643	4.74
- impaired ^[1]	-	-	-	-	-	710,784	-	710,784	-
- collective allowance	-	-	-	-	-	(444,234)	-	(444,234)	-
Derivative financial assets	-	-	-	7,331	2,488	-	3,307,371	3,317,190	-
Other assets	-	-	-	-	-	216,609	-	216,609	-
Total Financial Assets	37,986,223	34,460,639	2,056,709	6,752,689	1,011,426	1,000,107	4,804,729	88,072,522	
LIABILITIES AND EQUITY									
Deposits from customers	31,406,808	6,651,750	8,233,177	389,347	-	13,209,020	3,530,708	63,420,810	2.06
Deposits and placements from banks and other financial institutions	4,328,885	435,352	979,676	1,786,684	386,370	45,399	-	7,962,366	1.62
Bills and acceptances payable	-	-	-	-	-	337,218	-	337,218	4.00
Multi-Currency Sukuk Programme	-	-	-	1,749,823	-	-	-	1,749,823	3.56
Subordinated liabilities	-	-	-	502,879	1,118,461	-	-	1,621,340	-
Derivative financial liabilities	-	-	-	1,007	1,853	-	3,430,900	3,433,760	-
Other liabilities	-	-	-	-	-	2,095,438	-	2,095,438	-
Total Financial Liabilities	35,735,693	7,087,102	9,212,853	4,429,740	1,506,684	15,687,075	6,961,608	80,620,755	
Total interest/profit sensitivity gap	2,250,530	27,373,537	(7,156,144)	2,322,949	(495,258)	(14,686,968)	(2,156,879)	7,451,767	

^[1] This is arrived at after deducting individual impairment allowance from impaired loans/financing.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Interest/ Profit Rate Risk (Cont'd)

Bank 30 Jun 2016	Non-trading book					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
ASSETS									
Cash and short term funds	8,423,925	-	-	-	-	305,087	-	8,729,012	2.16
Securities purchased under resale agreements	3,903,466	-	-	-	-	-	-	3,903,466	3.17
Deposits and placements with banks and other financial institutions	-	1,129,240	1,465,445	29,975	581,005	-	-	3,205,665	2.37
Financial assets held-for-trading	-	-	-	-	-	-	5,647,690	5,647,690	3.09
Financial investments available-for-sale	101,036	905,811	631,542	3,493,859	1,547,290	167,559	-	6,847,097	3.46
Loans, advances and financing									
- performing	9,940,728	23,679,910	545,178	342,492	66,276	-	-	34,574,584	4.57
- impaired ^[1]	-	-	-	-	-	567,669	-	567,669	-
- collective allowance	-	-	-	-	-	(250,582)	-	(250,582)	-
Derivative financial assets	-	-	-	5,631	-	-	2,483,890	2,489,521	-
Other assets	-	-	-	-	-	2,642,152	-	2,642,152	-
Total Financial Assets	22,369,155	25,714,961	2,642,165	3,871,957	2,194,571	3,431,885	8,131,580	68,356,274	
LIABILITIES AND EQUITY									
Deposits from customers	24,713,038	4,315,952	6,861,731	259,276	-	10,991,364	3,492,199	50,633,560	1.88
Deposits and placements from banks and other financial institutions	4,044,707	117,867	198,261	633,837	362,970	-	-	5,357,642	0.82
Bills and acceptances payable	-	-	-	-	-	370,232	-	370,232	-
Subordinated liabilities	-	-	500,000	3,936	1,081,005	-	-	1,584,941	3.88
Derivative financial liabilities	-	-	-	16,245	7,408	-	2,682,911	2,706,564	-
Other liabilities	-	-	-	-	-	591,586	-	591,586	-
Total Financial Liabilities	28,757,745	4,433,819	7,559,992	913,294	1,451,383	11,953,182	6,175,110	61,244,525	
Total interest sensitivity gap	(6,388,590)	21,281,142	(4,917,827)	2,958,663	743,188	(8,521,297)	1,956,470	7,111,749	

^[1] This is arrived at after deducting individual impairment allowance from impaired loans/financing.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Interest/ Profit Rate Risk (Cont'd)

Bank 31 Dec 2015	Non-trading book					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
ASSETS									
Cash and short term funds	13,905,908	-	-	-	-	412,175	-	14,318,083	2.67
Securities purchased under resale agreements	5,220,332	1,333,422	-	-	-	-	-	6,553,754	3.23
Deposits and placements with banks and other financial institutions	-	306,092	1,679,300	31,352	618,460	-	-	2,635,204	2.90
Financial assets held-for-trading	-	-	-	-	-	-	1,486,866	1,486,866	3.62
Financial investments available-for-sale	-	25,006	411,324	3,944,786	914,242	16,908	-	5,312,266	3.54
Loans, advances and financing									
- performing	12,071,119	25,504,032	1,043,328	334,195	61,120	-	-	39,013,794	4.58
- impaired ^[1]	-	-	-	-	-	544,152	-	544,152	-
- collective allowance	-	-	-	-	-	(303,970)	-	(303,970)	-
Derivative financial assets	-	-	-	7,331	2,488	-	3,478,410	3,488,229	-
Other assets	-	-	-	-	-	184,356	-	184,356	-
Total Financial Assets	31,197,359	27,168,552	3,133,952	4,317,664	1,596,310	853,621	4,965,276	73,232,734	
LIABILITIES AND EQUITY									
Deposits from customers	26,223,835	4,674,340	6,827,525	345,237	-	12,433,042	3,530,708	54,034,687	1.95
Deposits and placements from banks and other financial institutions	4,324,691	6,052	979,676	938,816	386,370	-	-	6,635,605	1.39
Bills and acceptances payable	-	-	-	-	-	322,314	-	322,314	-
Subordinated liabilities	-	-	-	502,879	1,118,461	-	-	1,621,340	3.89
Derivative financial liabilities	-	-	-	1,007	1,853	-	3,436,007	3,438,867	-
Other liabilities	-	-	-	-	-	661,011	-	661,011	-
Total Financial Liabilities	30,548,526	4,680,392	7,807,201	1,787,939	1,506,684	13,416,367	6,966,715	66,713,824	
Total interest sensitivity gap	648,833	22,488,160	(4,673,249)	2,529,725	89,626	(12,562,746)	(2,001,439)	6,518,910	

^[1] This is arrived at after deducting individual impairment allowance from impaired loans/financing.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Contractual maturity/behavioural profile

The following tables summarise the Group and the Bank's exposure to liquidity risk. The asset and liabilities at carrying amount are allocated to time bands by reference to the remaining contractual maturity and/or their behavioral profile.

Group 30 Jun 2016	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
ASSETS								
Cash and short term funds	10,815,488	-	-	-	-	-	-	10,815,488
Securities purchased under resale agreements	3,903,466	-	-	-	-	-	-	3,903,466
Deposits and placements with banks and other financial institutions	-	1,129,240	262,145	-	-	-	-	1,391,385
Financial assets held-for-trading	-	-	-	-	-	-	5,648,391	5,648,391
Financial investments available-for-sale	101,036	905,811	802,258	4,627,260	1,567,754	167,559	-	8,171,678
Loans, advances and financing	9,205,155	5,525,846	2,038,017	6,379,023	23,300,943	-	-	46,448,984
Derivative financial assets	-	-	-	5,631	-	-	2,297,218	2,302,849
Others	523,962	2,681	5,051	45,617	28,954	1,684,696	2,021,683	4,312,644
Total Assets	24,549,107	7,563,578	3,107,471	11,057,531	24,897,651	1,852,255	9,967,292	82,994,885
LIABILITIES AND EQUITY								
Deposits from customers	41,421,428	5,954,457	8,310,351	290,466	-	-	3,492,199	59,468,901
Deposits and placements from banks and other financial institutions	4,048,816	117,867	198,262	633,837	362,970	25,468	-	5,387,220
Bills and acceptances payable	397,069	-	-	-	-	-	-	397,069
Multi-Currency Sukuk Programme	-	-	-	1,757,968	-	-	-	1,757,968
Subordinated liabilities	-	-	500,000	3,936	1,081,005	-	-	1,584,941
Derivative financial liabilities	-	-	-	16,245	7,408	-	2,664,632	2,688,285
Others	228,985	58,135	98,310	43,524	6,656	1,482,095	1,260,169	3,177,874
Total Liabilities	46,096,298	6,130,459	9,106,923	2,745,976	1,458,039	1,507,563	7,417,000	74,462,258
Equity	-	-	-	-	-	8,532,627	-	8,532,627
Total Liabilities and Equity	46,096,298	6,130,459	9,106,923	2,745,976	1,458,039	10,040,190	7,417,000	82,994,885
Net maturity mismatches	(21,547,191)	1,433,119	(5,999,452)	8,311,555	23,439,612	(8,187,935)	2,550,292	-
Off-balance sheet liabilities	59,021,880	16,683,444	28,031,943	50,207,652	5,016,069	-	-	158,960,988

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Contractual maturity/behavioural profile (Cont'd)

Group 31 Dec 2015	Non-trading book					Non-specific maturity RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000			
ASSETS								
Cash and short term funds	18,251,909	-	-	-	-	-	-	18,251,909
Securities purchased under resale agreements	5,220,332	1,333,422	-	-	-	-	-	6,553,754
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Financial assets held-for-trading	-	-	-	-	-	-	1,497,358	1,497,358
Financial investments available-for-sale	-	25,005	583,035	5,474,319	914,242	16,908	-	7,013,509
Loans, advances and financing	10,994,769	6,925,771	3,182,552	7,082,117	23,036,984	-	-	51,222,193
Derivative financial assets	-	-	-	7,331	2,488	-	3,307,371	3,317,190
Others	12,289	1,704	4,275	55,364	19,756	1,838,667	39,356	1,971,411
Total Assets	34,479,299	8,285,902	3,769,862	12,619,131	23,973,470	1,855,575	4,844,085	89,827,324
LIABILITIES AND EQUITY								
Deposits from customers	44,615,828	6,651,750	8,233,177	389,347	-	-	3,530,708	63,420,810
Deposits and placements from banks and other financial institutions	4,328,885	435,352	979,676	1,786,684	386,370	45,399	-	7,962,366
Bills and acceptances payable	337,218	-	-	-	-	-	-	337,218
Multi-Currency Sukuk Programme	-	-	-	1,749,823	-	-	-	1,749,823
Subordinated liabilities	-	-	-	502,879	1,118,461	-	-	1,621,340
Derivative financial liabilities	-	-	-	1,007	1,853	-	3,430,900	3,433,760
Others	166,472	57,947	91,064	47,700	6,436	1,672,625	1,411,242	3,453,486
Total Liabilities	49,448,403	7,145,049	9,303,917	4,477,440	1,513,120	1,718,024	8,372,850	81,978,803
Equity	-	-	-	-	-	7,848,521	-	7,848,521
Total Liabilities and Equity	49,448,403	7,145,049	9,303,917	4,477,440	1,513,120	9,566,545	8,372,850	89,827,324
Net maturity mismatches	(14,969,104)	1,140,853	(5,534,055)	8,141,691	22,460,350	(7,710,970)	(3,528,765)	-
Off-balance sheet liabilities	59,067,539	19,150,380	28,595,102	53,345,605	7,150,782	-	-	167,309,408

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Contractual maturity/behavioural profile (Cont'd)

Bank 30 Jun 2016	Non-trading book					Non-specific maturity RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000			
ASSETS								
Cash and short term funds	8,729,012	-	-	-	-	-	-	8,729,012
Securities purchased under resale agreements	3,903,466	-	-	-	-	-	-	3,903,466
Deposits and placements with banks and other financial institutions	-	1,129,240	1,465,445	29,975	581,005	-	-	3,205,665
Financial assets held-for-trading	-	-	-	-	-	-	5,647,690	5,647,690
Financial investments available-for-sale	101,036	905,811	631,542	3,493,859	1,547,290	167,559	-	6,847,097
Loans, advances and financing	7,205,635	3,801,363	1,575,110	4,554,754	17,754,809	-	-	34,891,671
Derivative financial assets	-	-	-	5,631	-	-	2,483,890	2,489,521
Others	524,298	2,681	8,055	37,242	28,678	1,981,077	2,021,683	4,603,714
Total Assets	20,463,447	5,839,095	3,680,152	8,121,461	19,911,782	2,148,636	10,153,263	70,317,836
LIABILITIES AND EQUITY								
Deposits from customers	35,704,402	4,315,952	6,861,731	259,276	-	-	3,492,199	50,633,560
Deposits and placements from banks and other financial institutions	4,044,707	117,867	198,261	633,837	362,970	-	-	5,357,642
Bills and acceptances payable	370,232	-	-	-	-	-	-	370,232
Subordinated liabilities	-	-	500,000	3,936	1,081,005	-	-	1,584,941
Derivative financial liabilities	-	-	-	16,245	7,408	-	2,682,911	2,706,564
Others	212,229	45,636	81,311	22,058	6,656	1,361,718	229,105	1,958,713
Total Liabilities	40,331,570	4,479,455	7,641,303	935,352	1,458,039	1,361,718	6,404,215	62,611,652
Equity	-	-	-	-	-	7,706,184	-	7,706,184
Total Liabilities and Equity	40,331,570	4,479,455	7,641,303	935,352	1,458,039	9,067,902	6,404,215	70,317,836
Net maturity mismatches	(19,868,123)	1,359,640	(3,961,151)	7,186,109	18,453,743	(6,919,266)	3,749,048	-
Off-balance sheet liabilities	52,654,643	17,037,974	27,363,878	52,003,935	5,012,317	-	-	154,072,747

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Contractual maturity/behavioural profile (Cont'd)

Bank 31 Dec 2015	Non-trading book					Non-specific maturity RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000			
ASSETS								
Cash and short term funds	14,318,083	-	-	-	-	-	-	14,318,083
Securities purchased under resale agreements	5,220,332	1,333,422	-	-	-	-	-	6,553,754
Deposits and placements with banks and other financial institutions	-	306,092	1,679,300	31,352	618,460	-	-	2,635,204
Financial assets held-for-trading	-	-	-	-	-	-	1,486,866	1,486,866
Financial investments available-for-sale	-	25,006	411,324	3,944,786	914,242	16,908	-	5,312,266
Loans, advances and financing	9,106,186	5,286,356	2,227,797	4,978,970	17,654,667	-	-	39,253,976
Derivative financial assets	-	-	-	7,331	2,488	-	3,478,410	3,488,229
Others	16,659	2,501	7,760	45,321	19,894	2,127,812	39,356	2,259,303
Total Assets	28,661,260	6,953,377	4,326,181	9,007,760	19,209,751	2,144,720	5,004,632	75,307,681
LIABILITIES AND EQUITY								
Deposits from customers	38,656,877	4,674,340	6,827,525	345,237	-	-	3,530,708	54,034,687
Deposits and placements from banks and other financial institutions	4,324,691	6,052	979,676	938,816	386,370	-	-	6,635,605
Bills and acceptances payable	322,314	-	-	-	-	-	-	322,314
Subordinated liabilities	-	-	-	502,879	1,118,461	-	-	1,621,340
Derivative financial liabilities	-	-	-	1,007	1,853	-	3,436,007	3,438,867
Others	359,887	45,698	75,051	23,133	6,436	1,545,463	142,585	2,198,253
Total Liabilities	43,663,769	4,726,090	7,882,252	1,811,072	1,513,120	1,545,463	7,109,300	68,251,066
Equity	-	-	-	-	-	7,056,615	-	7,056,615.0
Total Liabilities and Equity	43,663,769	4,726,090	7,882,252	1,811,072	1,513,120	8,602,078	7,109,300	75,307,681
Net maturity mismatches	(15,002,509)	2,227,287	(3,556,071)	7,196,688	17,696,631	(6,457,358)	(2,104,668)	-
Off-balance sheet liabilities	53,764,775	19,127,241	28,587,824	56,140,820	7,148,090	-	-	164,768,749

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Performance Review

The Group recorded profit before tax of RM745.7 million for the financial period ended 30 June 2016, which is 7.38% or RM59.4 million lower than prior period. The lower profit was due to higher loan/financing impairment charges by RM48.9 million and lower operating income by RM16.5 million but partially offset by lower operating expenses by RM5.9 million compared to prior period.

The higher net loan/financing impairment charges for the financial period ended 30 June 2016 were due to higher net individual impairment allowances, as well as lower recoveries.

The lower operating income was mainly due to lower net interest income resulting from continuous margin compression as market competition remained intense and decreasing loan/financing portfolio as well as lower net fee income from credit card and corporate advisory related income. However, the decrease in net interest income and net fee income were partially offset by higher net trading income on gain from foreign exchange, rates, and debt securities.

The decrease of operating expenses were mainly due to lower personnel expenses and establishment related expenses but partially offset by higher marketing expenses and intragroup recharges. Higher intragroup recharges was partly due to higher compliance related costs, reflecting our commitment to invest in people and systems to detect, deter and protect the Group and the Bank against financial crime.

Total balance sheet size at 30 June 2016 stood at RM83.0 billion, RM6.8 billion lower compared against 31 December 2015 (RM89.8 billion). The Group's capital and liquidity ratios remained strong and well above regulatory requirements.

38 Business Prospects

The global economy, including Asia, is expected to grow more moderately, across major advanced and emerging markets economies and will continue to be susceptible to downside risks including possible effects from the recent results on the referendum by the British voters to exit United Kingdom from the European Union.

For the second half of 2016, the Malaysian economy is expected to face continuous challenging operating environment with the projected expansion moderation in domestic demand too, although overall domestic economy to remain on track to expand in 2016 and 2017. In view of the uncertainties in the global environment could affect Malaysia's growth prospect, Bank Negara Malaysia had on 13 July 2016 took the pre-emptive initiative to reduce the Overnight Policy Rate (OPR) from 3.25% to 3.00%.

Notwithstanding that, the Malaysian financial system is expected to remain resilient. More challenging business conditions and rising costs will likely weigh on the revenue and advances performance in the period ahead, requiring higher vigilance. While investors may take a cautious approach in the second half of 2016, domestic financial system stability is expected to be maintained. The deep and well-developed domestic financial markets with ample liquidity have continued to support orderly market conditions and sustained confidence in the financial system.

Given uncertain global economic outlook, the Group will work with customers to provide banking solutions to minimise the impact of market volatility on their respective businesses. We will also facilitate customers cross border investments and transactions, especially with China and ASEAN countries.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39 Comparative Figures

The presentation and classification of items in the financial statements are consistent with the previous financial period except those listed below. Comparatives for net fee commission income, other operating expenses and income from Islamic banking operations were restated to conform to the current financial period's presentation. There was no significant impact to the financial performance and ratios in relation to the financial period ended 30 June 2016. The Group's and the Bank's prior period profit and loss and retained earning brought forward are not affected by these reclassifications.

<u>Statement of Profit or Loss and Other Comprehensive Income</u> 30 Jun 2015	<i>Group</i>		<i>Bank</i>	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
a) Net Fee and Commission Income <i>(of which the affected components are disclosed below) :</i>	218,934	225,990	218,934	225,990
<u>Fee and Commission Expense</u>				
Others	(28,248)	(21,192)	(28,248)	(21,192)
b) Other operating expenses <i>(of which the affected components are disclosed below) :</i>	741,718	754,883	688,498	695,554
Promotion and marketing related expenses	31,714	44,879	26,054	33,110
c) Income from Islamic Banking operations <i>(of which the affected components are disclosed below) :</i>	254,427	260,536	-	-
Income derived from investment of shareholders funds	54,174	60,283	-	-