

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
31 MARCH 2016

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

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

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AT 31 MARCH 2016

	Note	<i>Group</i>		<i>Bank</i>	
		31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Assets					
Cash and short-term funds	11	14,479,011	18,251,909	11,877,860	14,318,083
Securities purchased under resale agreements		5,268,553	6,553,754	5,268,553	6,553,754
Deposits and placements with banks and other financial institutions	12	1,524,000	-	3,717,419	2,635,204
Financial assets held-for-trading	13	2,308,650	1,497,358	2,304,457	1,486,866
Financial investments available-for-sale	14	7,725,877	7,013,509	6,324,067	5,312,266
Loans, advances and financing	15	48,695,638	51,222,193	36,986,579	39,253,976
Derivative financial assets	33	2,611,524	3,317,190	2,775,464	3,488,229
Other assets	17	1,099,433	280,200	1,085,800	258,731
Statutory deposits with Bank Negara Malaysia	18	1,137,110	1,174,110	837,948	844,448
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		335,410	341,386	326,365	331,098
Intangible assets		64,915	64,702	64,915	64,702
Tax recoverable		30,242	26,012	20,850	20,850
Deferred tax assets		42,419	85,001	38,017	79,453
Total assets		85,322,782	89,827,324	72,288,315	75,307,681
Liabilities					
Deposits from customers	19	60,886,015	63,420,810	51,565,327	54,034,687
Deposits and placements from banks and other financial institutions	20	6,165,782	7,962,366	6,128,762	6,635,605
Bills and acceptances payable		374,654	337,218	350,787	322,314
Derivative financial liabilities	33	3,012,899	3,433,760	3,031,497	3,438,867
Other liabilities	21	3,211,838	3,401,386	2,100,929	2,146,153
Provision for taxation		96,684	52,100	96,684	52,100
Multi-Currency Sukuk Programme	22	1,755,536	1,749,823	-	-
Subordinated liabilities	23	1,565,996	1,621,340	1,565,996	1,621,340
Total liabilities		77,069,404	81,978,803	64,839,982	68,251,066
Equity					
Share capital		114,500	114,500	114,500	114,500
Reserves		8,138,878	7,734,021	7,333,833	6,942,115
Total equity attributable to owner of the Bank		8,253,378	7,848,521	7,448,333	7,056,615
Total liabilities and equity		85,322,782	89,827,324	72,288,315	75,307,681
Commitments and Contingencies	32	158,945,390	167,309,408	154,650,653	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 6 to 32 attached to the unaudited condensed interim financial statements.

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

UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016

	Note	Group		Bank	
		31 Mar 2016 RM'000	31 Mar 2015 RM'000	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Interest income	24	598,455	632,040	620,967	649,131
Interest expense	24	(239,171)	(252,054)	(239,171)	(252,054)
Net interest income	24	359,284	379,986	381,796	397,077
Fee and commission income	25	112,722	123,902	112,722	123,902
Fee and commission expense	25	(11,203)	(11,437)	(11,203)	(11,437)
Net fee and commission income	25	101,519	112,465	101,519	112,465
Net trading income	26	221,857	166,255	175,147	163,651
Income from Islamic banking operations	27	103,752	132,669	-	-
Other operating income	28	10,802	9,876	46,229	42,198
Operating income before impairment losses		797,214	801,251	704,691	715,391
Loans/financing impairment (charges)/writeback and other credit risk provisions	29	(34,372)	(44,086)	13,516	(15,983)
Net operating income		762,842	757,165	718,207	699,408
Other operating expenses	30	(370,926)	(360,364)	(341,469)	(332,209)
Profit before tax		391,916	396,801	376,738	367,199
Tax expense		(98,374)	(102,686)	(96,284)	(96,679)
Profit for the financial period		293,542	294,115	280,454	270,520
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		172,793	50,816	168,862	39,538
Amount transferred to profit or loss		(31,569)	(11,330)	(28,514)	(11,330)
Income tax effect		(33,894)	(9,477)	(33,684)	(6,770)
Other comprehensive income for the financial period, net of income tax		107,330	30,009	106,664	21,438
Total comprehensive income for the financial period		400,872	324,124	387,118	291,958
Profit attributable to the owner of the Bank		293,542	294,115	280,454	270,520
Total comprehensive income attributable to the owner of the Bank		400,872	324,124	387,118	291,958
Basic earnings per RM0.50 ordinary share		128.2 sen	128.4 sen	122.5 sen	118.1 sen

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2015 and the accompanying explanatory notes on pages 6 to 32 attached to the unaudited condensed interim financial statements.

HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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 reserve^[1]</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	-	-	-	-	-	-	-	-	293,542	293,542
Other comprehensive income, net of income tax										
Revaluation reserve:										
Transfer to retained profit upon realisation of depreciation	-	-	-	(521)	-	-	-	-	521	-
Available-for-sale reserve:										
Net change in fair value	-	-	-	-	-	131,323	-	-	-	131,323
Net amount transferred to profit or loss	-	-	-	-	-	(23,993)	-	-	-	(23,993)
<i>Total other comprehensive income</i>	-	-	-	(521)	-	107,330	-	-	521	107,330
Total comprehensive income for the financial period	-	-	-	(521)	-	107,330	-	-	294,063	400,872
Transactions with the owner (the ultimate holding company), recorded directly in equity										
Share based payment transactions	-	-	-	-	-	-	2,037	-	1,948	3,985
Balance at 31 March	114,500	741,375	164,500	186,441	190,000	125,899	97,990	284,000	6,348,673	8,253,378
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	-	-	-	-	-	-	-	-	294,115	294,115
Other comprehensive income, net of income tax										
Revaluation reserve:										
Transfer to retained profit upon realisation of depreciation	-	-	-	(498)	-	-	-	-	498	-
Available-for-sale reserve:										
Net change in fair value	-	-	-	-	-	38,620	-	-	-	38,620
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(8,611)	-	-	-	(8,611)
<i>Total other comprehensive income</i>	-	-	-	(498)	-	30,009	-	-	498	30,009
Total comprehensive income for the financial period	-	-	-	(498)	-	30,009	-	-	294,613	324,124
Transactions with the owner (the ultimate holding company), recorded directly in equity										
Share based payment transactions	-	-	-	-	-	-	(1,917)	-	485	(1,432)
Balance at 31 March	114,500	741,375	164,500	177,126	190,000	19,034	95,840	180,000	5,647,371	7,329,746

^[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.

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 6 to 32 attached to the unaudited condensed interim financial statements.

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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	-	-	-	-	-	-	-	-	280,454	280,454
Other comprehensive income, net of income tax										
Revaluation reserve:										
Transfer to retained profit upon realisation of depreciation	-	-	-	(521)	-	-	-	-	521	-
Available-for-sale reserve:										
Net change in fair value	-	-	-	-	-	128,335	-	-	-	128,335
Net amount transferred to profit or loss	-	-	-	-	-	(21,671)	-	-	-	(21,671)
<i>Total other comprehensive income</i>	-	-	-	(521)	-	106,664	-	-	521	106,664
Total comprehensive income for the financial period	-	-	-	(521)	-	106,664	-	-	280,975	387,118
Transactions with the owner (the ultimate holding company), recorded directly in equity										
Share based payment transactions	-	-	-	-	-	-	2,652	-	1,948	4,600
Balance at 31 March	114,500	741,375	114,500	186,441	190,000	120,287	97,547	250,000	5,633,683	7,448,333
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	-	-	-	-	-	-	-	-	270,520	270,520
Other comprehensive income, net of income tax										
Revaluation reserve:										
Transfer to retained profit upon realisation of depreciation	-	-	-	(498)	-	-	-	-	498	-
Available-for-sale reserve:										
Net change in fair value	-	-	-	-	-	30,049	-	-	-	30,049
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(8,611)	-	-	-	(8,611)
<i>Total other comprehensive income</i>	-	-	-	(498)	-	21,438	-	-	498	21,438
Total comprehensive income for the financial period	-	-	-	(498)	-	21,438	-	-	271,018	291,958
Transactions with the owner (the ultimate holding company), recorded directly in equity										
Share based payment transactions	-	-	-	-	-	-	(1,996)	-	485	(1,511)
Balance at 31 March	114,500	741,375	114,500	177,126	190,000	16,951	94,387	167,000	5,022,953	6,638,792

⁽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 31 MARCH 2016

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2016	31 Mar 2015	31 Mar 2016	31 Mar 2015
	RM'000	RM'000	RM'000	RM'000
Profit before tax	391,916	396,801	376,738	367,199
Adjustments for non-operating and non-cash items	281,527	15,335	218,473	11,109
Operating profit before working capital changes	673,443	412,136	595,211	378,308
Changes in working capital:				
Net changes in operating assets	1,053,247	(1,965,100)	1,257,907	(1,613,017)
Net changes in operating liabilities	(4,864,984)	5,505,598	(3,384,908)	4,666,566
Income tax paid	(49,332)	(55,250)	(43,948)	(48,167)
Net cash generated from operations	(3,187,626)	3,897,384	(1,575,738)	3,383,690
Net cash generated from investing activities	(544,652)	3,068,316	(849,046)	1,929,079
Net cash used in financing activity	(40,620)	750,000	(15,439)	-
	(585,272)	3,818,316	(864,485)	1,929,079
Net changes in cash and cash equivalents	(3,772,898)	7,715,700	(2,440,223)	5,312,769
Cash and cash equivalents at 1 January	18,251,909	7,839,057	14,318,083	8,077,960
Cash and cash equivalents at 31 March	14,479,011	15,554,757	11,877,860	13,390,729
Analysis of cash and cash equivalents				
Cash and short-term funds	14,479,011	15,554,757	11,877,860	13,390,729

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 6 to 32 attached to the unaudited condensed interim financial statements.

HSBC BANK MALAYSIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS

1 General Information

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

There were no significant changes in these activities during the financial period.

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 29 April 2016.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 31 March 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 31 March 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 2015 are as follows:

- Annual improvement to MFRSs 2010-2012 Cycle
- Annual improvement to MFRSs 2011-2013 Cycle
- Amendments to MFRS 119 "Defined Benefits Plans: Employee Contributions"

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.

(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 2016:

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.

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)

a. Financial year beginning on/after 1 January 2016 (Cont'd):

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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 31 March 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 31 March 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 31 March 2016.

8 Dividend

No interim dividend was declared nor paid during the financial period ended 31 March 2016.

9 Carrying Amount of Revalued Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11 Cash and Short Term Funds

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,331,939	1,576,991	1,179,435	1,207,981
Money at call and interbank placements maturing within one month	13,147,072	16,674,918	10,698,425	13,110,102
	14,479,011	18,251,909	11,877,860	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 RM995.0 million (31 December 2015: RM1,356.4 million) and RM1,345.0 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>	
	31 Mar 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Licensed banks	24,000	-	2,217,419	2,635,204
Bank Negara Malaysia	1,500,000	-	1,500,000	-
	1,524,000	-	3,717,419	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 RM2,217.4 million (31 December 2015: RM2,635.2 million).

13 Financial Assets Held-for-Trading

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government treasury bills	382,200	4,662	382,200	4,662
Islamic treasury bills	2,000	-	2,000	-
Bank Negara Malaysia bills and notes	202,485	32,459	202,485	32,459
Malaysian Government securities	1,421,158	1,160,876	1,421,158	1,160,876
Malaysian Government Islamic bonds	217,785	194,887	217,284	194,397
Islamic fixed rate bonds	9,019	8,951	9,019	8,951
Cagamas bonds and notes	2,485	2,422	2,485	2,422
	2,237,132	1,404,257	2,236,631	1,403,767
Unquoted securities:				
Private and Islamic debt securities (including commercial paper)	71,518	93,101	67,826	83,099
	2,308,650	1,497,358	2,304,457	1,486,866

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Financial Investments Available-for-Sale

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
At fair value	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government treasury bills	1,337	-	1,337	-
Bank Negara Malaysia bills and notes	1,076	-	1,076	-
Malaysian Government securities	2,605,075	2,684,851	2,605,075	2,684,851
Malaysian Government Islamic bonds	3,282,078	3,695,010	1,979,497	1,993,767
Islamic fixed rate Sukuk	510,872	501,409	510,872	501,409
Cagamas bonds and notes	420,175	114,860	420,175	114,860
Negotiable instruments of deposit	579,270	-	480,041	-
Bankers' acceptance and Islamic accepted bills	169,689	-	169,689	-
	7,569,572	6,996,130	6,167,762	5,294,887
Unquoted securities:				
Shares	155,834	16,908	155,834	16,908
Private debt securities (including commercial paper)	471	471	471	471
	156,305	17,379	156,305	17,379
	7,725,877	7,013,509	6,324,067	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>	
	31 Mar 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	1,630,733	608,040	1,360,211	436,330
More than one year to three years	3,897,961	3,677,058	2,987,279	2,366,184
More than three years to five years	1,158,960	1,797,261	938,354	1,578,602
Over five years	881,918	913,771	881,918	913,771
	7,569,572	6,996,130	6,167,762	5,294,887

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
At amortised cost				
Overdrafts/cash line	974,905	1,147,624	889,257	1,057,224
Term loans/financing:				
Housing loans/financing	19,335,397	19,167,843	15,095,995	14,959,077
Syndicated term loans/financing	2,110,154	2,666,343	1,587,190	1,711,784
Factoring receivables	242,037	272,248	242,037	272,248
Hire purchase receivables	231,008	229,552	-	-
Lease receivables	3,769	4,103	-	-
Other term loans/financing ⁽¹⁾	11,738,261	12,503,574	7,841,386	8,635,042
Bills receivable	1,744,263	3,521,886	1,744,263	3,521,886
Trust receipts	2,077,622	1,681,763	1,285,601	1,078,082
Claims on customers under acceptance credits	2,939,721	2,914,765	2,162,240	2,080,795
Staff loans/financing	156,901	164,549	149,927	157,040
Credit/charge cards	2,734,391	2,827,815	2,162,705	2,258,457
Revolving credit	5,073,631	4,789,157	4,250,111	3,982,459
Other loans/financing	5,617	5,502	5,617	5,502
Gross loans, advances and financing	49,367,677	51,896,724	37,416,329	39,719,596
Less: Allowance for impaired loans, advances and financing				
- Collectively assessed	(452,473)	(444,234)	(280,570)	(303,970)
- Individually assessed	(219,566)	(230,297)	(149,180)	(161,650)
Total net loans, advances and financing	48,695,638	51,222,193	36,986,579	39,253,976

⁽¹⁾ Included in the loans, advances and financing of the Bank at 31 March 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>	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Under SIAF/IAA arrangement	1,052,161	1,130,134
Under RPSIA arrangement	7,970	19,918
	1,060,131	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>	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Domestic non-bank financial institutions	662,414	694,721	20,095	24,423
Domestic business enterprises:				
Small medium enterprises	7,855,887	8,223,786	5,717,081	6,219,138
Others	13,827,865	14,469,283	11,246,827	11,524,779
Government and statutory bodies	12,612	13,566	-	-
Individuals	22,159,208	22,308,675	16,675,918	16,877,437
Other domestic entities	6,754	7,374	5,209	5,806
Foreign entities	4,842,937	6,179,319	3,751,199	5,068,013
	49,367,677	51,896,724	37,416,329	39,719,596

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Maturity within one year	19,286,563	21,355,694	14,866,225	16,822,828
More than one year to three years	3,344,597	3,319,943	2,614,057	2,677,241
More than three years to five years	3,254,889	3,891,796	2,069,545	2,401,563
More than five years	23,481,628	23,329,291	17,866,502	17,817,964
	49,367,677	51,896,724	37,416,329	39,719,596

(iv) By interest/profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Fixed rate:				
Housing loans/financing	1,998	2,252	1,046	1,117
Hire purchase receivables	231,008	229,552	-	-
Other fixed rate loans/financing	10,830,044	12,318,223	7,852,873	9,478,120
Variable rate:				
BR/BLR/BFR plus	23,954,103	24,212,548	18,617,792	18,934,600
Cost-plus	14,350,524	15,134,149	10,944,618	11,305,759
	49,367,677	51,896,724	37,416,329	39,719,596

(v) By sector

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Agricultural, hunting, forestry and fishing	1,208,198	1,720,576	1,016,565	1,096,316
Mining and quarrying	441,095	479,285	273,230	272,991
Manufacturing	6,724,755	7,521,846	5,364,364	6,215,602
Electricity, gas and water	24,852	22,666	8,523	7,894
Construction	2,505,250	2,729,566	2,157,684	2,132,411
Real estate	2,937,710	2,837,599	2,221,860	2,444,665
Wholesale & retail trade and restaurants & hotels	4,490,311	4,272,413	3,377,716	3,183,647
Transport, storage and communication	433,520	273,544	279,235	107,101
Finance, insurance and business services	2,975,372	3,004,155	1,958,484	1,968,693
Household-retail	25,521,705	25,630,503	19,400,457	19,556,780
Others	2,104,909	3,404,571	1,358,211	2,733,496
	49,367,677	51,896,724	37,416,329	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>	
	31 Mar 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Purchase of property:				
Residential	19,433,530	19,271,634	15,191,055	15,059,601
Non residential	1,733,354	1,744,138	879,992	903,557
Purchase of securities	6,690	6,862	6,690	6,862
Purchase of transport vehicles	34,757	35,792	32,719	33,670
Purchase of fixed assets excluding land & building	7,071	9,104	4,974	5,398
Consumption credit	5,469,836	5,723,729	3,864,289	4,135,358
Construction	1,967,818	2,169,570	1,632,341	1,583,287
Working capital	19,217,213	20,059,671	14,772,181	15,598,026
Other purpose	1,497,408	2,876,224	1,032,088	2,393,837
	49,367,677	51,896,724	37,416,329	39,719,596

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Northern Region	7,217,155	7,152,739	5,735,926	5,703,936
Southern Region	7,015,652	7,065,940	5,380,275	5,427,271
Central Region	32,111,860	34,509,511	23,753,749	25,900,380
Eastern Region	3,023,010	3,168,534	2,546,379	2,688,009
	49,367,677	51,896,724	37,416,329	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>	
	31 Mar 2016	31 Dec 2015	31 Mar 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	255,848	1,181,396	174,592	861,773
Reclassified as performing	(133,719)	(452,339)	(107,882)	(342,958)
Amount recovered	(63,509)	(240,611)	(51,852)	(185,717)
Amount written off	(55,688)	(235,610)	(33,108)	(153,314)
Balance at 31 March/31 December	944,013	941,081	687,552	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>	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 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	129,989	409,646	51,124	248,706
Amount released	(75,673)	(170,108)	(49,582)	(103,044)
Amount written off	(46,077)	(183,364)	(24,942)	(104,935)
Balance at 31 March/31 December	452,473	444,234	280,570	303,970

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 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	36,166	115,782	26,226	69,953
Amount released	(39,043)	(93,421)	(30,340)	(65,704)
Amount written off	(7,854)	(26,584)	(8,356)	(33,298)
Balance at 31 March/31 December	219,566	230,297	149,180	161,650

(iii) By sector

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Agricultural, hunting, forestry and fishing	123,212	125,667	123,212	125,667
Manufacturing	36,947	44,890	16,014	23,797
Construction	39,014	44,467	38,810	44,263
Real estate	329	700	329	700
Wholesale & retail trade, restaurants & hotels	50,557	58,603	40,993	48,931
Transport, storage and communication	6,497	8,668	2,120	3,225
Finance, insurance and business services	5,917	5,531	1,053	4
Household-retail	680,498	651,902	464,618	459,215
Others	1,042	653	403	-
	944,013	941,081	687,552	705,802

(iv) By purpose

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Purchase of property:				
Residential	413,885	402,093	305,683	307,109
Non residential	19,691	22,768	9,139	12,513
Purchase of transport vehicles	484	688	423	555
Purchase of fixed assets excluding land & building	358	358	-	-
Consumption credit	256,365	237,962	151,612	142,192
Construction	40,030	44,782	39,826	44,578
Working capital	213,200	232,430	180,869	198,855
	944,013	941,081	687,552	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>	
	31 Mar 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Northern Region	169,398	168,686	113,358	114,584
Southern Region	112,331	107,824	77,938	77,557
Central Region	481,920	464,794	325,208	323,030
Eastern Region	180,364	199,777	171,048	190,631
	944,013	941,081	687,552	705,802

17 Other Assets

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Settlements	911,687	38,819	911,687	38,819
Interest/profit receivable	89,174	94,452	89,387	93,111
Other receivables, deposits and prepayments	98,572	146,929	84,726	126,801
	1,099,433	280,200	1,085,800	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>	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
At amortised cost				
Demand deposits	18,812,149	20,391,898	16,823,867	18,534,667
Savings deposits	12,858,785	13,232,616	11,274,800	11,643,195
Fixed / Investment deposits	25,189,538	25,627,793	19,508,997	19,828,734
Repurchase agreements	67,880	140,412	-	-
Wholesale money market deposits	560,731	497,383	560,731	497,383
Negotiable instruments of deposit	730,183	759,821	730,183	759,821
	58,219,266	60,649,923	48,898,578	51,263,800
At fair value				
Structured investments ⁽¹⁾	2,666,749	2,770,887	2,666,749	2,770,887
	60,886,015	63,420,810	51,565,327	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	19,789,590	20,002,882	14,974,635	15,096,219
More than six months to one year	5,129,856	5,241,926	4,296,265	4,393,641
More than one year to three years	926,526	1,088,277	896,806	1,046,214
More than three years to five years	73,749	54,529	71,474	52,481
	25,919,721	26,387,614	20,239,180	20,588,555

(ii) By type of customer	<i>Group</i>		<i>Bank</i>	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Government and statutory bodies	35,227	40,167	26,035	31,319
Business enterprises	20,194,364	22,005,082	17,869,490	19,625,098
Individuals	27,983,098	28,564,864	23,027,222	23,498,950
Others	12,673,326	12,810,697	10,642,580	10,879,320
	60,886,015	63,420,810	51,565,327	54,034,687

20 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Licensed banks	750,577	1,139,449	750,577	1,139,470
Bank Negara Malaysia	37,020	49,614	-	-
Other financial institutions	5,378,185	6,773,303	5,378,185	5,496,135
	6,165,782	7,962,366	6,128,762	6,635,605

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Settlements	607,687	191,926	607,687	191,926
Interest/profit payable	283,143	266,260	224,951	197,348
Other creditors and accruals	1,220,315	1,674,543	1,268,291	1,756,879
	2,111,145	2,132,729	2,100,929	2,146,153
At fair value				
Islamic structured products ^[1]	1,100,693	1,268,657	-	-
	3,211,838	3,401,386	2,100,929	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>	
	31 Mar 2016	31 Dec 2015
	RM'000	RM'000
Multi-Currency Sukuk Programme (MCSP)	1,755,536	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)	
				31 Mar 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	502,295	500,641
3rd series	750,000	27 Mar 2015	27 Mar 2020	753,241	749,182
	<u>1,250,000</u>			<u>1,255,536</u>	<u>1,249,823</u>
Total	<u>1,750,000</u>			<u>1,755,536</u>	<u>1,749,823</u>

Movement in MCSP

	2nd series		3rd series	
	31 Mar 2016	31 Dec 2015	31 Mar 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	5,437	1,374	9,650	(7,020)
Change in fair value from own credit risk	(3,783)	(2,587)	(5,591)	6,202
Balance at 31 March/31 December	502,295	500,641	753,241	749,182

	<i>Group</i>	
	31 Mar 2016	31 Dec 2015
	RM'000	RM'000
The cumulative change in fair value due to changes in own credit risk	(9,374)	3,615

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

23 Subordinated Liabilities

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Subordinated Liabilities	1,565,996	1,621,340	1,565,996	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	4,080	2,879	4,080	2,879
	1,004,080	1,002,879	1,004,080	1,002,879

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

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

The 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>	
	31 Mar 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
(ii) Subordinated term loan				
- First tranche issued on 25 June 2014	303,022	333,515	303,022	333,515
- Second tranche issued on 30 June 2015	258,894	284,946	258,894	284,946
	561,916	618,461	561,916	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

	Group		Bank	
	31 Mar 2016 RM'000	31 Mar 2015 RM'000	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	412,293	406,037	412,293	406,037
- Interest income recognised from impaired loans	10,574	11,481	10,574	11,481
Money at call and deposit placements with financial institutions	122,610	103,312	145,122	120,403
Financial investments available-for-sale	52,978	111,210	52,978	111,210
	598,455	632,040	620,967	649,131
Interest expense				
Deposits and placements of banks and other financial institutions	(12,976)	(34,497)	(12,976)	(34,497)
Deposits from customers	(207,977)	(201,918)	(207,977)	(201,918)
Subordinated liabilities	(15,439)	(12,969)	(15,439)	(12,969)
Others	(2,779)	(2,670)	(2,779)	(2,670)
	(239,171)	(252,054)	(239,171)	(252,054)
Net interest income	359,284	379,986	381,796	397,077

25 Net Fee and Commission Income

	Group		Bank	
	31 Mar 2016 RM'000	31 Mar 2015 RM'000	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Fee and commission income				
Credit cards	37,537	44,359	37,537	44,359
Service charges and fees	35,956	47,272	35,956	47,272
Fees on credit facilities	13,777	12,056	13,777	12,056
Agency fee	16,576	11,257	16,576	11,257
Others	8,876	8,958	8,876	8,958
	112,722	123,902	112,722	123,902
Fee and commission expense				
Interbank and clearing fees	(519)	(444)	(519)	(444)
Brokerage	(574)	(541)	(574)	(541)
Others	(10,110)	(10,452)	(10,110)	(10,452)
	(11,203)	(11,437)	(11,203)	(11,437)
Net fee and commission income	101,519	112,465	101,519	112,465

26 Net Trading Income

	Group		Bank	
	31 Mar 2016 RM'000	31 Mar 2015 RM'000	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Realised gains on financial assets/liabilities held-for-trading and other financial instruments	27,001	36,057	27,001	36,057
Net interest (expense)/income from financial assets held-for-trading	(3,340)	2,091	(3,340)	2,091
Net unrealised (losses)/gains on revaluation of financial assets held-for-trading	(10,893)	2,043	(10,893)	2,043
Net realised gains arising from dealing in foreign currency	393,700	111,975	395,876	109,903
Net unrealised losses from dealing in foreign currency	(192,280)	(8,761)	(264,733)	(7,935)
Net realised gains/(losses) arising from dealing in derivatives	13,326	(2,206)	13,555	(3,914)
Net unrealised (losses)/gains on revaluation of derivatives	(5,265)	24,958	18,073	25,308
(Losses)/gains arising from fair value hedges	(392)	98	(392)	98
	221,857	166,255	175,147	163,651

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27 Income from Islamic Banking operations

	Group	
	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Income derived from investment of depositor funds and others	131,740	169,985
Income derived from investment of shareholders funds ^[1]	46,100	30,928
Income attributable to the depositors	(74,088)	(68,244)
	103,752	132,669
^[1] Included in income derived from investment of shareholders funds of the Group at 31 March are net gains/(losses) on financial instruments designated at fair value through profit or loss.	8,934	(1,839)

28 Other Operating Income

	Group		Bank	
	31 Mar 2016 RM'000	31 Mar 2015 RM'000	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Disposal of financial investments available-for-sale	6,561	3,349	6,561	3,349
Rental income	1,491	1,556	1,491	1,556
Net gains on disposal of property and equipment	10	66	10	66
Other operating income	2,740	4,905	38,167	37,227
	10,802	9,876	46,229	42,198

29 Loans/Financing Impairment Charges and other Credit Risk Provisions

	Group		Bank	
	31 Mar 2016 RM'000	31 Mar 2015 RM'000	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Impairment charges on loans and financing:				
(a) Individual allowance for impairment				
- Made during the financial period	36,166	38,277	26,226	26,482
- Written back	(39,043)	(46,761)	(30,340)	(35,284)
(b) Collective allowance for impairment				
- Made during the financial period	129,989	101,872	51,124	52,137
- Written back	(75,673)	(24,355)	(49,582)	(10,165)
Impaired loans and financing				
- Recovered during the financial period	(21,133)	(28,117)	(13,884)	(19,762)
- Written off	4,026	3,170	2,900	2,575
Impairment charges on other credit related items				
- Made during the financial period	40	-	40	-
	34,372	44,086	(13,516)	15,983

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Other Operating Expenses

	Group		Bank	
	31 Mar 2016 RM'000	31 Mar 2015 RM'000	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Personnel expenses	168,915	182,000	160,546	169,202
Promotion and marketing related expenses	30,043	28,621	23,551	22,193
Establishment related expenses	36,549	37,287	31,527	31,785
General administrative expenses	135,419	112,456	125,845	109,029
	370,926	360,364	341,469	332,209
Personnel expenses				
Salaries, allowances and bonuses	130,428	142,635	123,372	132,110
Employees Provident Fund contributions	20,770	22,038	19,518	20,377
Others	17,717	17,327	17,656	16,715
	168,915	182,000	160,546	169,202
Promotion and marketing related expenses	30,043	28,621	23,551	22,193
Establishment related expenses				
Depreciation of property and equipment	7,197	8,675	5,847	6,748
Amortisation of intangible assets	5,397	5,935	5,397	5,933
Information technology costs	4,274	3,267	3,581	2,284
Hire of equipment	3,026	2,850	3,026	2,850
Rental of premises	9,310	10,731	7,250	8,715
Property and equipment written off	8	5	8	5
Others	7,337	5,824	6,418	5,250
	36,549	37,287	31,527	31,785
General administrative expenses				
Group recharges	90,447	79,850	90,220	79,766
Others	44,972	32,606	35,625	29,263
	135,419	112,456	125,845	109,029

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Capital Adequacy

	<i>Group</i>	
	31 Mar 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)	6,052,662	6,052,662
Other reserves	1,118,430	975,854
Regulatory adjustments	(804,138)	(721,699)
Total Common Equity Tier 1 (CET 1) and Tier 1 capital	7,222,829	7,162,692
Tier 2 capital		
Subordinated liabilities	600,000	700,000
Subordinated term loan	561,916	618,461
Collective impairment allowance (unimpaired portion) & regulatory reserves	607,981	613,313
Regulatory adjustments	97,328	97,636
Total Tier 2 capital	1,867,225	2,029,410
Capital base	9,090,054	9,192,102
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	12.652%	12.099%
Total Capital ratio	15.923%	15.527%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	12.652%	12.099%
Total Capital ratio	15.923%	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>			
	31 Mar 2016		31 Dec 2015	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	100,088,861 ^[1]	49,646,572 ^[1]	106,377,180 ^[1]	51,974,803 ^[1]
Total RWA for market risk	-	1,592,780	-	1,376,626
Total RWA for operational risk	-	5,847,986	-	5,848,312
	100,088,861	57,087,337	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>	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Under SIAF/IAA arrangement	1,082,095	1,166,189
Under RPSIA arrangement	7,970	191,638
	1,090,065	1,357,827

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	31 Mar 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)	5,350,760	5,350,760
Other reserves	1,026,604	884,289
Regulatory adjustments	(1,151,986)	(948,068)
Total Common Equity Tier 1 (CET1) and Tier 1 capital	6,081,253	6,142,856
Tier 2 capital		
Subordinated liabilities	600,000	700,000
Subordinated term loan	561,916	618,461
Collective impairment allowance (unimpaired portion) & regulatory reserves	469,551	495,101
Regulatory adjustments	(728,596)	(916,838)
Total Tier 2 capital	902,871	896,724
Capital base	6,984,124	7,039,580
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	12.994%	12.659%
Total Capital ratio	14.923%	14.507%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	12.994%	12.659%
Total Capital ratio	14.923%	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>			
	31 Mar 2016		31 Dec 2015	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	83,577,539 ^[1]	39,964,823 ^[1]	88,419,583 ^[1]	41,979,027 ^[1]
Total RWA for market risk	-	1,527,606	-	1,272,252
Total RWA for operational risk	-	5,307,583	-	5,272,799
	83,577,539	46,800,012	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>	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Under SIAF/IAA arrangement	1,082,095	1,166,189
Under RPSIA arrangement	7,970	191,638
	1,090,065	1,357,827

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Commitments and Contingencies

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

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

31 Mar 2016	Group		
	Credit Principal amount RM'000	Credit equivalent amount^[1] RM'000	Risk weighted amount^[1] RM'000
Direct credit substitutes	2,427,879	2,427,879	1,857,416
Transaction-related contingent items	7,117,235	3,558,618	2,780,814
Short-term self-liquidating trade-related contingencies	726,374	145,275	98,005
Irrevocable commitments to extend credit:			
- Maturity not exceeding one year	16,150,397	3,230,079	2,863,183
- Maturity exceeding one year	11,880,322	5,940,161	3,887,692
Unutilised credit card lines	9,038,226	1,807,645	1,355,734
Foreign exchange related contracts:			
- Less than one year	46,603,470	1,878,041	871,798
- Over one year to less than five years	11,449,062	1,593,076	640,971
- Over five years	2,894,702	553,549	156,635
Interest/profit rate related contracts:			
- Less than one year	10,950,453	23,862	7,331
- Over one year to less than five years	33,162,840	923,001	297,812
- Over five years	3,214,411	248,753	105,904
Gold and other precious metals contracts:			
- Less than one year	13,685	-	-
Equity related contracts:			
- Less than one year	407,386	24,692	4,782
- Over one year to less than five years	2,908,948	232,969	43,563
	158,945,390	22,587,600	14,971,640

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	149,672	29,934	29,934
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^[1] The credit equivalent and risk weighted amounts are computed using credit conversion factors and risk weighting rules as per BNM guidelines. The credit conversion factors and risk weighting rules for the Bank were based on the guidelines of the Capital Adequacy Framework on the Standardised Approach. The credit conversion factors and risk weighting rules for HSBC Amanah Malaysia Berhad were based on the Basel II Capital Adequacy Framework for Islamic Bank (CAFIB).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Commitments and Contingencies (Cont'd)

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.

31 Dec 2015	Group		
	Credit Principal amount RM'000	Credit equivalent amount ^[1] RM'000	Risk weighted amount ^[1] RM'000
Direct credit substitutes	2,384,512	2,384,512	1,928,255
Transaction-related contingent items	8,872,513	4,436,257	3,304,298
Short-term self-liquidating trade-related contingencies	1,455,152	291,030	138,712
Irrevocable commitments to extend credit:			
- Maturity not exceeding one year	16,054,397	3,210,879	2,846,299
- Maturity exceeding one year	12,663,457	6,331,728	4,312,715
Unutilised credit card lines	8,645,649	1,729,130	1,296,847
Foreign exchange related contracts:			
- Less than one year	49,565,637	2,149,591	876,381
- Over one year to less than five years	12,445,384	2,218,167	857,875
- Over five years	3,219,454	711,933	197,836
Interest/profit rate related contracts:			
- Less than one year	10,102,027	26,334	8,192
- Over one year to less than five years	34,908,531	905,032	286,276
- Over five years	3,587,992	271,571	110,251
Gold and other precious metals contracts:			
- Less than one year	3,341	-	-
Equity related contracts:			
- Less than one year	286,480	17,358	3,175
- Over one year to less than five years	3,114,882	249,611	46,021
	167,309,408	24,933,133	16,213,133

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	149,672	36,055	36,055
- RPSIA arrangement	858,598	171,720	171,720
	1,008,270	207,775	207,775

^[1] The credit equivalent and risk weighted amounts are computed using credit conversion factors and risk weighting rules as per BNM guidelines. The credit conversion factors and risk weighting rules for the Bank were based on the guidelines of the Capital Adequacy Framework on the Standardised Approach. The credit conversion factors and risk weighting rules for HSBC Amanah Malaysia Berhad were based on the Basel II Capital Adequacy Framework for Islamic Bank (CAFIB).

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Commitments and Contingencies (Cont'd)

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 Bank.

31 Mar 2016

	Bank		
	Credit Principal amount RM'000	Credit equivalent amount^[1] RM'000	Risk weighted amount^[1] RM'000
Direct credit substitutes	1,725,787	1,725,787	1,570,813
Transaction-related contingent items	6,084,908	3,042,454	2,450,726
Short-term self-liquidating trade-related contingencies	588,143	117,629	72,334
Irrevocable commitments to extend credit:			
- Maturity not exceeding one year	13,172,550	2,634,510	2,360,368
- Maturity exceeding one year	10,115,932	5,057,966	3,331,909
Unutilised credit card lines	7,200,867	1,440,173	1,080,130
Foreign exchange related contracts:			
- Less than one year	46,867,918	1,876,068	869,856
- Over one year to less than five years	11,448,477	1,604,927	569,619
- Over five years	2,894,701	553,549	156,635
Interest rate related contracts:			
- Less than one year	12,155,453	26,599	7,394
- Over one year to less than five years	34,800,365	972,134	294,483
- Over five years	3,214,411	248,753	105,904
Gold and other precious metals contracts:			
- Less than one year	13,685	-	-
Equity related contracts:			
- Less than one year	506,501	51,009	10,046
- Over one year to less than five years	3,860,955	450,037	86,976
	154,650,653	20,251,632	12,967,193

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

149,672	29,934	29,934
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^[1] The credit equivalent and risk weighted amounts are computed using credit conversion factors and risk weighting rules as per BNM guidelines. The credit conversion factors and risk weighting rules were based on the guidelines of the Capital Adequacy Framework on the Standardised Approach.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Commitments and Contingencies (Cont'd)

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 Bank.

31 Dec 2015

	Bank		
	Credit Principal amount RM'000	Credit equivalent amount ^[1] RM'000	Risk weighted amount ^[1] RM'000
Direct credit substitutes	1,761,656	1,761,656	1,607,450
Transaction-related contingent items	7,783,118	3,891,559	2,969,203
Short-term self-liquidating trade-related contingencies	1,283,000	256,600	106,765
Irrevocable commitments to extend credit:			
- Maturity not exceeding one year	13,020,561	2,604,111	2,330,763
- Maturity exceeding one year	10,845,443	5,422,722	3,732,209
Unutilised credit card lines	6,967,131	1,393,426	1,045,070
Foreign exchange related contracts:			
- Less than one year	50,882,189	2,150,305	874,003
- Over one year to less than five years	12,445,384	2,206,499	611,833
- Over five years	3,219,453	711,933	197,836
Interest rate related contracts:			
- Less than one year	11,267,026	30,609	8,954
- Over one year to less than five years	37,159,700	980,081	296,111
- Over five years	3,587,992	271,571	110,251
Gold and other precious metals contracts:			
- Less than one year	3,341	-	-
Equity related contracts:			
- Less than one year	479,203	98,704	19,445
- Over one year to less than five years	4,063,552	414,784	79,055
	164,768,749	22,194,560	13,988,948

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	180,273	36,055	36,055
- RPSIA arrangement	858,598	171,720	171,720
	1,038,871	207,775	207,775

^[1] The credit equivalent and risk weighted amounts are computed using credit conversion factors and risk weighting rules as per BNM guidelines. The credit conversion factors and risk weighting rules were based on the guidelines of the Capital Adequacy Framework on the Standardised Approach.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Derivative Financial Instruments

Details of derivative financial instruments outstanding are as follows:

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

Group At 31 Mar 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	43,326,342	781,333	-	44,107,675	1,043,686	37,861	-	1,081,547	1,048,831	13,114	-	1,061,945
- Swaps	2,764,139	10,420,459	2,894,702	16,079,300	302,769	749,078	224,147	1,275,994	168,313	715,790	197,300	1,081,403
- Options	512,989	247,270	-	760,259	11,343	13,671	-	25,014	987	1,024	-	2,011
Interest/profit rate related contracts												
- Options	75,146	573,213	96,250	744,609	972	9,465	811	11,248	1,079	534	-	1,613
- Swaps	10,785,307	31,064,627	2,611,132	44,461,066	6,904	165,722	38,804	211,430	8,072	169,520	66,184	243,776
Equity related contracts												
- Options	407,386	2,908,948	-	3,316,334	184	19	-	203	102,749	501,677	-	604,426
Precious metal contracts												
- Options	13,685	-	-	13,685	-	-	-	-	33	-	-	33
Sub- total	57,884,994	45,995,850	5,602,084	109,482,928	1,365,858	975,816	263,762	2,605,436	1,330,064	1,401,659	263,484	2,995,207
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	90,000	1,525,000	507,029	2,122,029	-	6,088	-	6,088	-	6,495	11,197	17,692
Sub- total	90,000	1,525,000	507,029	2,122,029	-	6,088	-	6,088	-	6,495	11,197	17,692
Total	57,974,994	47,520,850	6,109,113	111,604,957	1,365,858	981,904	263,762	2,611,524	1,330,064	1,408,154	274,681	3,012,899

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 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)

33 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 Mar 2016	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	43,590,689	781,333	-	44,372,022	1,041,342	37,861	-	1,079,203	1,052,283	13,114	-	1,065,397
- Swaps	2,764,139	10,420,459	2,894,701	16,079,299	302,769	751,427	224,147	1,278,343	168,313	715,790	197,300	1,081,403
- Options	513,090	246,685	-	759,775	12,367	12,647	-	25,014	2,011	-	-	2,011
Interest rate related contracts												
- Options	75,146	770,738	96,250	942,134	972	9,535	811	11,318	1,079	4,700	-	5,779
- Swaps	12,080,307	32,694,627	2,611,132	47,386,066	7,745	166,934	38,804	213,483	9,347	179,041	66,184	254,572
Equity related contracts												
- Options	506,501	3,860,955	-	4,367,456	21,109	140,906	-	162,015	98,332	506,278	-	604,610
Precious metal contracts												
- Options	13,685	-	-	13,685	-	-	-	-	33	-	-	33
Sub- total	59,543,557	48,774,797	5,602,083	113,920,437	1,386,304	1,119,310	263,762	2,769,376	1,331,398	1,418,923	263,484	3,013,805
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	-	1,335,000	507,029	1,842,029	-	6,088	-	6,088	-	6,495	11,197	17,692
Sub- total	-	1,335,000	507,029	1,842,029	-	6,088	-	6,088	-	6,495	11,197	17,692
Total	59,543,557	50,109,797	6,109,112	115,762,466	1,386,304	1,125,398	263,762	2,775,464	1,331,398	1,425,418	274,681	3,031,497

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 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	
	31 Mar 2016	31 Mar 2015	31 Mar 2016	31 Mar 2015
	RM'000	RM'000	RM'000	RM'000
Loss on hedging instruments	(21,144)	(6,101)	(21,144)	(6,101)
Gain on the hedged items attributable to the hedged risk	20,752	6,199	20,752	6,199
	(392)	98	(392)	98

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Performance Review

The Group recorded profit before tax of RM392 million for the financial period ended 31 March 2016, which is 1.23% or RM4.9 million lower than prior year. The lower profit was due to higher operating expenses of RM10.6 million, lower operating income of RM4.0 million, which was partially offset by lower loan/financing impairment charges of RM9.7 million.

The increase of operating expenses were partly contributed by higher compliance related costs, reflecting our commitment to invest in people and systems to deter, detect and protect the Group and the Bank against financial crime.

The lower operating income was primarily due to lower net interest income due to margin compression arising from intense market competition, lower net fee income as a result of weak market sentiment on investments and decrease in income from Islamic banking operations. The decrease in net interest income and net fee income were partially offset by higher net trading income.

The lower net loan/financing impairment charges for the financial period ended 31 March 2016 were due to lower net collective impairment allowances, partially offset by lower recoveries during the current period.

Total balance sheet size at 31 March 2016 stood at RM85.3 billion, RM4.5 billion lower compared against 31 December 2015 (RM89.8 billion) due to decrease in loan/financing balances and cash and short term funds. The Group's capital and liquidity ratios remained strong and well above regulatory requirements.

35 Business Prospects

The Malaysian economy registered a growth of 4.5% in 4Q 2015 (3Q 2015: 4.7%), with annual growth moderated to 5.0% from the 6.0% recorded in prior year. The growth was driven mainly the by private sector demand.

Private consumption expanded at 4.9% in 4Q 2015 (3Q 2015: 4.1%), supported by stable wage growth and labour market conditions whilst the private investment grew by 5.0% (3Q 2015: 5.5%) driven by capital spending in the manufacturing and services sectors. Public consumption registered a sustained growth of 3.3% (3Q 2015: 3.5%) as the higher increase in emoluments was offset by slower growth in supplies and services expenditure.

Inflation was lower at 2.6% in 4Q 2015 (3Q 2015: 3.3%) due to the lower domestic fuel prices. However, this was partly offset by the higher inflation for food and cigarettes. Despite the continuous volatility in international financial markets, interest rates in the domestic money market have remained stable with the Overnight Policy Rate (OPR) continued to be maintained at 3.25% since its last revision on 10 July 2014. The current stance of monetary policy remains accommodative and is supportive of current economic activity.

Overall, the Ringgit appreciated by 3.6% against the US dollar and other major currencies in 4Q 2015 despite uncertainties over global growth prospects and declining global energy prices. While the medium-term trend has turned more positive for the Ringgit, the currency is expected to remain vulnerable and volatile amid the ongoing shift in global capital flows.

For 2016, the Malaysian economy is expected to face continuous challenging operating environment with the projected moderate pace of expansion in domestic demand. The growth in the real Gross Domestic Product (GDP) is expected to moderate further to the range of 4.0% to 4.5% with domestic demand remaining as the key growth.

Notwithstanding that, the Malaysian financial system is expected to remain resilient. While investors may take a cautious approach in the year ahead, domestic financial system stability is expected to be maintained. The deep and well-developed domestic financial markets have continued to support orderly market conditions and sustained confidence in the financial system.

Leveraging on HSBC Group expertise, the Group will continue to provide holistic banking service solutions to our existing and new corporate customers. In addition, the Group will also focus on cross border inbound and outbound business opportunities within China and ASEAN countries in 2016.