

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 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 SEPTEMBER 2016

	Note	<i>Group</i>		<i>Bank</i>	
		30 Sep 2016 RM'000	31 Dec 2015 RM'000	30 Sep 2016 RM'000	31 Dec 2015 RM'000
Assets					
Cash and short-term funds	11	12,554,311	18,251,909	10,665,170	14,318,083
Securities purchased under resale agreements		4,357,963	6,553,754	4,357,963	6,553,754
Deposits and placements with banks and other financial institutions	12	3,800,000	-	5,723,584	2,635,204
Financial assets held-for-trading	13	2,473,486	1,497,358	2,472,164	1,486,866
Financial investments available-for-sale	14	6,956,157	7,013,509	5,627,405	5,312,266
Loans, advances and financing	15	46,483,457	51,222,193	34,845,160	39,253,976
Derivative financial assets	33	2,216,229	3,317,190	2,345,556	3,488,229
Other assets	17	878,446	280,200	858,791	258,731
Statutory deposits with Bank Negara Malaysia	18	1,009,860	1,174,110	711,398	844,448
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		331,255	341,386	324,063	331,098
Intangible assets		60,526	64,702	60,526	64,702
Tax recoverable		23,103	26,012	20,850	20,850
Deferred tax assets		35,438	85,001	29,865	79,453
Total assets		81,180,231	89,827,324	68,702,516	75,307,681
Liabilities					
Deposits from customers	19	59,571,256	63,420,810	50,771,456	54,034,687
Deposits and placements from banks and other financial institutions	20	3,632,707	7,962,366	3,608,389	6,635,605
Bills and acceptances payable		445,135	337,218	423,228	322,314
Derivative financial liabilities	33	2,441,879	3,433,760	2,463,450	3,438,867
Other liabilities	21	2,859,708	3,401,386	1,830,899	2,146,153
Provision for taxation		68,387	52,100	68,387	52,100
Multi-Currency Sukuk Programme	22	1,758,566	1,749,823	-	-
Subordinated liabilities	23	1,599,879	1,621,340	1,599,879	1,621,340
Total liabilities		72,377,517	81,978,803	60,765,688	68,251,066
Equity					
Share capital		114,500	114,500	114,500	114,500
Reserves		8,688,214	7,734,021	7,822,328	6,942,115
Total equity attributable to owner of the Bank		8,802,714	7,848,521	7,936,828	7,056,615
Total liabilities and equity		81,180,231	89,827,324	68,702,516	75,307,681
Commitments and Contingencies	32	157,879,282	167,309,408	151,982,767	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 37 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 28 October 2016.

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 30 SEPTEMBER 2016

	<i>Note</i>	<i>Group</i>			
		Third Quarter		Nine Months Ended	
		30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
		RM'000	RM'000	RM'000	RM'000
			(Restated)		(Restated)
Interest income	24	566,387	606,247	1,725,752	1,895,146
Interest expense	24	(205,896)	(230,331)	(655,935)	(758,995)
Net interest income	24	360,491	375,916	1,069,817	1,136,151
Fee and commission income	25	114,870	120,054	339,720	369,353
Fee and commission expense	25	(21,545)	(24,307)	(61,682)	(54,672)
Net fee and commission income	25	93,325	95,747	278,038	314,681
Net trading income	26	116,904	45,919	467,348	336,558
Income from Islamic banking operations	27	160,570	271,730	416,928	526,157
Other operating income	28	22,210	20,526	51,343	42,738
Operating income before impairment losses		753,500	809,838	2,283,474	2,356,285
Loans/financing impairment charges and other credit risk provisions	29	(49,338)	(36,548)	(97,761)	(36,103)
Net operating income		704,162	773,290	2,185,713	2,320,182
Other operating expenses	30	(358,099)	(351,591)	(1,093,912)	(1,093,309)
Profit before tax		346,063	421,699	1,091,801	1,226,873
Tax expense		(85,163)	(104,141)	(269,677)	(309,876)
Profit for the period		260,900	317,558	822,124	916,997
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		42,399	(47,471)	247,303	15,070
Amount transferred to profit or loss		(24,947)	490	(72,837)	(12,047)
Income tax effect		(4,189)	11,275	(41,872)	(726)
Other comprehensive income for the financial year, net of income tax		13,263	(35,706)	132,594	2,297
Total comprehensive income for the period		274,163	281,852	954,718	919,294
Profit attributable to owner of the Bank		260,900	317,558	822,124	916,997
Total comprehensive income attributable to owner of the Bank		274,163	281,852	954,718	919,294
Basic earnings per RM0.50 ordinary share		113.9 sen	138.7 sen	359 sen	400.4 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 37 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 28 October 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 SEPTEMBER 2016**

	<i>Note</i>	<i>Bank</i>			
		Third Quarter		Nine Months Ended	
		30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
		RM'000	RM'000	RM'000	RM'000
			(Restated)		(Restated)
Interest income	24	582,554	620,284	1,782,384	1,941,530
Interest expense	24	(205,896)	(230,331)	(655,935)	(758,995)
Net interest income	24	376,658	389,953	1,126,449	1,182,535
Fee and commission income	25	114,900	120,084	339,750	369,383
Fee and commission expense	25	(21,545)	(24,308)	(61,682)	(54,673)
Net fee and commission income	25	93,355	95,776	278,068	314,710
Net trading income	26	136,911	195,762	464,305	482,159
Other operating income	28	55,249	50,885	151,305	137,595
Operating income before impairment losses		662,173	732,376	2,020,127	2,116,999
Loans impairment (charges)/release and other credit risk provisions	29	(33,127)	(14,979)	(7,250)	7,509
Net operating income		629,046	717,397	2,012,877	2,124,508
Other operating expenses	30	(333,288)	(323,515)	(1,012,807)	(1,012,013)
Profit before tax		295,758	393,882	1,000,070	1,112,495
Tax expense		(72,954)	(99,140)	(249,126)	(287,867)
Profit for the period		222,804	294,742	750,944	824,628
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		36,808	(39,154)	235,923	10,988
Amount transferred to profit or loss		(21,150)	490	(65,985)	(11,815)
Income tax effect		(3,758)	9,279	(40,785)	198
Other comprehensive income for the financial year, net of income tax		11,900	(29,385)	129,153	(629)
Total comprehensive income for the period		234,704	265,357	880,097	823,999
Profit attributable to owner of the Bank		222,804	294,742	750,944	824,628
Total comprehensive income attributable to owner of the Bank		234,704	265,357	880,097	823,999
Basic earnings per RM0.50 ordinary share		97.3 sen	128.7 sen	327.9 sen	360.1 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 SEPTEMBER 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	-	-	-	-	-	-	-	-	822,124	822,124
Other comprehensive income, net of income tax										
Revaluation reserve:										
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,562)	-	-	-	-	1,562	-
Available-for-sale reserve:										
Net change in fair value	-	-	-	-	-	187,950	-	-	-	187,950
Net amount transferred to profit or loss	-	-	-	-	-	(55,356)	-	-	-	(55,356)
<i>Total other comprehensive income</i>	-	-	-	(1,562)	-	132,594	-	-	1,562	132,594
Total comprehensive income for the financial period	-	-	-	(1,562)	-	132,594	-	-	823,686	954,718
Transactions with the owner (the ultimate holding company), recorded directly in equity										
Share based payment transactions	-	-	-	-	-	-	(2,473)	-	1,948	(525)
Balance at 30 September	114,500	741,375	164,500	185,400	190,000	151,163	93,480	284,000	6,878,296	8,802,714

^[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 9 to 37 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 SEPTEMBER 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	-	-	-	-	-	-	-	-	916,997	916,997
Other comprehensive income, net of income tax										
Revaluation reserve:										
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,495)	-	-	-	-	1,495	-
Available-for-sale reserve:										
Net change in fair value	-	-	-	-	-	11,453	-	-	-	11,453
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(9,156)	-	-	-	(9,156)
<i>Total other comprehensive income</i>	-	-	-	(1,495)	-	2,297	-	-	1,495	2,297
Total comprehensive income for the financial period	-	-	-	(1,495)	-	2,297	-	-	918,492	919,294
Transfer relating to regulatory reserves	-	-	-	-	-	-	-	104,000	(104,000)	-
Transactions with the owner (the ultimate holding company), recorded directly in equity										
Share based payment transactions	-	-	-	-	-	-	(746)	-	(1,120)	(1,866)
Dividends paid to owner - 2014 final	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Balance at 30 September	114,500	741,375	164,500	176,129	190,000	(8,678)	97,011	284,000	5,865,645	7,624,482

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 SEPTEMBER 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	-	-	-	-	-	-	-	-	750,944	750,944
Other comprehensive income, net of income tax										
Revaluation reserve:										
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,562)	-	-	-	-	1,562	-
Available-for-sale reserve:										
Net change in fair value	-	-	-	-	-	179,301	-	-	-	179,301
Net amount transferred to profit or loss	-	-	-	-	-	(50,148)	-	-	-	(50,148)
<i>Total other comprehensive income</i>	-	-	-	(1,562)	-	129,153	-	-	1,562	129,153
Total comprehensive income for the financial period	-	-	-	(1,562)	-	129,153	-	-	752,506	880,097
Transactions with the owner (the ultimate holding company), recorded directly in equity										
Share based payment transactions	-	-	-	-	-	-	(1,832)	-	1,948	116
Balance at 30 September	114,500	741,375	114,500	185,400	190,000	142,776	93,063	250,000	6,105,214	7,936,828

^[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 SEPTEMBER 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	-	-	-	-	-	-	-	-	824,628	824,628
Other comprehensive income, net of income tax										
Revaluation reserve:										
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,495)	-	-	-	-	1,495	-
Available-for-sale reserve:										
Net change in fair value	-	-	-	-	-	8,351	-	-	-	8,351
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(8,980)	-	-	-	(8,980)
<i>Total other comprehensive income</i>	-	-	-	(1,495)	-	(629)	-	-	1,495	(629)
Total comprehensive income for the financial period	-	-	-	(1,495)	-	(629)	-	-	826,123	823,999
Transfer relating to regulatory reserves	-	-	-	-	-	-	-	83,000	(83,000)	-
Transactions with the owner (the ultimate holding company), recorded directly in equity										
Share based payment transactions	-	-	-	-	-	-	(483)	-	(1,137)	(1,620)
Dividends paid to owner - 2014 final	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Balance at 30 September	114,500	741,375	114,500	176,129	190,000	(5,116)	95,900	250,000	5,193,436	6,870,724

^[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 SEPTEMBER 2016**

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	RM'000	RM'000	RM'000	RM'000
Profit before tax	1,091,801	1,226,873	1,000,070	1,112,495
Adjustments for non-operating and non-cash items	407,409	39,121	288,068	36,770
Operating profit before working capital changes	1,499,210	1,265,994	1,288,138	1,149,265
Changes in working capital:				
Net changes in operating assets	2,380,807	(12,177,699)	2,878,060	(11,044,405)
Net changes in operating liabilities	(9,518,848)	8,693,688	(7,454,450)	7,118,137
Income tax paid	(242,878)	(208,921)	(224,036)	(184,129)
Net cash generated from operations	(5,881,709)	(2,426,938)	(3,512,288)	(2,961,132)
Net cash generated from investing activities	278,681	8,880,688	(106,257)	6,630,458
Net cash used in financing activity	(94,570)	700,299	(34,368)	(49,701)
	184,111	9,580,987	(140,625)	6,580,757
Net changes in cash and cash equivalents	(5,697,598)	7,154,049	(3,652,913)	3,619,625
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 September	12,554,311	14,993,106	10,665,170	11,697,585
Analysis of cash and cash equivalents				
Cash and short-term funds	12,554,311	14,993,106	10,665,170	11,697,585
Cash and cash equivalents comprise the following:				
Cash and short-term funds	12,554,311	14,993,106	10,665,170	11,697,585
Adjustment for cash collateral	(817,512)	(1,820,590)	(1,167,512)	(2,170,590)
Cash and cash equivalents	11,736,799	13,172,516	9,497,658	9,526,995

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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 28 October 2016.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 30 September 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 September 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.
- Amendments to MFRS 127 'Separate Financial Statements'. The amendments introduced equity accounting for separate financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2 Basis of Preparation (Cont'd)

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

- MFRS 101 'Presentation of Financial Statements' - Disclosure Initiative (Amendments to MFRS 101). The amendments are part of a major initiative to improve disclosure requirements in MFRS financial statements. These amendments include narrow - focus improvements in five areas as follows:
 - Materiality
 - Disaggregation and subtotals
 - Notes structure
 - Disclosure of accounting policies
 - Presentation of items in Other Comprehensive Income (OCI) arising from equity accounted investments.
- Annual improvement to MFRSs 2012 - 2014 Cycle
 - Amendment to MFRS 5, 'Non-current assets Held for Sale and Discontinued Operations'
 - Amendment to MFRS 7, 'Financial Instruments: Disclosure - Servicing contracts'
 - Amendment to MFRS 7, 'Financial Instruments: Disclosure - Applicability of the amendments to MFRS 7 to condensed interim financial statements'
 - Amendment to MFRS 119, 'Employee Benefits'
 - Amendments to MFRS 134, 'Interim Financial Reporting'

The adoption of the new accounting standards, amendments and improvements to published standards are not expected to have 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 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 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.

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)

- 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.

- MFRS 2 'Share-based payment' with regards to classification and measurement of share-based payment transactions. The amendments provides specific guidance on effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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.

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 September 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 September 2016.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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 September 2016.

8 Dividend

An interim dividend of RM 0.873 per ordinary share amounting to RM 200 million in respect of the current financial period was paid on 6 October 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 30 September 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 Sep 2016 RM'000	31 Dec 2015 RM'000	30 Sep 2016 RM'000	31 Dec 2015 RM'000
Cash and balances with banks and other financial institutions	1,152,745	1,576,991	962,364	1,207,981
Money at call and interbank placements maturing within one month	11,401,566	16,674,918	9,702,806	13,110,102
	12,554,311	18,251,909	10,665,170	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 RM817.5 million (31 December 2015: RM1,356.4 million) and RM1,167.5 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 Sep 2016 RM'000	31 Dec 2015 RM'000	30 Sep 2016 RM'000	31 Dec 2015 RM'000
Licensed banks	-	-	1,923,584	2,635,204
Bank Negara Malaysia	3,800,000	-	3,800,000	-
	3,800,000	-	5,723,584	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 RM1,923.6 million (31 December 2015: RM2,635.2 million).

13 Financial Assets Held-for-Trading

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2016 RM'000	31 Dec 2015 RM'000	30 Sep 2016 RM'000	31 Dec 2015 RM'000
At fair value				
Money market instruments:				
Malaysian Government treasury bills	74,814	4,662	74,814	4,662
Islamic treasury bills	32,496	-	32,496	-
Bank Negara Malaysia bills and notes	220,464	32,459	220,464	32,459
Malaysian Government securities	1,708,651	1,160,876	1,708,651	1,160,876
Malaysian Government Islamic bonds	328,728	194,887	328,208	194,397
Islamic fixed rate bonds	9,119	8,951	9,119	8,951
Cagamas bonds and notes	2,515	2,422	2,515	2,422
	2,376,787	1,404,257	2,376,267	1,403,767
Unquoted:				
Corporate bonds and Sukuk	96,699	93,101	95,897	83,099
	2,473,486	1,497,358	2,472,164	1,486,866

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Financial Investments Available-for-Sale

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
At fair value	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government securities	2,619,041	2,684,851	2,619,041	2,684,851
Malaysian Government Islamic bonds	2,521,699	3,695,010	1,192,947	1,993,767
Islamic fixed rate Sukuk	521,573	501,409	521,573	501,409
Cagamas bonds and notes	425,843	114,860	425,843	114,860
Negotiable instruments of deposit	699,971	-	699,971	-
	6,788,127	6,996,130	5,459,375	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
	6,956,157	7,013,509	5,627,405	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 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	1,637,033	608,040	1,386,268	436,330
More than one year to three years	1,465,855	3,677,058	711,513	2,366,184
More than three years to five years	2,711,445	1,797,261	2,408,492	1,578,602
Over five years	973,794	913,771	953,102	913,771
	6,788,127	6,996,130	5,459,375	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 Sep 2016 RM'000	31 Dec 2015 RM'000	30 Sep 2016 RM'000	31 Dec 2015 RM'000
At amortised cost				
Overdrafts/cash line	1,060,236	1,147,624	969,371	1,057,224
Term loans/financing:				
Housing loans/financing	19,518,594	19,167,843	15,193,710	14,959,077
Syndicated term loans/financing	2,237,537	2,666,343	1,597,808	1,711,784
Factoring receivables	254,352	272,248	254,352	272,248
Hire purchase receivables	220,445	229,552	-	-
Lease receivables	3,085	4,103	-	-
Other term loans/financing ⁽¹⁾	10,687,939	12,503,574	6,815,075	8,635,042
Bills receivable	1,090,754	3,738,396	994,990	3,521,886
Trust receipts	1,953,036	1,681,763	1,408,795	1,078,082
Claims on customers under acceptance credits	1,955,654	2,698,255	1,438,863	2,080,795
Staff loans/financing	142,754	164,549	136,307	157,040
Credit/charge cards	2,909,391	2,827,815	2,231,527	2,258,457
Revolving credit	5,099,211	4,789,157	4,217,918	3,982,459
Other loans/financing	7,609	5,502	7,609	5,502
Gross loans, advances and financing	47,140,597	51,896,724	35,266,325	39,719,596
Less: Allowance for impaired loans, advances and financing				
- Collectively assessed	(439,016)	(444,234)	(257,525)	(303,970)
- Individually assessed	(218,124)	(230,297)	(163,640)	(161,650)
Total net loans, advances and financing	46,483,457	51,222,193	34,845,160	39,253,976

⁽¹⁾ Included in the loans, advances and financing of the Bank at 30 September 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 Sep 2016 RM'000	31 Dec 2015 RM'000
Under SIAF/IAA arrangement	721,312	1,130,134
Under RPSIA arrangement	-	19,918
	721,312	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 Sep 2016 RM'000	31 Dec 2015 RM'000	30 Sep 2016 RM'000	31 Dec 2015 RM'000
Domestic non-bank financial institutions	629,723	694,721	-	24,423
Domestic business enterprises:				
Small medium enterprises	7,010,679	8,223,786	5,088,414	6,219,138
Others	12,911,541	14,469,283	10,569,437	11,524,779
Government and statutory bodies	11,084	13,566	-	-
Individuals	22,423,968	22,308,675	16,680,034	16,877,437
Other domestic entities	6,433	7,374	4,939	5,806
Foreign entities	4,147,169	6,179,319	2,923,501	5,068,013
	47,140,597	51,896,724	35,266,325	39,719,596

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2016 RM'000	31 Dec 2015 RM'000	30 Sep 2016 RM'000	31 Dec 2015 RM'000
Maturity within one year	17,552,877	21,355,694	13,277,001	16,822,828
More than one year to three years	3,700,379	3,319,943	3,050,522	2,677,241
More than three years to five years	2,296,290	3,891,796	1,143,928	2,401,563
More than five years	23,591,051	23,329,291	17,794,874	17,817,964
	47,140,597	51,896,724	35,266,325	39,719,596

(iv) By interest/profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2016 RM'000	31 Dec 2015 RM'000	30 Sep 2016 RM'000	31 Dec 2015 RM'000
Fixed rate:				
Housing loans/financing	1,490	2,252	973	1,117
Hire purchase receivables	220,445	229,552	-	-
Other fixed rate loans/financing	9,543,439	12,318,223	6,792,618	9,478,120
Variable rate:				
BR/BLR/BFR plus	24,137,889	24,212,548	18,708,593	18,934,600
Cost-plus	13,237,334	15,134,149	9,764,141	11,305,759
	47,140,597	51,896,724	35,266,325	39,719,596

(v) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2016 RM'000	31 Dec 2015 RM'000	30 Sep 2016 RM'000	31 Dec 2015 RM'000
Agricultural, hunting, forestry and fishing	1,162,058	1,720,576	1,013,112	1,096,316
Mining and quarrying	444,222	479,285	255,729	272,991
Manufacturing	6,270,133	7,521,846	5,096,528	6,215,602
Electricity, gas and water	48,372	22,666	14,422	7,894
Construction	2,273,278	2,729,566	1,954,175	2,132,411
Real estate	3,233,122	2,837,599	2,385,953	2,444,665
Wholesale & retail trade and restaurants & hotels	3,711,182	4,272,413	2,770,272	3,183,647
Transport, storage and communication	280,307	273,544	121,873	107,101
Finance, insurance and business services	2,607,226	3,004,155	1,700,370	1,968,693
Household-retail	25,827,929	25,630,503	19,444,992	19,556,780
Others	1,282,768	3,404,571	508,899	2,733,496
	47,140,597	51,896,724	35,266,325	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 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Purchase of property:				
Residential	19,609,092	19,271,634	15,280,982	15,059,601
Non residential	1,702,984	1,744,138	850,443	903,557
Purchase of securities	6,009	6,862	6,009	6,862
Purchase of transport vehicles	31,678	35,792	29,837	33,670
Purchase of fixed assets excluding land & building	4,567	9,104	4,127	5,398
Consumption credit	5,623,554	5,723,729	3,854,305	4,135,358
Construction	1,842,328	2,169,570	1,527,003	1,583,287
Working capital	17,557,846	20,059,671	13,546,829	15,598,026
Other purpose	762,539	2,876,224	166,790	2,393,837
	47,140,597	51,896,724	35,266,325	39,719,596

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Northern Region	6,689,801	7,152,739	5,344,947	5,703,936
Southern Region	6,620,838	7,065,940	5,042,200	5,427,271
Central Region	30,985,447	34,509,511	22,500,970	25,900,380
Eastern Region	2,844,511	3,168,534	2,378,208	2,688,009
	47,140,597	51,896,724	35,266,325	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 Sep 2016	31 Dec 2015	30 Sep 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	826,310	1,181,396	586,777	861,773
Reclassified as performing	(387,806)	(452,339)	(296,575)	(342,958)
Amount recovered	(223,216)	(240,611)	(184,018)	(185,717)
Amount written off	(180,720)	(235,610)	(90,133)	(153,314)
Balance at 30 September/31 December	975,649	941,081	721,853	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 Sep 2016 RM'000	31 Dec 2015 RM'000	30 Sep 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	297,068	400,892	138,195	248,706
Amount released	(158,555)	(161,354)	(109,679)	(103,044)
Amount written off	(143,731)	(183,364)	(74,961)	(104,935)
Balance at 30 September/31 December	439,016	444,234	257,525	303,970

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2016 RM'000	31 Dec 2015 RM'000	30 Sep 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	82,486	115,782	63,278	69,953
Amount released	(67,768)	(93,421)	(50,916)	(65,704)
Amount written off	(26,891)	(26,584)	(10,372)	(33,298)
Balance at 30 September/31 December	218,124	230,297	163,640	161,650

(iii) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2016 RM'000	31 Dec 2015 RM'000	30 Sep 2016 RM'000	31 Dec 2015 RM'000
Agricultural, hunting, forestry and fishing	63,570	125,667	63,570	125,667
Manufacturing	72,942	44,890	68,886	23,797
Construction	57,253	44,467	57,049	44,263
Real estate	1,852	700	1,852	700
Wholesale & retail trade, restaurants & hotels	49,346	58,603	36,932	48,931
Transport, storage and communication	5,169	8,668	1,423	3,225
Finance, insurance and business services	7,172	5,531	1,827	4
Household-retail	717,436	651,902	490,032	459,215
Others	909	653	282	-
	975,649	941,081	721,853	705,802

(iv) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2016 RM'000	31 Dec 2015 RM'000	30 Sep 2016 RM'000	31 Dec 2015 RM'000
Purchase of property:				
Residential	435,529	402,093	321,569	307,109
Non residential	20,998	22,768	11,062	12,513
Purchase of transport vehicles	557	688	450	555
Purchase of fixed assets excluding land & building	358	358	-	-
Consumption credit	271,725	237,962	160,242	142,192
Construction	57,153	44,782	56,949	44,578
Working capital	189,329	232,430	171,581	198,855
	975,649	941,081	721,853	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 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Northern Region	195,988	168,686	150,884	114,584
Southern Region	98,836	107,824	68,110	77,557
Central Region	522,774	464,794	358,423	323,030
Eastern Region	158,051	199,777	144,436	190,631
	975,649	941,081	721,853	705,802

17 Other Assets

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Settlements	683,633	38,819	683,633	38,819
Interest/profit receivable	101,098	94,452	91,148	93,111
Other receivables, deposits and prepayments	93,715	146,929	84,010	126,801
	878,446	280,200	858,791	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 Sep 2016 RM'000	31 Dec 2015 RM'000	30 Sep 2016 RM'000	31 Dec 2015 RM'000
At amortised cost				
Demand deposits	17,984,013	20,391,898	16,170,488	18,534,667
Savings deposits	13,071,213	13,232,616	11,455,728	11,643,195
Fixed/Investment deposits	24,645,296	25,627,793	19,363,299	19,828,734
Repurchase agreements	88,793	140,412	-	-
Wholesale money market deposits	555,485	497,383	555,485	497,383
Negotiable instruments of deposit	528,484	759,821	528,484	759,821
	56,873,284	60,649,923	48,073,484	51,263,800
At fair value				
Structured investments ⁽¹⁾	2,697,972	2,770,887	2,697,972	2,770,887
	59,571,256	63,420,810	50,771,456	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	19,462,267	20,002,882	14,998,880	15,096,219
More than six months to one year	5,274,292	5,241,926	4,486,314	4,393,641
More than one year to three years	354,298	1,088,277	327,670	1,046,214
More than three years to five years	82,923	54,529	78,919	52,481
	25,173,780	26,387,614	19,891,783	20,588,555

(ii) By type of customer	<i>Group</i>		<i>Bank</i>	
	30 Sep 2016 RM'000	31 Dec 2015 RM'000	30 Sep 2016 RM'000	31 Dec 2015 RM'000
Government and statutory bodies	33,266	40,167	23,253	31,319
Business enterprises	19,162,118	22,005,082	17,012,597	19,625,098
Individuals	27,784,546	28,564,864	23,069,218	23,498,950
Others	12,591,326	12,810,697	10,666,388	10,879,320
	59,571,256	63,420,810	50,771,456	54,034,687

20 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2016 RM'000	31 Dec 2015 RM'000	30 Sep 2016 RM'000	31 Dec 2015 RM'000
Licensed banks	550,379	1,139,449	550,379	1,139,470
Bank Negara Malaysia	57,826	49,614	33,508	-
Other financial institutions	3,024,502	6,773,303	3,024,502	5,496,135
	3,632,707	7,962,366	3,608,389	6,635,605

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Settlements	489,010	191,926	489,010	191,926
Interest/profit payable	256,341	266,260	202,702	197,348
Other creditors and accruals	1,153,305	1,674,543	1,139,187	1,756,879
	1,898,656	2,132,729	1,830,899	2,146,153
At fair value				
Islamic structured products ^[1]	961,052	1,268,657	-	-
	2,859,708	3,401,386	1,830,899	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 Sep 2016	31 Dec 2015
	RM'000	RM'000
Multi-Currency Sukuk Programme (MCSP)	1,758,566	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 Sep 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	503,752	500,641
3rd series	750,000	27 Mar 2015	27 Mar 2020	754,814	749,182
	<u>1,250,000</u>			<u>1,258,566</u>	1,249,823
Total	<u>1,750,000</u>			<u>1,758,566</u>	1,749,823

<u>Movement in MCSP</u>	2nd series		3rd series	
	30 Sep 2016	31 Dec 2015	30 Sep 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	9,062	1,374	15,559	(7,020)
Change in fair value from own credit risk	(5,951)	(2,587)	(9,927)	6,202
Balance at 30 September/31 December	503,752	500,641	754,814	749,182

	<i>Group</i>	
	30 Sep 2016	31 Dec 2015
	RM'000	RM'000
The cumulative change in fair value due to changes in own credit risk	(15,878)	3,615

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

23 Subordinated Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Subordinated Liabilities	1,599,879	1,621,340	1,599,879	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	4,108	2,879	4,108	2,879
	1,004,108	1,002,879	1,004,108	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 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
(ii) Subordinated term loan				
- First tranche issued on 25 June 2014	321,279	333,515	321,279	333,515
- Second tranche issued on 30 June 2015	274,492	284,946	274,492	284,946
	595,771	618,461	595,771	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>			
	Third Quarter		Nine Months Ended	
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	394,224	418,762	1,211,094	1,231,086
- Interest income recognised from impaired loans	10,022	10,379	31,314	30,558
Money at call and deposit placements with financial institutions	109,787	107,944	324,611	370,021
Financial investments available-for-sale	52,354	69,162	158,733	263,481
	566,387	606,247	1,725,752	1,895,146
Interest expense				
Deposits and placements of banks and other financial institutions	(9,225)	(14,007)	(32,746)	(101,810)
Deposits from customers	(178,513)	(198,588)	(568,678)	(607,713)
Subordinated liabilities	(15,354)	(14,957)	(46,100)	(41,136)
Others	(2,804)	(2,779)	(8,411)	(8,336)
	(205,896)	(230,331)	(655,935)	(758,995)
Net interest income	360,491	375,916	1,069,817	1,136,151
	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	394,224	418,762	1,211,094	1,231,086
- Interest income recognised from impaired loans	10,022	10,379	31,314	30,558
Money at call and deposit placements with financial institutions	125,954	121,981	381,243	416,405
Financial investments available-for-sale	52,354	69,162	158,733	263,481
	582,554	620,284	1,782,384	1,941,530
Interest expense				
Deposits and placements of banks and other financial institutions	(9,225)	(14,007)	(32,746)	(101,810)
Deposits from customers	(178,513)	(198,588)	(568,678)	(607,713)
Subordinated liabilities	(15,354)	(14,957)	(46,100)	(41,136)
Others	(2,804)	(2,779)	(8,411)	(8,336)
	(205,896)	(230,331)	(655,935)	(758,995)
Net interest income	376,658	389,953	1,126,449	1,182,535

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

25 Net Fee and Commission Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2016 RM'000	30 Sep 2015 RM'000 (Restated)	30 Sep 2016 RM'000	30 Sep 2015 RM'000 (Restated)
Fee and commission income				
Credit cards	37,055	37,456	110,345	122,976
Service charges and fees	33,450	40,678	105,013	125,191
Fees on credit facilities	14,842	18,474	43,269	46,811
Agency fee	22,286	16,207	55,237	44,640
Others	7,237	7,239	25,856	29,735
	114,870	120,054	339,720	369,353
Fee and commission expense				
Interbank and clearing fees	(235)	(405)	(1,005)	(1,109)
Brokerage	(502)	(469)	(1,418)	(1,882)
Others	(20,808)	(23,433)	(59,259)	(51,681)
	(21,545)	(24,307)	(61,682)	(54,672)
Net fee and commission income	93,325	95,747	278,038	314,681

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2016 RM'000	30 Sep 2015 RM'000	30 Sep 2016 RM'000	30 Sep 2015 RM'000
Fee and commission income				
Credit cards	37,055	37,456	110,345	122,976
Service charges and fees	33,450	40,678	105,013	125,191
Fees on credit facilities	14,842	18,474	43,269	46,811
Agency fee	22,286	16,207	55,237	44,640
Others	7,267	7,269	25,886	29,765
	114,900	120,084	339,750	369,383
Fee and commission expense				
Interbank and clearing fees	(235)	(405)	(1,005)	(1,109)
Brokerage	(502)	(469)	(1,418)	(1,882)
Others	(20,808)	(23,434)	(59,259)	(51,682)
	(21,545)	(24,308)	(61,682)	(54,673)
Net fee and commission income	93,355	95,776	278,068	314,710

26 Net Trading Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2016 RM'000	30 Sep 2015 RM'000	30 Sep 2016 RM'000	30 Sep 2015 RM'000
Realised gains on financial assets/liabilities held-for-trading and other financial instruments	28,302	14,577	77,611	88,229
Net interest income/(expense) from financial assets held-for-trading	751	(5,950)	(1,284)	(11,113)
Net unrealised (losses)/gains on revaluation of financial assets held-for-trading	(1,011)	24,030	(11,040)	23,424
Net realised gains arising from dealing in foreign currency	169,841	41,046	632,557	165,483
Net unrealised (losses)/gains from dealing in foreign currency	(84,308)	(4,217)	(237,388)	74,378
Net realised (losses)/gains arising from dealing in derivatives	(24,702)	(47,158)	(28,533)	64,685
Net unrealised gains/(losses) on revaluation of derivatives	30,440	21,654	38,156	(69,284)
(Losses)/Gains arising from fair value hedges	(2,409)	1,937	(2,731)	756
	116,904	45,919	467,348	336,558

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26 Net Trading Income (Cont'd)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	RM'000	RM'000	RM'000	RM'000
Realised gains on financial assets/liabilities held-for-trading and other financial instruments	28,302	14,577	77,611	88,229
Net interest income/(expenses) from financial assets held-for-trading	751	(5,950)	(1,284)	(11,113)
Net unrealised (losses)/gains on revaluation of financial assets held-for-trading	(1,011)	24,030	(11,040)	23,424
Net realised gains arising from dealing in foreign currency	169,394	82,192	635,671	210,644
Net unrealised (losses)/gains from dealing in foreign currency	(61,120)	59,228	(268,921)	129,842
Net (losses)/gains realised gains arising from dealing in derivatives	(23,539)	(48,658)	(27,465)	60,581
Net unrealised gains/(losses) on revaluation of derivatives	26,543	69,856	62,464	(20,204)
(Losses)/Gains arising from fair value hedges	(2,409)	487	(2,731)	756
	136,911	195,762	464,305	482,159

27 Income from Islamic Banking operations

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Income derived from investment of depositor funds and others	190,024	317,503	519,151	665,132
Income derived from investment of shareholders funds ^[1]	38,776	34,825	111,326	88,999
Income attributable to the depositors	(68,230)	(80,598)	(213,549)	(227,974)
Income from Islamic Banking operations	160,570	271,730	416,928	526,157

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

14,615 **(15,811)**

28 Other Operating Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	RM'000	RM'000	RM'000	RM'000
Disposal of financial investments available-for-sale	16,479	12,701	33,097	19,563
Dividend income from financial investments available-for-sale				
- Unquoted in Malaysia	210	210	1,140	1,140
Rental income	1,572	1,746	4,611	4,970
Net gains on disposal of property and equipment	7	9	21	78
Other operating income	3,942	5,860	12,474	16,987
	22,210	20,526	51,343	42,738

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28 Other Operating Income (Cont'd)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	RM'000	RM'000	RM'000	RM'000
Disposal of financial investments available-for-sale	16,479	12,701	33,097	19,563
Dividend income from financial investments available-for-sale				
- Unquoted in Malaysia	210	210	1,140	1,140
Rental income	1,572	1,746	4,611	4,970
Net gains on disposal of property and equipment	7	9	21	78
Other operating income	36,981	36,219	112,436	111,844
	55,249	50,885	151,305	137,595

29 Loans/Financing Impairment Charges and other Credit Risk Provisions

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	RM'000	RM'000	RM'000	RM'000
Impairment charges on loans and financing:				
(a) Individual impairment				
Made during the financial period	23,059	29,345	82,486	81,561
Written back	(11,806)	3,071	(67,768)	(76,023)
(b) Collective impairment				
Made during the financial period	89,122	49,115	297,068	210,907
Written back	(32,352)	(27,365)	(158,555)	(108,942)
Impaired loans				
Recovered during the financial period	(23,115)	(20,152)	(67,228)	(79,370)
Written off	4,549	2,534	11,837	7,970
Impairment charges on other credit related items				
Made during the financial period	10	-	50	-
Release during the financial period	(129)	-	(129)	-
	49,338	36,548	97,761	36,103

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	RM'000	RM'000	RM'000	RM'000
Impairment charges on loans and financing:				
(a) Individual impairment				
Made during the financial period	21,080	9,032	63,278	47,304
Written back	(8,719)	4,795	(50,916)	(58,004)
(b) Collective impairment				
Made during the financial period	50,218	26,016	138,195	109,823
Written back	(18,822)	(13,744)	(109,679)	(57,098)
Impaired loans				
Recovered during the financial period	(14,700)	(12,833)	(43,158)	(55,401)
Written off	4,189	1,713	9,609	5,867
Impairment charges on other credit related items				
Made during the financial period	10	-	50	-
Release during the financial period	(129)	-	(129)	-
	33,127	14,979	7,250	(7,509)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Other Operating Expenses

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Personnel expenses	175,485	177,551	528,737	556,246
Promotion and marketing related expenses	6,879	15,464	43,282	47,178
Establishment related expenses	36,078	42,454	110,034	117,701
General administrative expenses	139,657	116,122	411,859	372,184
	358,099	351,591	1,093,912	1,093,309
Personnel expenses				
Salaries, allowances and bonuses	135,539	133,539	408,586	418,300
Employees Provident Fund contributions	22,629	22,471	67,423	68,293
Others	17,317	21,541	52,728	69,653
	175,485	177,551	528,737	556,246
Promotion and marketing related expenses	6,879	15,464	43,282	47,178
Establishment related expenses				
Depreciation of property and equipment	6,764	8,325	20,850	25,758
Amortisation of intangible assets	5,669	6,963	17,046	19,008
Intangible asset written off	-	-	-	438
Information technology costs	5,270	6,239	13,301	13,589
Hire of equipment	2,169	2,019	7,259	6,947
Rental of premises	9,490	9,032	28,501	28,721
Property and equipment written off	-	-	5	14
Others	6,716	9,876	23,072	23,226
	36,078	42,454	110,034	117,701
General administrative expenses				
Group recharges	92,364	90,658	274,124	265,675
Others	47,293	25,464	137,735	106,509
	139,657	116,122	411,859	372,184

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Other Operating Expenses (Cont'd)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Personnel expenses	164,970	164,918	497,625	517,210
Promotion and marketing related expenses	5,361	13,386	35,060	39,440
Establishment related expenses	31,557	36,801	95,741	101,364
General administrative expenses	131,400	108,410	384,381	353,999
	333,288	323,515	1,012,807	1,012,013
Personnel expenses				
Salaries, allowances and bonuses	127,266	123,806	383,986	387,322
Employees Provident Fund contributions	21,193	20,816	63,137	62,993
Others	16,511	20,296	50,502	66,895
	164,970	164,918	497,625	517,210
Promotion and marketing related expenses	5,361	13,386	35,060	39,440
Establishment related expenses				
Depreciation of property and equipment	5,526	6,573	17,004	20,150
Amortisation of intangible assets	5,669	6,963	17,046	19,006
Intangible asset written off	-	-	-	438
Information technology costs	4,482	5,115	11,368	11,033
Hire of equipment	2,169	2,019	7,255	6,947
Rental of premises	7,560	6,996	22,423	22,584
Property and equipment written off	-	-	5	14
Others	6,150	9,135	20,640	21,192
	31,556	36,801	95,741	101,364
General administrative expenses				
Group recharges	92,138	90,288	273,333	264,903
Others	39,262	18,122	111,048	89,096
	131,400	108,410	384,381	353,999

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Capital Adequacy

	<i>Group</i>	
	30 Sep 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)	6,617,396	6,052,662
Other reserves	1,145,792	975,854
Regulatory adjustments	(855,028)	(721,699)
Total Common Equity Tier 1 (CET 1) and Tier 1 capital	7,764,035	7,162,692
Tier 2 capital		
Subordinated liabilities	600,000	700,000
Subordinated term loan	595,771	618,461
Collective impairment allowance (unimpaired portion) & regulatory reserves	575,669	613,313
Regulatory adjustments	96,711	97,636
Total Tier 2 capital	1,868,151	2,029,410
Capital base	9,632,186	9,192,102
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	14.131%	12.099%
Total Capital ratio	17.531%	15.527%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	13.767%	12.099%
Total Capital ratio	17.167%	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 Sep 2016		31 Dec 2015	
	Principal	Risk-weighted	Principal	Risk-weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	95,135,775 ^[1]	47,460,580 ^[1]	106,377,180 ^[1]	51,974,803 ^[1]
Total RWA for market risk	-	1,609,278	-	1,376,626
Total RWA for operational risk	-	5,873,325	-	5,848,312
	95,135,775	54,943,183	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 Sep 2016	31 Dec 2015
	RM'000	RM'000
Under SIAF/IAA arrangement	832,247	1,166,189
Under RPSIA arrangement	-	191,638
	832,247	1,357,827

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	30 Sep 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)	5,882,409	5,350,760
Other reserves	1,050,340	884,289
Regulatory adjustments	<u>(1,190,170)</u>	<u>(948,068)</u>
Total Common Equity Tier 1 (CET1) and Tier 1 capital	<u>6,598,454</u>	<u>6,142,856</u>
Tier 2 capital		
Subordinated liabilities	600,000	700,000
Subordinated term loan	595,771	618,461
Collective impairment allowance (unimpaired portion) & regulatory reserves	445,171	495,101
Regulatory adjustments	<u>(763,068)</u>	<u>(916,838)</u>
Total Tier 2 capital	<u>877,874</u>	<u>896,724</u>
Capital base	<u>7,476,328</u>	<u>7,039,580</u>
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	14.827%	12.659%
Total Capital ratio	16.800%	14.507%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	14.378%	12.659%
Total Capital ratio	16.351%	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 Sep 2016		31 Dec 2015	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	78,832,389 ^[1]	37,611,285 ^[1]	88,419,583 ^[1]	41,979,027 ^[1]
Total RWA for market risk	-	1,597,953	-	1,272,252
Total RWA for operational risk	-	5,292,519	-	5,272,799
	<u>78,832,389</u>	<u>44,501,757</u>	<u>88,419,583</u>	<u>48,524,078</u>

^[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 Sep 2016 RM'000	31 Dec 2015 RM'000
Under SIAF/IAA arrangement	832,247	1,166,189
Under RPSIA arrangement	-	191,638
	<u>832,247</u>	<u>1,357,827</u>

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.

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2016 RM'000	31 Dec 2015 RM'000	30 Sep 2016 RM'000	31 Dec 2015 RM'000
Principal amount				
Direct credit substitutes	2,744,004	2,384,512	2,013,850	1,761,656
Transaction-related contingent items	7,879,786	8,872,513	6,759,816	7,783,118
Short-term self-liquidating trade-related contingencies	560,588	1,455,152	403,230	1,283,000
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	17,421,968	16,054,397	14,399,164	13,020,561
- Maturity exceeding one year	11,726,514	12,663,457	9,903,373	10,845,443
Unutilised credit card lines	9,636,717	8,645,649	7,486,071	6,967,131
Foreign exchange related contracts:				
- Less than one year	45,670,596	49,565,637	45,795,879	50,882,189
- Over one year to less than five years	12,510,348	12,445,384	12,510,348	12,445,384
- Over five years	1,381,792	3,219,454	1,381,792	3,219,453
Interest/profit rate related contracts:				
- Less than one year	10,124,282	10,102,027	10,584,282	11,267,026
- Over one year to less than five years	32,111,106	34,908,531	33,740,831	37,159,700
- Over five years	2,895,830	3,587,992	2,895,830	3,587,992
Gold and other precious metals contracts:				
- Less than one year	18,049	3,341	18,049	3,341
Equity related contracts:				
- Less than one year	2,116,640	286,480	2,736,646	479,203
- Over one year to less than five years	1,081,062	3,114,882	1,353,606	4,063,552
	157,879,282	167,309,408	151,982,767	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

	554,675	149,672	554,675	180,273
	-	858,598	-	858,598
	554,675	1,008,270	554,675	1,038,871

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 30 Sep 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	41,223,009	789,236	-	42,012,245	363,073	18,930	-	382,003	357,424	11,265	-	368,689
- Swaps	3,476,163	11,459,320	1,381,792	16,317,275	504,266	771,661	270,982	1,546,909	190,643	958,823	152,174	1,301,640
- Options	971,424	261,792	-	1,233,216	6,028	14,150	-	20,178	2,726	955	-	3,681
Interest/profit rate related contracts												
- Options	267,290	418,608	96,250	782,148	4,792	6,077	-	10,869	366	289	-	655
- Swaps	9,766,992	29,944,201	2,509,580	42,220,773	9,761	204,977	36,995	251,733	11,570	192,411	71,161	275,142
Equity related contracts												
- Options	2,116,640	1,081,062	-	3,197,702	222	3	-	225	440,480	22,805	-	463,285
Precious metal contracts												
- Options	18,049	-	-	18,049	1	-	-	1	88	-	-	88
Sub- total	57,839,567	43,954,219	3,987,622	105,781,408	888,143	1,015,798	307,977	2,211,918	1,003,297	1,186,548	223,335	2,413,180
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	90,000	1,748,297	290,000	2,128,297	-	4,311	-	4,311	-	21,651	7,048	28,699
Sub- total	90,000	1,748,297	290,000	2,128,297	-	4,311	-	4,311	-	21,651	7,048	28,699
Total	57,929,567	45,702,516	4,277,622	107,909,705	888,143	1,020,109	307,977	2,216,229	1,003,297	1,208,199	230,383	2,441,879

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 30 Sep 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	41,348,292	789,236	-	42,137,528	364,227	18,930	-	383,157	355,769	11,265	-	367,034
- Swaps	3,476,163	11,459,320	1,381,792	16,317,275	504,266	771,961	270,982	1,547,209	190,643	958,823	152,174	1,301,640
- Options	971,424	261,792	-	1,233,216	6,028	14,150	-	20,178	2,726	955	-	3,681
Interest rate related contracts												
- Options	267,290	608,333	96,250	971,873	4,792	6,077	-	10,869	366	5,398	-	5,764
- Swaps	10,316,992	31,574,201	2,509,580	44,400,773	9,788	206,846	36,995	253,629	11,667	210,209	71,161	293,037
Equity related contracts												
- Options	2,736,646	1,353,606	-	4,090,252	109,786	16,416	-	126,202	440,702	22,805	-	463,507
Precious metal contracts												
- Options	18,049	-	-	18,049	1	-	-	1	88	-	-	88
Sub- total	59,134,856	46,046,488	3,987,622	109,168,966	998,888	1,034,380	307,977	2,341,245	1,001,961	1,209,455	223,335	2,434,751
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	-	1,558,297	290,000	1,848,297	-	4,311	-	4,311	-	21,651	7,048	28,699
Sub- total	-	1,558,297	290,000	1,848,297	-	4,311	-	4,311	-	21,651	7,048	28,699
Total	59,134,856	47,604,785	4,277,622	111,017,263	998,888	1,038,691	307,977	2,345,556	1,001,961	1,231,106	230,383	2,463,450

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	
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	RM'000	RM'000	RM'000	RM'000
(Loss)/Gain on hedging instruments	(34,389)	6,406	(34,389)	6,406
Gain/(Loss) on the hedged items attributable to the hedged risk	31,658	(5,650)	31,658	(5,650)
	(2,731)	756	(2,731)	756

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Performance Review

The Group recorded profit before tax of RM1,092 million for the financial period ended 30 September 2016, which is 11% or RM135 million lower than prior period. The lower profit was due to lower operating income by RM72.8 million and higher loan/financing impairment charges by RM61.7 million compared to prior period.

The decrease in operating income was mainly due to lower net interest income as a result of continuous margin compression amid intense market competition and a leaner loan/financing portfolio size. The recent downward revision of overnight policy rate in July 2016 also further contributed negatively to the net interest income. On the non-interest income, the Group recorded lower net fee income from credit card and lead arranger related fee 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 higher net loan/financing impairment charges for the financial period ended 30 September 2016 were mainly due to higher allowance made on net collective impairment and lower financing recoveries.

Overall, the operating expenses were 0.06% below history. Lower costs were recorded across personnel expenses, promotion and marketing related expenses and establishment related expenses. These were partially offset by higher intragroup recharges which were partly due to the 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 September 2016 stood at RM81.2 billion, RM8.6 billion lower compared against 31 December 2015 (RM89.8 billion). The Group's capital and liquidity ratios continues to remain strong and well above regulatory requirements.

35 Business Prospects

The global economy 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 results on the referendum by the British voters to exit United Kingdom from the European Union (Brexit), continued geopolitical tensions in the Middle East and threat of potential terrorist attacks.

On home ground, the Malaysian economy is also expected to face continuous challenging operating environment for the remaining 2016 with projected GDP moderating to an annual basis of 4.0% to 4.5%. Domestic demand will continue to be the main driver of growth, supported primarily by private sector spending. Overall, while domestic conditions remain resilient, uncertainties in the external environment may pose downside risks to Malaysia's growth prospects. The Ringgit, which depreciated against most major and regional currencies in Q2 2016, will continue to face volatility due to the uncertainties in the external environment, especially global crude oil prices that are expected to remain volatile due to the uncertain supply and demand conditions. However in the longer term view, the overall Malaysia economy to remain resilient and on track to expand in 2016 and 2017 with growth rate ranging between 4.5% and 5.0%.

In addition, to ensure continuous domestic financial stability supported by healthy business activities, Bank Negara Malaysia had on 13 July 2016, taken the pre-emptive step to reduce the Overnight Policy Rate (OPR) from 3.25% to 3.00%. Supported by strong capital buffers, the financial institutions will have the capacity to shoulder the adverse economic and market developments without disruptions to domestic financial intermediation.

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 continue to facilitate customers cross border investments and transactions, especially with China and ASEAN countries. HSBC's international banking network provides access to more than 90% of global GDP, trade and capital flows. The impending Regional Comprehensive Economic Partnership (RCEP), once implemented, could provide dynamic stimuli to revitalise trade and investment in Asia, unlocking the benefits that lowering trade barriers and cutting red tape can bring to businesses, especially to companies that are looking to grow and move into new markets. Locally, Malaysia is a growth market for HSBC, and we will continue to invest in our people, network and businesses whilst upholding the highest banking standards. Our balanced and diversified business model, strong liquidity and strict cost management, will continue to make us highly resilient.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 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 year's presentation. There was no significant impact to the financial performance and ratios in relation to the financial year ended 30 September 2016. The Group's and the Bank's prior period profit and loss and retained earnings brought forward are not affected by these reclassifications.

Statement of Profit or Loss and Other Comprehensive Income 30 Sep 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>	314,681	331,356	314,710	331,385
<u>Fee and Commission Expense</u>				
Others	(51,681)	(35,006)	(51,682)	(35,007)
b) Other operating expenses <i>(of which the affected components are disclosed below) :</i>	1,093,309	1,119,220	1,012,013	1,028,688
Promotion and marketing related expenses	47,178	73,089	39,440	56,115
c) Income from Islamic Banking operations <i>(of which the affected components are disclosed below) :</i>	526,157	535,393	-	-
Income derived from investment of shareholders funds	88,999	98,235	-	-