

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**30 JUNE 2017**

**Domiciled in Malaysia.**  
**Registered Office:**  
**10th Floor, North Tower,**  
**2, Leboh Ampang,**  
**50100 Kuala Lumpur.**

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

**UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION**  
**AT 30 JUNE 2017**

	Note	<i>Group</i>		<i>Bank</i>	
		30 Jun 2017 RM'000	31 Dec 2016 RM'000 (Restated)	30 Jun 2017 RM'000	31 Dec 2016 RM'000 (Restated)
<b>Assets</b>					
Cash and short-term funds	12	7,685,442	16,804,114	6,308,386	14,999,888
Securities purchased under resale agreements		1,009,316	6,162,230	1,009,316	6,162,230
Deposits and placements with banks and other financial institutions	13	50,000	1,861,400	3,008,741	3,875,486
Financial assets held-for-trading	14	4,757,705	2,266,452	4,757,202	2,265,964
Financial investments available-for-sale	15	15,375,582	6,558,044	13,613,159	5,189,470
Loans, advances and financing	16	49,621,954	46,894,834	36,400,566	35,151,571
Derivative financial assets	35	2,271,645	2,988,954	2,288,759	3,089,446
Other assets	18	453,455	261,639	562,115	267,107
Statutory deposits with Bank Negara Malaysia	19	1,027,359	1,118,360	699,398	792,898
Investments in subsidiary companies	20	-	-	660,021	660,021
Property and equipment		357,125	364,324	350,564	357,087
Intangible assets		53,126	58,731	53,126	58,731
Tax recoverable		33,282	57,235	20,850	46,950
Deferred tax assets		33,438	28,258	26,511	17,863
<b>Total assets</b>		<b>82,729,429</b>	<b>85,424,575</b>	<b>69,758,714</b>	<b>72,934,712</b>
<b>Liabilities</b>					
Deposits from customers	20	57,808,437	57,711,534	48,811,396	48,985,012
Deposits and placements from banks and other financial institutions	21	5,419,048	6,571,193	4,792,931	6,542,777
Bills and acceptances payable		306,002	326,305	288,265	302,673
Derivative financial liabilities	35	2,266,180	3,127,028	2,279,023	3,132,513
Other liabilities	22	4,990,606	5,554,326	4,312,508	4,454,700
Provision for taxation		27,550	-	27,550	-
Multi-Currency Sukuk Programme	23	1,751,836	1,756,001	-	-
Subordinated liabilities	24	1,120,395	1,648,824	1,120,395	1,648,824
<b>Total liabilities</b>		<b>73,690,054</b>	<b>76,695,211</b>	<b>61,632,068</b>	<b>65,066,499</b>
<b>Equity</b>					
Share capital		1,045,875	114,500	1,045,875	114,500
Reserves		7,993,500	8,614,864	7,080,771	7,753,713
<b>Total equity attributable to owner of the Bank</b>		<b>9,039,375</b>	<b>8,729,364</b>	<b>8,126,646</b>	<b>7,868,213</b>
<b>Total liabilities and equity</b>		<b>82,729,429</b>	<b>85,424,575</b>	<b>69,758,714</b>	<b>72,934,712</b>
<b>Commitments and contingencies</b>	34	<b>188,832,455</b>	<b>173,191,009</b>	<b>180,900,216</b>	<b>166,087,429</b>

*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 2016 and the accompanying explanatory notes on pages 9 to 49 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 21 July 2017.*

**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 JUNE 2017**

	<i>Note</i>	<i>Group</i>			
		<b>Second Quarter</b>		<b>Six Months Ended</b>	
		<b>30 Jun 2017</b>	30 Jun 2016	<b>30 Jun 2017</b>	30 Jun 2016
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Interest income	25	<b>560,177</b>	560,910	<b>1,126,258</b>	1,159,365
Interest expense	25	<b>(209,247)</b>	(210,868)	<b>(415,552)</b>	(450,039)
Net interest income	25	<b>350,930</b>	350,042	<b>710,706</b>	709,326
Fee and commission income	26	<b>114,096</b>	112,128	<b>230,341</b>	224,850
Fee and commission expense	26	<b>(10,599)</b>	(18,063)	<b>(31,842)</b>	(40,137)
Net fee and commission income	26	<b>103,497</b>	94,065	<b>198,499</b>	184,713
Net trading income	27	<b>200,873</b>	128,587	<b>394,691</b>	350,444
Income from Islamic banking operations	28	<b>100,015</b>	155,394	<b>180,176</b>	256,358
Other operating income	29	<b>9,521</b>	18,339	<b>16,868</b>	29,133
Operating income before impairment losses		<b>764,836</b>	746,427	<b>1,500,940</b>	1,529,974
Loans/financing impairment charges and other credit risk provisions	30	<b>(58,914)</b>	(14,051)	<b>(140,183)</b>	(48,423)
Net operating income		<b>705,922</b>	732,376	<b>1,360,757</b>	1,481,551
Other operating expenses	31	<b>(385,425)</b>	(378,554)	<b>(746,859)</b>	(735,813)
Profit before tax		<b>320,497</b>	353,822	<b>613,898</b>	745,738
Tax expense		<b>(77,463)</b>	(86,140)	<b>(151,171)</b>	(184,514)
<b>Profit for the period</b>		<b>243,034</b>	267,682	<b>462,727</b>	561,224
<b>Other comprehensive income/(expense)</b>					
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i>					
Own credit reserve:					
Change in fair value		<b>6,516</b>	-	<b>6,762</b>	-
Income tax effect		<b>(1,564)</b>	-	<b>(1,623)</b>	-
Available-for-sale reserve:					
Change in fair value		<b>43,302</b>	32,111	<b>53,097</b>	204,904
Net amount transferred to profit or loss		<b>(7,739)</b>	(16,321)	<b>(6,188)</b>	(47,890)
Income tax effect		<b>(8,535)</b>	(3,789)	<b>(11,258)</b>	(37,683)
Other comprehensive income for the financial period, net of income tax		<b>31,980</b>	12,001	<b>40,790</b>	119,331
<b>Total comprehensive income for the period</b>		<b>275,014</b>	279,683	<b>503,517</b>	680,555
Profit attributable to owner of the Bank		<b>243,034</b>	267,682	<b>462,727</b>	561,224
Total comprehensive income attributable to owner of the Bank		<b>275,014</b>	279,683	<b>503,517</b>	680,555
Basic earnings per RM0.50 ordinary share		<b>106.1 sen</b>	116.9 sen	<b>202.1 sen</b>	245.1 sen
Dividends per RM0.50 ordinary share (net)					
- proposed interim dividend in respect of the period		<b>87.3 sen</b>	87.3 sen	<b>87.3 sen</b>	87.3 sen
- final dividend paid in respect of prior period		<b>87.3 sen</b>	-	<b>87.3 sen</b>	-

*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 2016 and the accompanying explanatory notes on pages 9 to 49 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 21 July 2017.*

**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 JUNE 2017**

	<i>Note</i>	<i>Bank</i>			
		<b>Second Quarter</b>		<b>Six Months Ended</b>	
		<b>30 Jun 2017</b>	30 Jun 2016	<b>30 Jun 2017</b>	30 Jun 2016
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Interest income	25	<b>579,913</b>	578,863	<b>1,161,916</b>	1,199,830
Interest expense	25	<b>(209,247)</b>	(210,868)	<b>(415,552)</b>	(450,039)
Net interest income	25	<b>370,666</b>	367,995	<b>746,364</b>	749,791
Fee and commission income	26	<b>114,096</b>	112,128	<b>230,341</b>	224,850
Fee and commission expense	26	<b>(10,599)</b>	(18,063)	<b>(31,842)</b>	(40,137)
Net fee and commission income	26	<b>103,497</b>	94,065	<b>198,499</b>	184,713
Net trading income	27	<b>157,434</b>	152,247	<b>293,903</b>	327,394
Other operating income	29	<b>40,008</b>	49,835	<b>78,864</b>	96,056
Operating income before impairment losses		<b>671,605</b>	664,142	<b>1,317,630</b>	1,357,954
Loans impairment (charges)/release and other credit risk provisions	30	<b>(24,016)</b>	12,361	<b>(66,145)</b>	25,877
Net operating income		<b>647,589</b>	676,503	<b>1,251,485</b>	1,383,831
Other operating expenses	31	<b>(355,947)</b>	(348,929)	<b>(689,326)</b>	(679,519)
Profit before tax		<b>291,642</b>	327,574	<b>562,159</b>	704,312
Tax expense		<b>(72,986)</b>	(79,888)	<b>(141,436)</b>	(176,172)
<b>Profit for the period</b>		<b>218,656</b>	247,686	<b>420,723</b>	528,140
<b>Other comprehensive income/(expense)</b>					
<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		<b>39,152</b>	30,253	<b>47,252</b>	199,115
Net amount transferred to profit or loss		<b>(7,739)</b>	(16,321)	<b>(6,188)</b>	(44,835)
Income tax effect		<b>(7,539)</b>	(3,343)	<b>(9,855)</b>	(37,027)
Other comprehensive income for the financial period, net of income tax		<b>23,874</b>	10,589	<b>31,209</b>	117,253
<b>Total comprehensive income for the period</b>		<b>242,530</b>	258,275	<b>451,932</b>	645,393
Profit attributable to owner of the Bank		<b>218,656</b>	247,686	<b>420,723</b>	528,140
Total comprehensive income attributable to owner of the Bank		<b>242,530</b>	258,275	<b>451,932</b>	645,393
Basic earnings per RM0.50 ordinary share		<b>95.5 sen</b>	108.2 sen	<b>183.7 sen</b>	230.6 sen
Dividends per RM0.50 ordinary share (net)					
- proposed interim dividend in respect of the period		<b>87.3 sen</b>	87.3 sen	<b>87.3 sen</b>	87.3 sen
- final dividend paid in respect of prior period		<b>87.3 sen</b>	-	<b>87.3 sen</b>	-

*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 2016 and the accompanying explanatory notes on pages 9 to 49 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 21 July 2017.*

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

**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

**Group (RM'000)**

	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve<sup>(1)</sup></i>	<i>Revaluation reserve</i>	<i>Capital redemption reserve</i>	<i>Available-for-sale reserve</i>	<i>Own Credit Reserve<sup>(2)</sup></i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profit</i>	<i>Total equity</i>
<b>2017</b>											
Balance at 1 January	114,500	741,375	164,500	216,229	190,000	81,157	-	83,841	284,000	6,853,762	8,729,364
- Effects on adopting MFRS 9 on 1 January 2017 <sup>(2)</sup>	-	-	-	-	-	-	(1,846)	-	-	1,846	-
As restated	<b>114,500</b>	<b>741,375</b>	<b>164,500</b>	<b>216,229</b>	<b>190,000</b>	<b>81,157</b>	<b>(1,846)</b>	<b>83,841</b>	<b>284,000</b>	<b>6,855,608</b>	<b>8,729,364</b>
<b>Total comprehensive income for the financial period</b>											
Profit for the financial period	-	-	-	-	-	-	-	-	-	462,727	462,727
<b>Other comprehensive income, net of income tax</b>											
Revaluation reserve:											
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,173)	-	-	-	-	-	1,173	-
Available-for-sale reserve:											
Net change in fair value	-	-	-	-	-	40,354	5,139	-	-	-	45,493
Net amount transferred to profit or loss	-	-	-	-	-	(4,703)	-	-	-	-	(4,703)
<i>Total other comprehensive income</i>	-	-	-	(1,173)	-	35,651	5,139	-	-	1,173	40,790
Total comprehensive income for the financial period	-	-	-	(1,173)	-	35,651	5,139	-	-	463,900	503,517
Transfer in accordance to Section 618(2) of the Companies Act 2016	931,375	(741,375)	-	-	(190,000)	-	-	-	-	-	-
Transfer in accordance with BNM's requirement <sup>(1)</sup>	-	-	(164,500)	-	-	-	-	-	-	164,500	-
<b>Transactions with the owner, recorded directly in equity</b>											
Share based payment transactions	-	-	-	-	-	-	-	7,446	-	(952)	6,494
Dividends paid to owner - 2016 final	-	-	-	-	-	-	-	-	-	(200,000)	(200,000)
Balance at 30 June	<b>1,045,875</b>	<b>-</b>	<b>-</b>	<b>215,056</b>	<b>-</b>	<b>116,808</b>	<b>3,293</b>	<b>91,287</b>	<b>284,000</b>	<b>7,283,056</b>	<b>9,039,375</b>

<sup>(1)</sup> With effect from 3 May 2017, The Group and the Bank is no longer required to maintain statutory reserve pursuant to Bank Negara Malaysia's guideline on Capital Funds.

<sup>(2)</sup> With effect from 1 January 2017, the Group has early applied the requirements for the presentation of gains and losses on financial liabilities designated at fair value through profit or loss in paragraph 5.7.1(c), 5.7.7-5.7.9, 7.2.14 and B5.7.5-B5.7.20 of MFRS 9 Financial Instruments, without applying the other requirements of MFRS 9. The early adoption is applied prospectively.

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 2016 and the accompanying explanatory notes on pages 9 to 49 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 21 July 2017.

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

**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017 (Cont'd)**

**Group (RM'000)**

	<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</i>	<i>Retained profit</i>	<i>Total equity</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
<b>Total comprehensive income for the financial period</b>										
Profit for the financial period	-	-	-	-	-	-	-	-	561,224	561,224
<b>Other comprehensive income, net of income tax</b>										
Revaluation reserve:										
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,041)	-	-	-	-	1,041	-
Available-for-sale reserve:										
Net change in fair value	-	-	-	-	-	155,727	-	-	-	155,727
Net amount transferred to profit or loss	-	-	-	-	-	(36,396)	-	-	-	(36,396)
<i>Total other comprehensive income</i>	-	-	-	(1,041)	-	119,331	-	-	1,041	119,331
Total comprehensive income for the financial period	-	-	-	(1,041)	-	119,331	-	-	562,265	680,555
<b>Transactions with the owner, recorded directly in equity</b>										
Share based payment transactions	-	-	-	-	-	-	1,603	-	1,948	3,551
Balance at 30 June	114,500	741,375	164,500	185,921	190,000	137,900	97,556	284,000	6,616,875	8,532,627

*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 2016 and the accompanying explanatory notes on pages 9 to 49 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 21 July 2017.*

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

**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017 (Cont'd)**

<b>Bank (RM'000)</b>	<i>Non-distributable</i>							<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve<sup>[1]</sup></i>	<i>Revaluation reserve</i>	<i>Capital redemption reserve</i>	<i>Available-for-sale reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profit</i>	
<b>2017</b>										
Balance at 1 January	114,500	741,375	114,500	216,229	190,000	87,704	83,438	250,000	6,070,467	7,868,213
<b>Total comprehensive income for the financial period</b>										
Profit for the financial period	-	-	-	-	-	-	-	-	420,723	420,723
<b>Other comprehensive income, net of income tax</b>										
Revaluation reserve:										
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,173)	-	-	-	-	1,173	-
Available-for-sale reserve:										
Net change in fair value	-	-	-	-	-	35,912	-	-	-	35,912
Net amount transferred to profit or loss	-	-	-	-	-	(4,703)	-	-	-	(4,703)
<i>Total other comprehensive income</i>	-	-	-	(1,173)	-	31,209	-	-	1,173	31,209
Total comprehensive income for the financial period	-	-	-	(1,173)	-	31,209	-	-	421,896	451,932
Transfer in accordance to Section 618(2) of the Companies Act 2016	931,375	(741,375)	-	-	(190,000)	-	-	-	-	-
Transfer in accordance with BNM's requirement <sup>[1]</sup>	-	-	(114,500)	-	-	-	-	-	114,500	-
<b>Transactions with the owner, recorded directly in equity</b>										
Share based payment transactions	-	-	-	-	-	-	7,453	-	(952)	6,501
Dividends paid to owner - 2016 final	-	-	-	-	-	-	-	-	(200,000)	(200,000)
Balance at 30 June	<b>1,045,875</b>	<b>-</b>	<b>-</b>	<b>215,056</b>	<b>-</b>	<b>118,913</b>	<b>90,891</b>	<b>250,000</b>	<b>6,405,911</b>	<b>8,126,646</b>

<sup>[1]</sup> With effect from 3 May 2017, the Bank is no longer required to maintain statutory reserve pursuant to Bank Negara Malaysia's guideline on Capital Funds.

*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 2016 and the accompanying explanatory notes on pages 9 to 49 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 21 July 2017.*

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

**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017 (Cont'd)**

<b>Bank (RM'000)</b>	<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</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
<b>Total comprehensive income for the financial period</b>										
Profit for the financial period	-	-	-	-	-	-	-	-	528,140	528,140
<b>Other comprehensive income, net of income tax</b>										
Revaluation reserve:										
Transfer to retained profit upon realisation of depreciation	-	-	-	(1,041)	-	-	-	-	1,041	-
Available-for-sale reserve:										
Net change in fair value	-	-	-	-	-	151,327	-	-	-	151,327
Net amount transferred to profit or loss	-	-	-	-	-	(34,074)	-	-	-	(34,074)
<i>Total other comprehensive income</i>	-	-	-	(1,041)	-	117,253	-	-	1,041	117,253
Total comprehensive income for the financial period	-	-	-	(1,041)	-	117,253	-	-	529,181	645,393
<b>Transactions with the owner, recorded directly in equity</b>										
Share based payment transactions	-	-	-	-	-	-	2,228	-	1,948	4,176
Balance at 30 June	114,500	741,375	114,500	185,921	190,000	130,876	97,123	250,000	5,881,889	7,706,184

*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 2016 and the accompanying explanatory notes on pages 9 to 49 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 21 July 2017.*



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

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b>	30 Jun 2016	<b>30 Jun 2017</b>	30 Jun 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit before tax	<b>613,898</b>	745,738	<b>562,159</b>	704,312
Adjustments for non-operating and non-cash items	<b>443,371</b>	251,030	<b>459,333</b>	177,451
Operating profit before working capital changes	<b>1,057,269</b>	996,768	<b>1,021,492</b>	881,763
Changes in working capital:				
Net changes in operating assets	<b>1,923,349</b>	251,168	<b>2,418,589</b>	698,359
Net changes in operating liabilities	<b>(2,434,329)</b>	(7,515,650)	<b>(2,900,772)</b>	(5,673,899)
Income tax paid	<b>(117,730)</b>	(123,319)	<b>(106,290)</b>	(109,861)
<b>Net cash generated from/(used in) operations</b>	<b>428,559</b>	(6,391,033)	<b>433,019</b>	(4,203,638)
<b>Net cash used in investing activities</b>	<b>(8,782,026)</b>	(971,259)	<b>(8,392,374)</b>	(1,354,841)
<b>Net cash used in financing activity</b>	<b>(765,204)</b>	(74,129)	<b>(732,147)</b>	(30,592)
	<b>(9,547,230)</b>	(1,045,388)	<b>(9,124,521)</b>	(1,385,433)
<b>Net changes in cash and cash equivalents</b>	<b>(9,118,671)</b>	(7,436,421)	<b>(8,691,502)</b>	(5,589,071)
<b>Cash and cash equivalents at 1 January</b>	<b>16,804,114</b>	18,251,909	<b>14,999,888</b>	14,318,083
<b>Cash and cash equivalents at 30 June</b>	<b>7,685,443</b>	10,815,488	<b>6,308,386</b>	8,729,012
<b>Analysis of cash and cash equivalents</b>				
Cash and short-term funds	<b>7,685,442</b>	10,815,488	<b>6,308,386</b>	8,729,012
<b>Cash and cash equivalents comprise the following:</b>				
Cash and short-term funds	<b>7,685,442</b>	10,815,488	<b>6,308,386</b>	8,729,012
Adjustment for cash collateral	<b>(205,835)</b>	(1,132,181)	<b>(230,835)</b>	(1,482,181)
Cash and cash equivalents	<b>7,479,607</b>	9,683,307	<b>6,077,551</b>	7,246,831

*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 2016 and the accompanying explanatory notes on pages 9 to 49 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 21 July 2017.*

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

**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 10th Floor, North Tower, 2, Leboh Ampang, 50100 Kuala Lumpur.

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

The financial statements were approved and authorised for issue by the Board of Directors on 21 July 2017.

**2 Basis of Preparation**

---

The unaudited condensed interim financial statements for the financial period ended 30 June 2017 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial instruments held-for-trading, financial investments available-for-sale, derivative financial instruments, and financial instruments fair-valued through profit and loss.

The unaudited condensed interim financial statements for the financial period ended 30 June 2017 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 2016. 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 2016.

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 2016.

(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 2017 are as follows:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.
- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' 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.

The amendments shall be applied retrospectively.

## 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

##### a. Financial year beginning on/after 1 January 2018:

- Amendments to MFRS 140 'Classification on 'Change in Use' – Assets transferred to, or from, Investment Properties' clarify that to transfer to, or from investment properties there must be a change in use. A change in use would involve an assessment of whether a property meets, or has ceased to meet, the definition of investment property. The change must be supported by evidence that the change in use has occurred and a change in management's intention in isolation is not sufficient to support a transfer of property.

The amendments also clarify the same principle applies to assets under construction.

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

- 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 income statement, unless this creates an accounting mismatch. With effect from 1 January 2017, the Group has early applied this requirements for the presentation of gains and losses on financial liabilities designated at fair value through profit or loss without applying the other requirements of MFRS 9. The early adoption is applied prospectively from 2017 and onwards.

MFRS 9 introduces an expected credit loss model on impairment 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' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. 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.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

## 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 2018 (Cont'd):

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

##### b. Financial year beginning on/after 1 January 2019:

MFRS 16 'Leases' supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

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 Bank upon its 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 Bank is currently assessing the financial impact that may arise from the adoption of MFRS 9.

The financial statements of the Bank have been prepared on the historical cost basis, except for the following assets and liabilities as explained in their respective accounting policy notes:

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

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### **3 Functional and Presentation Currency**

---

These financial statements are presented in Ringgit Malaysia (RM), which is the Bank's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

### **4 Auditors' Report On Preceding Annual Financial Statements**

---

The audit report on the audited annual financial statements for the financial year ended 31 December 2016 was not subject to any qualification.

### **5 Seasonality or Cyclical Factors**

---

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

### **6 Unusual Items due to Their Nature, Size or Incidence**

---

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and Bank for the financial period ended 30 June 2017.

### **7 Changes in Estimates**

---

The preparation of financial information requires the use of estimates. The use of available information and the application of judgement are inherent in the formation of estimates; actual results in the future may differ from those reported. Management believes that critical accounting policies where judgement is necessarily applied are those which relate to impairment allowances for loans, advances and financing, the valuation of financial instruments and the impairment allowance of available-for-sale financial investments.

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and Bank for the financial period ended 30 June 2017.

### **8 Debt and Equity Securities**

---

There were no other issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 30 June 2017, except the early redemption of RM500 million subordinated liabilities (first tranche) on 28 June 2017.

### **9 Dividend**

---

Since the end of the previous financial year, the Bank paid a final dividend of RM0.87 per ordinary share amounting to RM200 million. The dividend was paid on 11 May 2017.

The directors now recommend an interim dividend of RM0.87 per ordinary share amounting to RM200 million in respect of the current financial period on the fully issued and paid up ordinary shares of the Bank.

### **10 Carrying Amount of Revalued Assets**

---

Property and equipment are stated at cost/valuation less accumulated depreciation and impairment losses (if any) except for freehold land which is stated at professional valuation. There was no change in the valuation of property and equipment that was brought forward from the previous audited financial statements for the financial period ended 30 June 2017.

### **11 Significant and Subsequent Events**

---

On 15 June 2017, the Bank entered into sale and purchase agreement with a third party to acquire a piece of land for the construction of the Bank's future headquarters at the upcoming international financial district Tun Razak Exchange (TRX). The Bank is expected to invest up to USD250 million over the next few years for the development of the said headquarters.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**12 Cash and Short Term Funds**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b> <b>RM'000</b>	31 Dec 2016 RM'000	<b>30 Jun 2017</b> <b>RM'000</b>	31 Dec 2016 RM'000
Cash and balances with banks and other financial institutions	<b>1,204,408</b>	1,121,507	<b>1,034,197</b>	931,916
Money at call and interbank placements maturing within one month	<b>6,481,034</b>	15,682,607	<b>5,274,189</b>	14,067,972
	<b>7,685,442</b>	16,804,114	<b>6,308,386</b>	14,999,888

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 RM205.8 million (31 December 2016: RM1,079.0 million) and RM205.8 million (31 December 2016: RM1,429.0 million) respectively.

**13 Deposits and Placements with Banks and Other Financial Institutions**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b> <b>RM'000</b>	31 Dec 2016 RM'000	<b>30 Jun 2017</b> <b>RM'000</b>	31 Dec 2016 RM'000
Licensed banks	<b>50,000</b>	425,000	<b>3,008,741</b>	2,439,086
Bank Negara Malaysia	-	1,436,400	-	1,436,400
	<b>50,000</b>	1,861,400	<b>3,008,741</b>	3,875,486

Included in Deposits and Placements with Banks and Other Financial Institutions of the Bank are placements with the Bank's wholly owned subsidiary, HSBC Amanah Malaysia Berhad (HBMS) of RM2,958.7 million (31 December 2016: RM2,014.1 million).

**14 Financial Assets Held-for-Trading**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b> <b>RM'000</b>	31 Dec 2016 RM'000	<b>30 Jun 2017</b> <b>RM'000</b>	31 Dec 2016 RM'000
<b>At fair value</b>				
Money market instruments:				
Malaysian Government treasury bills	<b>298,936</b>	128,792	<b>298,936</b>	128,792
Islamic treasury bills	<b>37,383</b>	29,620	<b>37,383</b>	29,620
Bank Negara Malaysia bills and notes	<b>336,117</b>	147,681	<b>336,117</b>	147,681
Malaysian Government securities	<b>2,162,632</b>	1,601,737	<b>2,162,632</b>	1,601,737
Malaysian Government Islamic bonds	<b>1,823,864</b>	249,154	<b>1,823,361</b>	248,666
Islamic fixed rate bonds	<b>8,989</b>	8,895	<b>8,989</b>	8,895
Cagamas bonds and notes	<b>2,489</b>	2,452	<b>2,489</b>	2,452
	<b>4,670,410</b>	2,168,331	<b>4,669,907</b>	2,167,843
Unquoted:				
Corporate bonds and Sukuk	<b>87,295</b>	98,121	<b>87,295</b>	98,121
	<b>4,757,705</b>	2,266,452	<b>4,757,202</b>	2,265,964

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Financial Investments Available-for-Sale

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
<b>At fair value</b>	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Money market instruments:				
Malaysian Government securities	<b>11,615,636</b>	2,666,063	<b>11,615,636</b>	2,666,063
Malaysian Government Islamic bonds	<b>2,390,908</b>	2,133,363	<b>772,120</b>	764,789
Malaysian Government Islamic treasury bills	<b>49,073</b>	-	<b>49,073</b>	-
Islamic fixed rate Sukuk	<b>514,320</b>	504,449	<b>514,320</b>	504,449
Islamic treasury bills	<b>24,537</b>	-	<b>-</b>	-
Cagamas bonds and notes	<b>424,121</b>	414,397	<b>424,121</b>	414,397
Negotiable instruments of deposit	<b>179,109</b>	-	<b>60,011</b>	-
US treasury bond	<b>-</b>	671,742	<b>-</b>	671,742
	<b>15,197,704</b>	6,390,014	<b>13,435,281</b>	5,021,440
Unquoted:				
Shares	<b>177,407</b>	167,559	<b>177,407</b>	167,559
Corporate bonds	<b>471</b>	471	<b>471</b>	471
	<b>177,878</b>	168,030	<b>177,878</b>	168,030
	<b>15,375,582</b>	6,558,044	<b>13,613,159</b>	5,189,470

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

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Maturing within one year	<b>10,190,221</b>	895,867	<b>9,570,807</b>	715,643
More than one year to three years	<b>3,062,108</b>	2,808,372	<b>1,979,679</b>	2,075,923
More than three years to five years	<b>987,320</b>	1,744,117	<b>947,021</b>	1,308,271
Over five years	<b>958,055</b>	941,658	<b>937,774</b>	921,603
	<b>15,197,704</b>	6,390,014	<b>13,435,281</b>	5,021,440

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
<b>At amortised cost</b>	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Overdrafts/cash line	<b>989,915</b>	1,224,214	<b>903,039</b>	1,126,374
Term loans/financing:				
Housing loans/financing	<b>19,470,006</b>	19,496,554	<b>15,081,748</b>	15,139,920
Syndicated term loans/financing	<b>3,639,637</b>	2,409,157	<b>2,056,263</b>	1,758,891
Factoring receivables	<b>243,538</b>	224,757	<b>243,538</b>	224,757
Hire purchase receivables	<b>189,935</b>	208,921	-	-
Lease receivables	<b>2,014</b>	2,738	-	-
Other term loans/financing <sup>(1)</sup>	<b>9,438,602</b>	10,502,925	<b>5,513,650</b>	6,635,422
Bills receivable	<b>2,623,929</b>	1,100,284	<b>2,504,094</b>	990,012
Trust receipts	<b>2,429,526</b>	2,104,186	<b>1,443,894</b>	1,641,951
Claims on customers under acceptance credits	<b>1,881,046</b>	1,869,112	<b>1,466,440</b>	1,364,737
Staff loans/financing	<b>122,337</b>	135,101	<b>116,466</b>	128,908
Credit/charge cards	<b>3,136,954</b>	3,154,850	<b>2,313,795</b>	2,367,140
Revolving credit	<b>6,202,873</b>	5,152,622	<b>5,212,430</b>	4,202,461
Other loans/financing	<b>9,552</b>	9,018	<b>8,284</b>	7,831
<b>Gross loans, advances and financing</b>	<b>50,379,864</b>	47,594,439	<b>36,863,641</b>	35,588,404
Less: Allowance for impaired loans, advances and financing				
- Collectively assessed	<b>(484,790)</b>	(469,565)	<b>(278,343)</b>	(269,550)
- Individually assessed	<b>(273,120)</b>	(230,040)	<b>(184,732)</b>	(167,283)
<b>Total net loans, advances and financing</b>	<b>49,621,954</b>	46,894,834	<b>36,400,566</b>	35,151,571

<sup>(1)</sup> Included in the loans, advances and financing of the Bank at 30 June 2017 are financing which are disclosed as "Asset under Management" in the financial statements of HBMS. These details are as follows:

	<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000
Other term loans/financing	<b>1,441,097</b>	832,087



**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

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

**(i) By type (Cont'd)**

Syndicated Investment Account for Financing/Investment Agency Account (SIAF/IAA) arrangement is with the Bank's wholly 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(f) on financial instruments in the audited financial statements of the Group and the Bank for the financial year ended 31 December 2016.

**(ii) By type of customer**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Domestic non-bank financial institutions	<b>626,750</b>	638,263	-	-
Domestic business enterprises:				
Small medium enterprises	<b>7,838,545</b>	7,130,268	<b>5,787,749</b>	5,309,204
Others	<b>13,565,182</b>	12,872,728	<b>9,994,802</b>	10,474,991
Government and statutory bodies	<b>8,770</b>	10,316	-	-
Individuals	<b>22,460,326</b>	22,589,526	<b>16,472,582</b>	16,687,675
Other domestic entities	<b>5,884</b>	6,305	<b>4,472</b>	4,839
Foreign entities	<b>5,874,407</b>	4,347,033	<b>4,604,036</b>	3,111,695
	<b>50,379,864</b>	47,594,439	<b>36,863,641</b>	35,588,404

**(iii) By residual contractual maturity**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Maturity within one year	<b>21,712,883</b>	18,127,142	<b>16,172,482</b>	13,770,956
More than one year to three years	<b>2,888,314</b>	3,515,403	<b>1,929,222</b>	2,860,890
More than three years to five years	<b>2,793,653</b>	2,475,446	<b>1,743,772</b>	1,363,990
More than five years	<b>22,985,014</b>	23,476,448	<b>17,018,165</b>	17,592,568
	<b>50,379,864</b>	47,594,439	<b>36,863,641</b>	35,588,404

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16 Loans, Advances and Financing (Cont'd)

(iv) By interest/profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Fixed rate:				
Housing loans/financing	837	1,341	658	943
Hire purchase receivables	189,935	208,921	-	-
Other fixed rate loans/financing	11,801,002	9,628,558	8,526,432	6,844,259
Variable rate:				
BR/BLR/BFR plus	23,578,455	24,077,415	18,129,121	18,606,188
Cost-plus	14,809,635	13,678,204	10,207,430	10,137,014
	<b>50,379,864</b>	<b>47,594,439</b>	<b>36,863,641</b>	<b>35,588,404</b>

(v) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Agricultural, hunting, forestry and fishing	1,058,989	1,176,579	953,514	1,040,207
Mining and quarrying	405,104	384,706	159,982	166,512
Manufacturing	6,791,545	6,351,035	5,085,505	5,163,094
Electricity, gas and water	48,953	48,252	14,112	15,345
Construction	2,498,083	2,468,451	2,138,679	2,113,806
Real estate	2,688,562	3,098,856	1,779,980	2,277,002
Wholesale & retail trade and restaurants & hotels	3,832,767	3,760,487	2,769,173	2,944,164
Transport, storage and communication	1,517,765	373,579	939,692	186,858
Finance, insurance and business services	2,607,323	2,479,650	1,627,520	1,549,936
Household-retail	25,894,405	26,017,506	19,273,435	19,480,811
Others	3,036,368	1,435,338	2,122,049	650,669
	<b>50,379,864</b>	<b>47,594,439</b>	<b>36,863,641</b>	<b>35,588,404</b>

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Purchase of property:				
Residential	19,547,965	19,586,996	15,156,907	15,227,147
Non residential	1,573,579	1,669,618	759,040	816,610
Purchase of securities	5,372	5,831	5,372	5,831
Purchase of transport vehicles	28,523	30,798	26,623	28,951
Purchase of fixed assets excluding land & building	2,961	4,068	2,961	3,702
Consumption credit	5,796,385	5,851,404	3,835,382	3,957,812
Construction	2,190,924	1,943,074	1,804,019	1,599,631
Working capital	18,776,282	17,567,239	13,461,379	13,624,119
Other purpose	2,457,873	935,411	1,811,958	324,601
	<b>50,379,864</b>	<b>47,594,439</b>	<b>36,863,641</b>	<b>35,588,404</b>

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

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

**(vii) By geographical distribution**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Northern Region	<b>6,582,660</b>	6,651,438	<b>5,171,995</b>	5,246,198
Southern Region	<b>6,435,174</b>	6,692,390	<b>4,908,646</b>	5,122,978
Central Region	<b>34,694,520</b>	31,441,394	<b>24,576,584</b>	22,875,491
Eastern Region	<b>2,667,510</b>	2,809,217	<b>2,206,416</b>	2,343,737
	<b>50,379,864</b>	47,594,439	<b>36,863,641</b>	35,588,404

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.

**17 Impaired Loans, Advances and Financing**

**(i) Movements in impaired loans, advances and financing**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Balance at 1 January	<b>1,026,953</b>	941,081	<b>723,427</b>	705,802
Classified as impaired during the financial period/year	<b>568,195</b>	1,113,363	<b>362,881</b>	754,657
Reclassified as performing	<b>(241,371)</b>	(503,968)	<b>(171,272)</b>	(381,139)
Amount recovered	<b>(137,027)</b>	(290,068)	<b>(103,258)</b>	(240,237)
Amount written off	<b>(143,693)</b>	(233,455)	<b>(74,315)</b>	(115,656)
Balance at 30 June/31 December	<b>1,073,057</b>	1,026,953	<b>737,463</b>	723,427

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
<b>Collective allowance for impairment</b>				
Balance at 1 January	469,565	444,234	269,550	303,970
Made during the financial period/year	194,919	402,500	99,270	191,013
Amount released	(63,075)	(186,755)	(35,992)	(128,491)
Amount written off	(116,619)	(190,414)	(54,485)	(96,942)
Balance at 30 June/31 December	484,790	469,565	278,343	269,550

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
<b>Individual allowance for impairment</b>				
Balance at 1 January	230,040	230,297	167,283	161,650
Made during the financial period/year	100,150	110,361	66,594	80,320
Amount released	(57,851)	(80,987)	(42,013)	(62,872)
Amount reinstated/(written off)	781	(29,631)	(7,132)	(11,815)
Balance at 30 June/31 December	273,120	230,040	184,732	167,283

(iii) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Agricultural, hunting, forestry and fishing	60,290	63,410	60,290	63,410
Manufacturing	46,211	58,611	42,892	54,573
Construction	36,783	52,877	36,783	52,673
Real estate	1,243	1,548	1,243	1,548
Wholesale & retail trade, restaurants & hotels	37,043	44,973	27,644	32,664
Transport, storage and communication	21,498	3,950	17,814	285
Finance, insurance and business services	32,940	25,796	2,690	2,450
Household-retail	833,707	774,858	547,762	515,512
Others	3,342	930	345	312
	1,073,057	1,026,953	737,463	723,427

(iv) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Purchase of property:				
Residential	535,024	480,942	381,655	345,875
Non residential	23,841	20,968	14,089	10,081
Purchase of transport vehicles	346	552	211	406
Purchase of fixed assets excluding land & building	-	358	-	-
Consumption credit	283,727	283,385	155,807	162,168
Construction	42,476	52,766	42,476	52,562
Working capital	187,470	187,954	143,052	152,307
Other purpose	173	28	173	28
	1,073,057	1,026,953	737,463	723,427

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**17 Impaired Loans, Advances and Financing (Cont'd)**

**(v) By geographical distribution**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Northern Region	<b>184,852</b>	183,825	<b>133,224</b>	136,112
Southern Region	<b>106,205</b>	100,367	<b>74,310</b>	69,761
Central Region	<b>625,768</b>	580,344	<b>390,008</b>	367,701
Eastern Region	<b>156,232</b>	162,417	<b>139,921</b>	149,853
	<b>1,073,057</b>	1,026,953	<b>737,463</b>	723,427

**18 Other Assets**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Settlements	<b>113,298</b>	7,097	<b>113,298</b>	7,097
Interest/profit receivable	<b>176,360</b>	112,285	<b>168,632</b>	103,218
Income receivable	<b>27,459</b>	31,209	<b>22,115</b>	25,150
Deposits and prepayments	<b>31,990</b>	3,136	<b>29,124</b>	3,064
Amount due from subsidiary company	-	-	<b>141,738</b>	36,472
Other receivables	<b>104,348</b>	107,912	<b>87,208</b>	92,106
	<b>453,455</b>	261,639	<b>562,115</b>	267,107

**19 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)

**20 Deposits from Customers**

(i) By type of deposit	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
		(Restated)		(Restated)
<b>At amortised cost</b>				
Demand deposits	<b>19,876,579</b>	19,695,534	<b>17,605,880</b>	17,793,237
Savings deposits	<b>13,341,996</b>	13,182,399	<b>11,576,567</b>	11,555,217
Fixed/Investment deposits	<b>24,018,233</b>	24,355,592	<b>19,135,033</b>	19,218,332
Repurchase agreements	<b>77,713</b>	59,783	-	-
Wholesale money market deposits	<b>493,916</b>	418,226	<b>493,916</b>	418,226
	<b>57,808,437</b>	57,711,534	<b>48,811,396</b>	48,985,012

The maturity structure of fixed/investment deposits is as follows:

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
		(Restated)		(Restated)
Due within six months	<b>19,080,881</b>	19,249,230	<b>14,992,340</b>	14,872,456
More than six months to one year	<b>4,729,322</b>	4,932,802	<b>3,973,212</b>	4,197,644
More than one year to three years	<b>166,247</b>	139,760	<b>140,083</b>	120,050
More than three years to five years	<b>41,783</b>	33,800	<b>29,398</b>	28,182
	<b>24,018,233</b>	24,355,592	<b>19,135,033</b>	19,218,332

(ii) By type of customer	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
		(Restated)		(Restated)
Government and statutory bodies	<b>19,451</b>	14,607	<b>15,019</b>	8,178
Business enterprises	<b>20,750,202</b>	20,111,837	<b>18,254,911</b>	18,085,693
Individuals	<b>24,894,452</b>	25,214,947	<b>20,327,339</b>	20,631,064
Others	<b>12,144,332</b>	12,370,143	<b>10,214,127</b>	10,260,077
	<b>57,808,437</b>	57,711,534	<b>48,811,396</b>	48,985,012

**21 Deposits and Placements from Banks and Other Financial Institutions**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Licensed banks	<b>622,926</b>	774,180	<b>622,888</b>	774,180
Bank Negara Malaysia	<b>49,218</b>	63,486	<b>1,950</b>	35,070
Other financial institutions	<b>4,746,904</b>	5,733,527	<b>4,168,093</b>	5,733,527
	<b>5,419,048</b>	6,571,193	<b>4,792,931</b>	6,542,777

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
		(Restated)		(Restated)
<b>At amortised cost</b>				
Settlements	<b>82,678</b>	71,943	<b>82,678</b>	71,943
Interest/profit payable	<b>232,436</b>	252,014	<b>177,051</b>	190,475
Deferred income	<b>111,029</b>	102,972	<b>100,139</b>	91,686
Marginal deposit	<b>99,303</b>	74,375	<b>89,308</b>	51,614
Amount due to subsidiary company	-	-	<b>503</b>	45,132
Accrued expenses	<b>450,380</b>	363,332	<b>425,550</b>	337,097
Other creditors	<b>685,551</b>	594,717	<b>620,709</b>	541,189
	<b>1,661,377</b>	1,459,353	<b>1,495,938</b>	1,329,136
<b>At fair value</b>				
Structured products <sup>[1]</sup>	<b>3,329,229</b>	4,094,973	<b>2,816,570</b>	3,125,564
	<b>4,990,606</b>	5,554,326	<b>4,312,508</b>	4,454,700

<sup>[1]</sup> Structured products are measured at fair value over the life of the instruments. Structured products are deposits with embedded derivatives, of which both interest/profit paid and fair valuation on the structured products are recorded in net trading income, as per accounting policy in Note 3(i), and respective fair value on trading liabilities is shown in Note 5(b) in the financial statements of the Group and the Bank for the financial year ended 31 December 2016.

23 Multi-Currency Sukuk Programme

	<i>Group</i>	
	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000
Multi-Currency Sukuk Programme (MCSP)	<b>1,751,836</b>	1,756,001

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>	<b>Nominal Value</b> (RM'000)	<b>Issue</b> <b>Date</b>	<b>Maturity</b> <b>Date</b>	<b>Carrying Value (RM'000)</b>	
				<b>30 Jun 2017</b>	31 Dec 2016
<b>At amortised cost</b>					
1st series at amortised cost	500,000	28 Sep 2012	28 Sep 2017	<b>500,000</b>	500,000
<b>At fair value</b>					
2nd series	500,000	16 Oct 2014	16 Oct 2019	<b>501,151</b>	502,835
3rd series	750,000	27 Mar 2015	27 Mar 2020	<b>750,685</b>	753,166
	<u>1,250,000</u>			<u>1,251,836</u>	1,256,001
Total	<u>1,750,000</u>			<u>1,751,836</u>	1,756,001

Movement in MCSP

	<b>2nd series</b>		<b>3rd series</b>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Balance at 1 January	<b>502,835</b>	500,641	<b>753,166</b>	749,182
Change in fair value other than from own credit risk	<b>858</b>	4,282	<b>1,739</b>	7,565
Change in fair value from own credit risk	<b>(2,542)</b>	(2,088)	<b>(4,220)</b>	(3,581)
Balance at 30 June/31 December	<b>501,151</b>	502,835	<b>750,685</b>	753,166

	<i>Group</i>	
	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000
The cumulative change in fair value due to changes in own credit risk	<b>(6,762)</b>	(5,669)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**24 Subordinated Liabilities**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Subordinated Liabilities	<b>1,120,395</b>	1,648,824	<b>1,120,395</b>	1,648,824
(i) Subordinated liabilities, at par				
- First tranche issued on 28 June 2007 <sup>[1]</sup>	-	500,000	-	500,000
- Second tranche issued on 2 November 2007 <sup>[2]</sup>	<b>500,000</b>	500,000	<b>500,000</b>	500,000
Fair value changes arising from fair value hedge	<b>1,574</b>	2,559	<b>1,574</b>	2,559
	<b>501,574</b>	1,002,559	<b>501,574</b>	1,002,559

<sup>[1]</sup> 4.35% coupon rate for RM500 million due 2022 callable with a 100 bp step up coupon in 2017. On 28 June 2017, the Bank has exercised its option to early redeem the RM500 million (first tranche of the subordinated liabilities).

<sup>[2]</sup> 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>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
(ii) Subordinated term loan				
- First tranche issued on 25 June 2014	<b>333,709</b>	348,508	<b>333,709</b>	348,508
- Second tranche issued on 30 June 2015	<b>285,112</b>	297,757	<b>285,112</b>	297,757
	<b>618,821</b>	646,265	<b>618,821</b>	646,265

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)

25 Net Interest Income

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2017</b>	30 Jun 2016	<b>30 Jun 2017</b>	30 Jun 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Interest income</b>				
Loans and advances				
- Interest income other than from impaired loans	<b>393,981</b>	404,577	<b>780,911</b>	816,870
- Interest income recognised from impaired loans	<b>10,162</b>	10,718	<b>18,766</b>	21,292
Money at call and deposit placements with financial institutions	<b>43,590</b>	92,214	<b>156,217</b>	214,824
Financial investments available-for-sale	<b>112,444</b>	53,401	<b>170,364</b>	106,379
	<b>560,177</b>	560,910	<b>1,126,258</b>	1,159,365
<b>Interest expense</b>				
Deposits and placements of banks and other financial institutions	<b>(12,550)</b>	(10,545)	<b>(25,340)</b>	(23,521)
Deposits from customers	<b>(177,936)</b>	(182,188)	<b>(352,756)</b>	(390,165)
Subordinated liabilities	<b>(16,001)</b>	(15,307)	<b>(31,894)</b>	(30,746)
Others	<b>(2,760)</b>	(2,828)	<b>(5,562)</b>	(5,607)
	<b>(209,247)</b>	(210,868)	<b>(415,552)</b>	(450,039)
<b>Net interest income</b>	<b>350,930</b>	350,042	<b>710,706</b>	709,326
<i>Bank</i>				
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2017</b>	30 Jun 2016	<b>30 Jun 2017</b>	30 Jun 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Interest income</b>				
Loans and advances				
- Interest income other than from impaired loans	<b>393,981</b>	404,577	<b>780,911</b>	816,870
- Interest income recognised from impaired loans	<b>10,162</b>	10,718	<b>18,766</b>	21,292
Money at call and deposit placements with financial institutions	<b>63,326</b>	110,167	<b>191,875</b>	255,289
Financial investments available-for-sale	<b>112,444</b>	53,401	<b>170,364</b>	106,379
	<b>579,913</b>	578,863	<b>1,161,916</b>	1,199,830
<b>Interest expense</b>				
Deposits and placements of banks and other financial institutions	<b>(12,550)</b>	(10,545)	<b>(25,340)</b>	(23,521)
Deposits from customers	<b>(177,936)</b>	(182,188)	<b>(352,756)</b>	(390,165)
Subordinated liabilities	<b>(16,001)</b>	(15,307)	<b>(31,894)</b>	(30,746)
Others	<b>(2,760)</b>	(2,828)	<b>(5,562)</b>	(5,607)
	<b>(209,247)</b>	(210,868)	<b>(415,552)</b>	(450,039)
<b>Net interest income</b>	<b>370,666</b>	367,995	<b>746,364</b>	749,791

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26 Net Fee and Commission Income

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2017</b>	30 Jun 2016	<b>30 Jun 2017</b>	30 Jun 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Fee and commission income</b>				
Credit cards	<b>36,299</b>	35,753	<b>75,855</b>	73,290
Service charges and fees	<b>30,179</b>	35,607	<b>62,563</b>	71,563
Fees on credit facilities	<b>15,462</b>	14,650	<b>29,314</b>	28,427
Agency fee	<b>25,518</b>	16,375	<b>48,429</b>	32,951
Others	<b>6,638</b>	9,743	<b>14,180</b>	18,619
	<b>114,096</b>	112,128	<b>230,341</b>	224,850
<b>Fee and commission expense</b>				
Credit Card	<b>(3,468)</b>	(12,502)	<b>(17,394)</b>	(27,746)
Interbank and clearing fees	<b>(447)</b>	(251)	<b>(776)</b>	(770)
Brokerage	<b>(529)</b>	(342)	<b>(954)</b>	(916)
Intergroup	<b>(2,462)</b>	(1,851)	<b>(5,936)</b>	(4,307)
Debit cards	<b>(1,076)</b>	(992)	<b>(1,953)</b>	(2,004)
Cash management	<b>(732)</b>	(742)	<b>(1,619)</b>	(1,585)
Others	<b>(1,885)</b>	(1,383)	<b>(3,210)</b>	(2,809)
	<b>(10,599)</b>	(18,063)	<b>(31,842)</b>	(40,137)
<b>Net fee and commission income</b>	<b>103,497</b>	94,065	<b>198,499</b>	184,713
	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2017</b>	30 Jun 2016	<b>30 Jun 2017</b>	30 Jun 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Fee and commission income</b>				
Credit cards	<b>36,299</b>	35,753	<b>75,855</b>	73,290
Service charges and fees	<b>30,179</b>	35,607	<b>62,563</b>	71,563
Fees on credit facilities	<b>15,462</b>	14,650	<b>29,314</b>	28,427
Agency fee	<b>25,518</b>	16,375	<b>48,429</b>	32,951
Others	<b>6,638</b>	9,743	<b>14,180</b>	18,619
	<b>114,096</b>	112,128	<b>230,341</b>	224,850
<b>Fee and commission expense</b>				
Credit Card	<b>(3,468)</b>	(12,502)	<b>(17,394)</b>	(27,746)
Interbank and clearing fees	<b>(447)</b>	(251)	<b>(776)</b>	(770)
Brokerage	<b>(529)</b>	(342)	<b>(954)</b>	(916)
Intergroup	<b>(2,462)</b>	(1,851)	<b>(5,936)</b>	(4,307)
Debit cards	<b>(1,076)</b>	(992)	<b>(1,953)</b>	(2,004)
Cash management	<b>(732)</b>	(742)	<b>(1,619)</b>	(1,585)
Others	<b>(1,885)</b>	(1,383)	<b>(3,210)</b>	(2,809)
	<b>(10,599)</b>	(18,063)	<b>(31,842)</b>	(40,137)
<b>Net fee and commission income</b>	<b>103,497</b>	94,065	<b>198,499</b>	184,713

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27 Net Trading Income

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2017</b>	30 Jun 2016	<b>30 Jun 2017</b>	30 Jun 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Realised gains on financial assets/liabilities held-for-trading and other financial instruments	<b>15,047</b>	22,308	<b>19,782</b>	49,309
Net interest income/(expense) from financial assets held-for-trading	<b>26,793</b>	1,305	<b>35,327</b>	(2,035)
Net unrealised gains/(losses) on revaluation of financial assets held-for-trading	<b>3,059</b>	864	<b>13,425</b>	(10,029)
Net realised gains arising from dealing in foreign currency	<b>230,955</b>	69,016	<b>403,043</b>	462,716
Net unrealised (losses)/gains from dealing in foreign currency	<b>(72,803)</b>	39,200	<b>(75,302)</b>	(153,080)
Net realised gains/(losses) arising from dealing in derivatives	<b>50,235</b>	(17,157)	<b>197,371</b>	(3,831)
Net unrealised (losses)/gains on revaluation of derivatives	<b>(52,450)</b>	12,981	<b>(198,978)</b>	7,716
Gains/(Losses) arising from fair value hedges	<b>37</b>	70	<b>23</b>	(322)
	<b>200,873</b>	128,587	<b>394,691</b>	350,444

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2017</b>	30 Jun 2016	<b>30 Jun 2017</b>	30 Jun 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Realised gains on financial assets/liabilities held-for-trading and other financial instruments	<b>15,047</b>	22,308	<b>19,782</b>	49,309
Net interest income/(expense) from financial assets held-for-trading	<b>26,793</b>	1,305	<b>35,327</b>	(2,035)
Net unrealised gains/(losses) on revaluation of financial assets held-for-trading	<b>3,059</b>	864	<b>13,425</b>	(10,029)
Net realised gains arising from dealing in foreign currency	<b>232,409</b>	70,401	<b>405,919</b>	466,277
Net unrealised (losses)/gains from dealing in foreign currency	<b>(119,293)</b>	56,932	<b>(177,616)</b>	(207,801)
Net gains/(losses) realised gains arising from dealing in derivatives	<b>52,203</b>	(17,481)	<b>202,689</b>	(3,926)
Net unrealised (losses)/gains on revaluation of derivatives	<b>(52,821)</b>	17,848	<b>(205,646)</b>	35,921
Gains/(Losses) arising from fair value hedges	<b>37</b>	70	<b>23</b>	(322)
	<b>157,434</b>	152,247	<b>293,903</b>	327,394

28 Income from Islamic Banking operations

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2017</b>	30 Jun 2016	<b>30 Jun 2017</b>	30 Jun 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of depositor funds and others	<b>130,744</b>	197,387	<b>238,861</b>	329,127
Income derived from investment of shareholders funds <sup>[1]</sup>	<b>32,696</b>	29,238	<b>66,540</b>	72,550
Income attributable to the depositors	<b>(63,425)</b>	(71,231)	<b>(125,225)</b>	(145,319)
Income from Islamic Banking operations	<b>100,015</b>	155,394	<b>180,176</b>	256,358

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

**(231)** 9,940

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**29 Other Operating Income**

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2017</b>	30 Jun 2016	<b>30 Jun 2017</b>	30 Jun 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Disposal of financial investments available-for-sale	<b>748</b>	10,057	<b>748</b>	16,618
Dividend income from financial investments available-for-sale				
- Unquoted in Malaysia	<b>1,142</b>	930	<b>1,142</b>	930
Rental income	<b>2,022</b>	1,548	<b>3,721</b>	3,039
Net gains/(losses) on disposal of property and equipment	-	12	<b>(4)</b>	14
Other operating income	<b>5,609</b>	5,792	<b>11,261</b>	8,532
	<b>9,521</b>	18,339	<b>16,868</b>	29,133

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2017</b>	30 Jun 2016	<b>30 Jun 2017</b>	30 Jun 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Disposal of financial investments available-for-sale	<b>748</b>	10,057	<b>748</b>	16,618
Dividend income from financial investments available-for-sale				
- Unquoted in Malaysia	<b>1,142</b>	930	<b>1,142</b>	930
Rental income	<b>2,022</b>	1,548	<b>3,721</b>	3,039
Net gains/(losses) on disposal of property and equipment	-	12	<b>(4)</b>	14
Income recharges from subsidiary	<b>30,487</b>	31,496	<b>61,996</b>	66,923
Other operating income	<b>5,609</b>	5,792	<b>11,261</b>	8,532
	<b>40,008</b>	49,835	<b>78,864</b>	96,056

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**30 Loans/Financing Impairment Charges and other Credit Risk Provisions**

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2017</b>	30 Jun 2016	<b>30 Jun 2017</b>	30 Jun 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Impairment charges on loans and financing:				
(a) Individual impairment				
Made during the financial period	<b>49,979</b>	23,261	<b>100,150</b>	59,427
Released during the financial period	<b>(27,582)</b>	(16,919)	<b>(57,851)</b>	(55,962)
(b) Collective impairment				
Made during the financial period	<b>95,932</b>	77,957	<b>194,919</b>	207,946
Released during the financial period	<b>(42,283)</b>	(50,530)	<b>(63,075)</b>	(126,203)
Impaired loans				
Recovered during the financial period	<b>(22,311)</b>	(22,980)	<b>(43,263)</b>	(44,113)
Written off during the financial period	<b>5,179</b>	3,262	<b>9,304</b>	7,288
Impairment charges on other credit related items				
Made during the financial period	-	-	-	40
Release during the financial period	-	-	<b>(1)</b>	-
	<b>58,914</b>	14,051	<b>140,183</b>	48,423
	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2017</b>	30 Jun 2016	<b>30 Jun 2017</b>	30 Jun 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Impairment charges on loans and financing:				
(a) Individual impairment				
Made during the financial period	<b>35,770</b>	15,972	<b>66,594</b>	42,198
Released during the financial period	<b>(21,079)</b>	(11,857)	<b>(42,013)</b>	(42,197)
(b) Collective impairment				
Made during the financial period	<b>43,419</b>	36,853	<b>99,270</b>	87,977
Released during the financial period	<b>(22,355)</b>	(41,275)	<b>(35,992)</b>	(90,857)
Impaired loans				
Recovered during the financial period	<b>(14,187)</b>	(14,574)	<b>(26,807)</b>	(28,458)
Written off during the financial period	<b>2,448</b>	2,520	<b>5,094</b>	5,420
Impairment charges on other credit related items				
Made during the financial period	-	-	-	40
Release during the financial period	-	-	<b>(1)</b>	-
	<b>24,016</b>	(12,361)	<b>66,145</b>	(25,877)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Other Operating Expenses

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2017</b>	30 Jun 2016	<b>30 Jun 2017</b>	30 Jun 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personnel expenses	<b>188,742</b>	184,337	<b>370,214</b>	353,252
Promotion and marketing related expenses	<b>21,591</b>	20,019	<b>35,757</b>	36,403
Establishment related expenses	<b>37,017</b>	37,415	<b>70,515</b>	73,956
General administrative expenses	<b>138,075</b>	136,783	<b>270,373</b>	272,202
	<b>385,425</b>	378,554	<b>746,859</b>	735,813
Personnel expenses				
Salaries, allowances and bonuses	<b>138,131</b>	142,619	<b>277,209</b>	273,047
Employees Provident Fund contributions	<b>23,377</b>	24,024	<b>45,815</b>	44,794
Others	<b>27,234</b>	17,694	<b>47,190</b>	35,411
	<b>188,742</b>	184,337	<b>370,214</b>	353,252
Promotion and marketing related expenses	<b>21,591</b>	20,019	<b>35,757</b>	36,403
Establishment related expenses				
Depreciation of property and equipment	<b>5,809</b>	6,889	<b>11,667</b>	14,086
Amortisation of intangible assets	<b>5,550</b>	5,980	<b>10,803</b>	11,377
Information technology costs	<b>4,690</b>	3,757	<b>8,175</b>	8,031
Hire of equipment	<b>1,973</b>	2,064	<b>4,174</b>	5,090
Rental of premises	<b>9,436</b>	9,701	<b>17,959</b>	19,011
Property and equipment written off	<b>18</b>	5	<b>21</b>	5
Others	<b>9,541</b>	9,019	<b>17,716</b>	16,356
	<b>37,017</b>	37,415	<b>70,515</b>	73,956
General administrative expenses				
Group recharges	<b>96,286</b>	91,313	<b>185,604</b>	181,760
Others	<b>41,789</b>	45,470	<b>84,769</b>	90,442
	<b>138,075</b>	136,783	<b>270,373</b>	272,202

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Other Operating Expenses (Cont'd)

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2017</b>	30 Jun 2016	<b>30 Jun 2017</b>	30 Jun 2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personnel expenses	<b>176,626</b>	172,109	<b>346,700</b>	332,655
Promotion and marketing related expenses	<b>18,643</b>	17,019	<b>30,262</b>	29,699
Establishment related expenses	<b>31,596</b>	32,665	<b>60,390</b>	64,184
General administrative expenses	<b>129,082</b>	127,136	<b>251,974</b>	252,981
	<b>355,947</b>	348,929	<b>689,326</b>	679,519
Personnel expenses				
Salaries, allowances and bonuses	<b>128,612</b>	133,348	<b>259,346</b>	256,720
Employees Provident Fund contributions	<b>21,726</b>	22,426	<b>42,718</b>	41,944
Others	<b>26,288</b>	16,335	<b>44,636</b>	33,991
	<b>176,626</b>	172,109	<b>346,700</b>	332,655
Promotion and marketing related expenses	<b>18,643</b>	17,019	<b>30,262</b>	29,699
Establishment related expenses				
Depreciation of property and equipment	<b>4,685</b>	5,631	<b>9,419</b>	11,478
Amortisation of intangible assets	<b>5,550</b>	5,980	<b>10,803</b>	11,377
Information technology costs	<b>4,021</b>	3,305	<b>6,766</b>	6,886
Hire of equipment	<b>1,973</b>	2,060	<b>4,174</b>	5,086
Rental of premises	<b>7,469</b>	7,613	<b>14,059</b>	14,863
Property and equipment written off	<b>18</b>	5	<b>21</b>	5
Others	<b>7,880</b>	8,071	<b>15,148</b>	14,489
	<b>31,596</b>	32,665	<b>60,390</b>	64,184
General administrative expenses				
Group recharges	<b>95,553</b>	90,975	<b>184,751</b>	181,195
Others	<b>33,529</b>	36,161	<b>67,223</b>	71,786
	<b>129,082</b>	127,136	<b>251,974</b>	252,981

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**32 Credit exposure to connected parties**

	Group		Bank	
	30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Aggregate value of outstanding credit exposures to connected parties	<b>5,026,154</b>	5,029,677	<b>4,085,537</b>	4,192,783
As a percentage of total credit exposures	<b>6.7%</b>	6.9%	<b>7.0%</b>	7.3%
Aggregate value of total outstanding credit exposures to connected parties which is impaired or in default	-	-	-	-
As a percentage of total credit exposures	-	-	-	-



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**33 Capital Adequacy**

	<i>Group</i>	
	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000
<b>Tier 1 capital</b>		
Paid-up ordinary share capital	<b>1,045,875</b>	114,500
Share premium	-	741,375
Retained profits (including proposed dividend)	<b>7,283,056</b>	6,853,762
Other reserves	<b>779,968</b>	1,078,361
Regulatory adjustments	<b>(820,960)</b>	(804,852)
Total Common Equity Tier 1 (CET 1) and Tier 1 capital	<b>8,287,939</b>	7,983,146
<b>Tier 2 capital</b>		
Subordinated liabilities	<b>500,000</b>	600,000
Subordinated term loan	<b>618,821</b>	646,265
Collective impairment allowance (unimpaired portion) & regulatory reserves	<b>591,771</b>	583,984
Regulatory adjustments	<b>111,461</b>	112,156
Total Tier 2 capital	<b>1,822,053</b>	1,942,405
<b>Capital base</b>	<b>10,109,992</b>	9,925,551
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	<b>14.287%</b>	14.344%
Total Capital ratio	<b>17.428%</b>	17.834%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	<b>13.942%</b>	13.985%
Total Capital ratio	<b>17.083%</b>	17.475%

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 HBMS a wholly 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 risk-weighted assets (RWA) in the various categories of risk-weights:

	<i>Group</i>	
	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000
Total RWA for credit risk	<b>50,695,630</b> <sup>[1]</sup>	48,857,558 <sup>[1]</sup>
Total RWA for market risk	<b>1,505,034</b>	1,004,081
Total RWA for operational risk	<b>5,808,740</b>	5,793,257
	<b>58,009,404</b>	55,654,896

<sup>[1]</sup> The risk weighted amount for credit risk relating to the SIAF/IAA (refer Note 15(i) for more details) are as follows:

	<i>Group</i>	
	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000
Under SIAF/IAA arrangement	<b>1,535,577</b>	931,474

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**33 Capital Adequacy (Cont'd)**

	<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000
<b>Tier 1 capital</b>		
Paid-up ordinary share capital	<b>1,045,875</b>	114,500
Share premium	-	741,375
Retained profits (including proposed dividend)	<b>6,405,911</b>	6,070,467
Other reserves	<b>745,048</b>	1,002,572
Regulatory adjustments	<b>(1,299,865)</b>	(1,153,887)
<b>Total Common Equity Tier 1 (CET1) and Tier 1 capital</b>	<b>6,896,969</b>	6,775,027
<b>Tier 2 capital</b>		
Subordinated liabilities	<b>500,000</b>	600,000
Subordinated term loan	<b>618,821</b>	646,265
Collective impairment allowance (unimpaired portion) & regulatory reserves	<b>443,919</b>	448,723
Regulatory adjustments	<b>(639,364)</b>	(798,117)
<b>Total Tier 2 capital</b>	<b>923,376</b>	896,871
<b>Capital base</b>	<b>7,820,345</b>	7,671,898
<u>Inclusive of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	<b>15.029%</b>	15.083%
Total Capital ratio	<b>17.041%</b>	17.079%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	<b>14.593%</b>	14.638%
Total Capital ratio	<b>16.606%</b>	16.634%

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 RWA in the various categories of risk-weights:

	<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000
Total RWA for credit risk	<b>39,154,215</b> <sup>[1]</sup>	38,698,597 <sup>[1]</sup>
Total RWA for market risk	<b>1,489,932</b>	992,685
Total RWA for operational risk	<b>5,246,031</b>	5,227,510
	<b>45,890,178</b>	44,918,792

<sup>[1]</sup> The risk weighted amount for credit risk relating to the SIAF/IAA (refer Note 15(i) for more details) are as follows:

	<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016
	<b>RM'000</b>	RM'000
Under SIAF/IAA arrangement	<b>1,535,577</b>	931,474

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**34 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 and of the Bank.

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2017</b>	31 Dec 2016	<b>30 Jun 2017</b>	31 Dec 2016
<b>Principal amount</b>	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Direct credit substitutes	<b>2,697,552</b>	2,540,306	<b>2,141,222</b>	2,004,489
Transaction-related contingent items	<b>8,439,422</b>	9,087,444	<b>7,384,328</b>	7,974,454
Short-term self-liquidating trade-related contingencies	<b>419,118</b>	496,518	<b>320,969</b>	385,490
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	<b>19,052,033</b>	18,304,774	<b>15,590,975</b>	14,619,766
- Maturity exceeding one year	<b>13,292,015</b>	12,855,434	<b>11,042,022</b>	10,814,187
Unutilised credit card lines	<b>10,779,285</b>	9,788,741	<b>8,115,108</b>	7,536,799
Foreign exchange related contracts:				
- Less than one year	<b>71,716,390</b>	54,971,901	<b>71,907,420</b>	55,011,906
- Over one year to less than five years	<b>8,982,513</b>	11,415,043	<b>8,982,514</b>	11,415,044
- Over five years	<b>1,783,850</b>	1,806,757	<b>1,783,850</b>	1,806,757
Interest/profit rate related contracts:				
- Less than one year	<b>14,740,236</b>	11,487,221	<b>14,770,236</b>	11,577,221
- Over one year to less than five years	<b>33,846,144</b>	34,218,507	<b>35,442,538</b>	35,847,951
- Over five years	<b>1,647,103</b>	3,057,912	<b>1,647,103</b>	3,057,912
Gold and other precious metals contracts:				
- Less than one year	<b>24,122</b>	10,905	<b>24,122</b>	10,905
Equity related contracts:				
- Less than one year	<b>662,644</b>	2,339,593	<b>909,110</b>	3,104,829
- Over one year to less than five years	<b>750,028</b>	809,953	<b>838,699</b>	919,719
	<b>188,832,455</b>	173,191,009	<b>180,900,216</b>	166,087,429

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

<i>Irrevocable commitments to extend credit:</i>				
- Maturity not exceeding one year	<b>369,351</b>	496,933	<b>369,351</b>	496,933
- Maturity exceeding one year	<b>214,222</b>	-	<b>214,222</b>	-
	<b>583,573</b>	496,933	<b>583,573</b>	496,933

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**35 Derivative Financial Instruments**

Details of derivative financial instruments outstanding are as follows:

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

Group At 30 Jun 2017	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
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	60,089,240	509,705	-	60,598,945	663,861	7,405	-	671,266	627,640	3,048	-	630,688
- Swaps	10,961,329	8,305,490	1,783,850	21,050,669	576,355	590,302	241,934	1,408,591	671,570	689,750	33,632	1,394,952
- Options	665,821	167,318	-	833,139	17,595	1,401	-	18,996	1,190	2,112	-	3,302
Interest/profit rate related contracts												
- Futures	124,570	-	-	124,570	-	-	-	-	153	-	-	153
- Options	210,208	644,145	-	854,353	1,614	3,171	-	4,785	2,075	210	-	2,285
- Swaps	13,845,458	31,666,030	1,517,103	47,028,591	11,381	135,700	15,251	162,332	11,828	122,334	36,396	170,558
Equity related contracts												
- Options	662,644	750,028	-	1,412,672	1,686	1,284	-	2,970	50,455	-	-	50,455
Precious metal contracts												
- Options	24,122	-	-	24,122	4	-	-	4	83	-	-	83
Sub- total	86,583,392	42,042,716	3,300,953	131,927,061	1,272,496	739,263	257,185	2,268,944	1,364,994	817,454	70,028	2,252,476
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest/profit rate related contracts												
- Swaps	560,000	1,535,969	130,000	2,225,969	2,479	222	-	2,701	537	10,201	2,966	13,704
Sub- total	560,000	1,535,969	130,000	2,225,969	2,479	222	-	2,701	537	10,201	2,966	13,704
<b>Total</b>	<b>87,143,392</b>	<b>43,578,685</b>	<b>3,430,953</b>	<b>134,153,030</b>	<b>1,274,975</b>	<b>739,485</b>	<b>257,185</b>	<b>2,271,645</b>	<b>1,365,531</b>	<b>827,655</b>	<b>72,994</b>	<b>2,266,180</b>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 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 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
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	45,321,748	816,497	-	46,138,245	925,268	27,097	-	952,365	719,265	18,986	-	738,251
- Swaps	8,985,879	10,425,948	1,806,757	21,218,584	782,840	691,078	350,891	1,824,809	518,246	1,010,652	211,712	1,740,610
- Options	664,274	172,598	-	836,872	27,388	1,807	-	29,195	7,297	3,066	-	10,363
Interest/profit rate related contracts												
- Options	361,548	428,684	-	790,232	4,951	4,114	-	9,065	1,999	662	-	2,661
- Swaps	11,035,673	31,974,719	2,637,912	45,648,304	20,583	128,076	19,577	168,236	9,221	129,049	36,052	174,322
Equity related contracts												
- Options	2,339,593	809,953	-	3,149,546	27	2	-	29	442,143	10,120	-	452,263
Precious metal contracts												
- Options	10,905	-	-	10,905	24	-	-	24	101	-	-	101
Sub- total	68,719,620	44,628,399	4,444,669	117,792,688	1,761,081	852,174	370,468	2,983,723	1,698,272	1,172,535	247,764	3,118,571
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest/profit rate related contracts												
- Swaps	90,000	1,815,104	420,000	2,325,104	-	5,231	-	5,231	-	5,894	2,563	8,457
Sub- total	90,000	1,815,104	420,000	2,325,104	-	5,231	-	5,231	-	5,894	2,563	8,457
<b>Total</b>	<b>68,809,620</b>	<b>46,443,503</b>	<b>4,864,669</b>	<b>120,117,792</b>	<b>1,761,081</b>	<b>857,405</b>	<b>370,468</b>	<b>2,988,954</b>	<b>1,698,272</b>	<b>1,178,429</b>	<b>250,327</b>	<b>3,127,028</b>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 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 Jun 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	60,280,270	509,706	-	60,789,976	665,285	7,405	-	672,690	629,002	3,048	-	632,050
- Swaps	10,961,329	8,305,490	1,783,850	21,050,669	576,355	589,031	241,934	1,407,320	671,570	689,808	33,632	1,395,010
- Options	665,821	167,318	-	833,139	17,595	1,401	-	18,996	1,190	2,112	-	3,302
Interest rate related contracts												
- Futures	124,570	-	-	124,570	-	-	-	-	153	-	-	153
- Options	210,208	830,539	-	1,040,747	1,614	3,171	-	4,785	2,075	4,708	-	6,783
- Swaps	13,905,458	33,236,030	1,517,103	48,658,591	11,428	136,489	15,251	163,168	11,828	129,259	36,396	177,483
Equity related contracts												
- Options	909,110	838,699	-	1,747,809	17,811	1,284	-	19,095	50,455	-	-	50,455
Precious metal contracts												
- Options	24,122	-	-	24,122	4	-	-	4	83	-	-	83
Sub- total	87,080,888	43,887,782	3,300,953	134,269,623	1,290,092	738,781	257,185	2,286,058	1,366,356	828,935	70,028	2,265,319
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	530,000	1,375,969	130,000	2,035,969	2,479	222	-	2,701	537	10,201	2,966	13,704
Sub- total	530,000	1,375,969	130,000	2,035,969	2,479	222	-	2,701	537	10,201	2,966	13,704
<b>Total</b>	<b>87,610,888</b>	<b>45,263,751</b>	<b>3,430,953</b>	<b>136,305,592</b>	<b>1,292,571</b>	<b>739,003</b>	<b>257,185</b>	<b>2,288,759</b>	<b>1,366,893</b>	<b>839,136</b>	<b>72,994</b>	<b>2,279,023</b>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 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 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
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	45,361,753	816,497	-	46,178,250	924,445	27,097	-	951,542	717,254	18,986	-	736,240
- Swaps	8,985,879	10,425,948	1,806,757	21,218,584	782,840	694,212	350,891	1,827,943	518,246	1,010,652	211,712	1,740,610
- Options	664,274	172,599	-	836,873	27,388	1,807	-	29,195	7,297	3,066	-	10,363
Interest rate related contracts												
- Future	-	-	-	-	-	-	-	-	-	-	-	-
- Options	361,548	618,128	-	979,676	4,951	4,248	-	9,199	1,999	3,206	-	5,205
- Swaps	11,215,673	33,604,719	2,637,912	47,458,304	20,556	128,794	19,577	168,927	9,221	133,974	36,052	179,247
Equity related contracts												
- Options	3,104,829	919,719	-	4,024,548	95,203	2,182	-	97,385	442,170	10,120	-	452,290
Precious metal contracts												
- Options	10,905	-	-	10,905	24	-	-	24	101	-	-	101
Sub- total	69,704,861	46,557,610	4,444,669	120,707,140	1,855,407	858,340	370,468	3,084,215	1,696,288	1,180,004	247,764	3,124,056
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	-	1,625,104	420,000	2,045,104	-	5,231	-	5,231	-	5,894	2,563	8,457
Sub- total	-	1,625,104	420,000	2,045,104	-	5,231	-	5,231	-	5,894	2,563	8,457
<b>Total</b>	69,704,861	48,182,714	4,864,669	122,752,244	1,855,407	863,571	370,468	3,089,446	1,696,288	1,185,898	250,327	3,132,513

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

	Group		Bank	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
	RM'000	RM'000	RM'000	RM'000
Losses on hedging instruments	(6,402)	(27,480)	(6,402)	(27,480)
Gains on the hedged items attributable to the hedged risk	6,425	27,158	6,425	27,158
	23	(322)	23	(322)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Interest/ Profit Rate Risk

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

Group 30 Jun 2017	Non-trading book					Non- interest/profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
<b>ASSETS</b>									
Cash and short term funds	7,242,739	-	-	-	-	442,703	-	7,685,442	2.65
Securities purchased under resale agreements	194,146	815,170	-	-	-	-	-	1,009,316	3.06
Deposits and placements with banks and other financial institutions	-	50,000	-	-	-	-	-	50,000	2.48
Financial assets held-for-trading	-	-	-	-	-	-	4,757,705	4,757,705	3.48
Financial investments available-for-sale	-	1,917,147	8,273,279	4,049,429	958,320	177,407	-	15,375,582	3.21
Loans, advances and financing									
- performing	15,906,268	31,265,800	993,820	823,773	317,146	-	-	49,306,807	4.72
- impaired <sup>[1]</sup>	-	-	-	-	-	799,937	-	799,937	-
- collective allowance	-	-	-	-	-	(484,790)	-	(484,790)	-
Derivative financial assets	-	-	2,479	222	-	-	2,268,944	2,271,645	-
Other assets	-	-	-	-	-	380,425	-	380,425	-
<b>Total Financial Assets</b>	<b>23,343,153</b>	<b>34,048,117</b>	<b>9,269,578</b>	<b>4,873,424</b>	<b>1,275,466</b>	<b>1,315,682</b>	<b>7,026,649</b>	<b>81,152,069</b>	
<b>LIABILITIES</b>									
Deposits from customers	32,314,638	6,460,157	7,743,542	212,913	-	11,077,187	-	57,808,437	1.95
Deposits and placements from banks and other financial institutions	3,114,445	1,460	1,074,209	1,185,559	-	43,375	-	5,419,048	1.44
Bills and acceptances payable	-	-	-	-	-	306,002	-	306,002	-
Multi-Currency Sukuk Programme	-	500,000	-	1,251,836	-	-	-	1,751,836	3.80
Subordinated liabilities	-	-	1,574	-	1,118,821	-	-	1,120,395	3.75
Derivative financial liabilities	-	-	537	10,201	2,966	-	2,252,476	2,266,180	-
Other liabilities	-	-	-	-	-	321,674	3,411,907	3,733,581	2.61
<b>Total Financial Liabilities</b>	<b>35,429,083</b>	<b>6,961,617</b>	<b>8,819,862</b>	<b>2,660,509</b>	<b>1,121,787</b>	<b>11,748,238</b>	<b>5,664,383</b>	<b>72,405,479</b>	
<b>Total interest/profit sensitivity gap</b>	<b>(12,085,930)</b>	<b>27,086,500</b>	<b>449,716</b>	<b>2,212,915</b>	<b>153,679</b>	<b>(10,432,556)</b>	<b>1,362,266</b>	<b>8,746,590</b>	

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



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Interest/ Profit Rate Risk (Cont'd)

Group 31 Dec 2016	Non-trading book					Non- interest/profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
<b>ASSETS</b>									
Cash and short term funds	16,474,343	-	-	-	-	329,771	-	16,804,114	2.47
Securities purchased under resale agreements	2,292,939	3,869,291	-	-	-	-	-	6,162,230	3.08
Deposits and placements with banks and other financial institutions	-	1,826,400	35,000	-	-	-	-	1,861,400	2.54
Financial assets held-for-trading	-	-	-	-	-	-	2,266,452	2,266,452	3.15
Financial investments available-for-sale	-	524,259	371,608	4,552,489	942,129	167,559	-	6,558,044	3.42
Loans, advances and financing									
- performing	13,115,559	31,316,363	787,816	1,073,227	274,521	-	-	46,567,486	4.77
- impaired <sup>[1]</sup>	-	-	-	-	-	796,913	-	796,913	-
- collective allowance	-	-	-	-	-	(469,565)	-	(469,565)	-
Derivative financial assets	-	-	-	5,231	-	-	2,983,723	2,988,954	-
Other assets	-	-	-	-	-	184,772	-	184,772	-
<b>Total Financial Assets</b>	<b>31,882,841</b>	<b>37,536,313</b>	<b>1,194,424</b>	<b>5,630,947</b>	<b>1,216,650</b>	<b>1,009,450</b>	<b>5,250,175</b>	<b>83,720,800</b>	
<b>LIABILITIES</b>									
Deposits from customers	31,349,045	7,002,951	7,866,780	180,802	-	11,311,956	-	57,711,534	1.92
Deposits and placements from banks and other financial institutions	5,864,211	31,752	347	246,730	403,740	24,413	-	6,571,193	1.32
Bills and acceptances payable	-	-	-	-	-	326,305	-	326,305	-
Multi-Currency Sukuk Programme	-	-	500,000	1,256,001	-	-	-	1,756,001	3.95
Subordinated liabilities	-	-	500,000	2,559	1,146,265	-	-	1,648,824	3.58
Derivative financial liabilities	-	-	-	5,894	2,563	-	3,118,571	3,127,028	-
Other liabilities	-	-	-	-	-	442,284	4,094,973	4,537,257	3.07
<b>Total Financial Liabilities</b>	<b>37,213,256</b>	<b>7,034,703</b>	<b>8,867,127</b>	<b>1,691,986</b>	<b>1,552,568</b>	<b>12,104,958</b>	<b>7,213,544</b>	<b>75,678,142</b>	
<b>Total interest/profit sensitivity gap</b>	<b>(5,330,415)</b>	<b>30,501,610</b>	<b>(7,672,703)</b>	<b>3,938,961</b>	<b>(335,918)</b>	<b>(11,095,508)</b>	<b>(1,963,369)</b>	<b>8,042,658</b>	

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Interest/ Profit Rate Risk (Cont'd)

Bank 30 Jun 2017	Non-trading book					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
<b>ASSETS</b>									
Cash and short term funds	5,968,448	-	-	-	-	339,938	-	6,308,386	2.60
Securities purchased under resale agreements	194,146	815,170	-	-	-	-	-	1,009,316	3.06
Deposits and placements with banks and other financial institutions	25,000	707,226	1,624,737	32,957	618,821	-	-	3,008,741	2.48
Financial assets held-for-trading	-	-	-	-	-	-	4,757,202	4,757,202	3.48
Financial investments available-for-sale	-	1,668,007	7,903,006	2,926,700	938,039	177,407	-	13,613,159	3.18
Loans, advances and financing - performing	12,428,953	22,949,897	640,048	83,667	23,613	-	-	36,126,178	4.55
- impaired <sup>[1]</sup>	-	-	-	-	-	552,731	-	552,731	-
- collective allowance	-	-	-	-	-	(278,343)	-	(278,343)	-
Derivative financial assets	-	-	2,479	222	-	-	2,286,058	2,288,759	-
Other assets	-	-	-	-	-	347,347	-	347,347	-
<b>Total Financial Assets</b>	<b>18,616,547</b>	<b>26,140,300</b>	<b>10,170,270</b>	<b>3,043,546</b>	<b>1,580,473</b>	<b>1,139,080</b>	<b>7,043,260</b>	<b>67,733,476</b>	
<b>LIABILITIES</b>									
Deposits from customers	26,893,949	4,867,458	6,479,452	169,480	-	10,401,057	-	48,811,396	1.89
Deposits and placements from banks and other financial institutions	3,094,414	1,460	1,074,209	622,848	-	-	-	4,792,931	1.02
Bills and acceptances payable	-	-	-	-	-	288,265	-	288,265	-
Subordinated liabilities	-	-	1,574	-	1,118,821	-	-	1,120,395	3.97
Derivative financial liabilities	-	-	537	10,201	2,966	-	2,265,319	2,279,023	-
Other liabilities	-	-	-	-	-	186,546	2,899,248	3,085,794	-
<b>Total Financial Liabilities</b>	<b>29,988,363</b>	<b>4,868,918</b>	<b>7,555,772</b>	<b>802,529</b>	<b>1,121,787</b>	<b>10,875,868</b>	<b>5,164,567</b>	<b>60,377,804</b>	
<b>Total interest sensitivity gap</b>	<b>(11,371,816)</b>	<b>21,271,382</b>	<b>2,614,498</b>	<b>2,241,017</b>	<b>458,686</b>	<b>(9,736,788)</b>	<b>1,878,693</b>	<b>7,355,672</b>	

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Interest/ Profit Rate Risk (Cont'd)

Bank 31 Dec 2016	Non-trading book					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
<b>ASSETS</b>									
Cash and short term funds	14,778,050	-	-	-	-	221,838	-	14,999,888	2.35
Securities purchased under resale agreements	2,292,939	3,869,291	-	-	-	-	-	6,162,230	3.08
Deposits and placements with banks and other financial institutions	-	1,913,230	1,283,600	32,391	646,265	-	-	3,875,486	2.54
Financial assets held-for-trading	-	-	-	-	-	-	2,265,964	2,265,964	3.15
Financial investments available-for-sale	-	524,259	191,384	3,384,194	922,074	167,559	-	5,189,470	3.40
Loans, advances and financing									
- performing	10,290,853	23,619,330	642,435	259,360	52,999	-	-	34,864,977	4.60
- impaired <sup>[1]</sup>	-	-	-	-	-	556,144	-	556,144	-
- collective allowance	-	-	-	-	-	(269,550)	-	(269,550)	-
Derivative financial assets	-	-	-	5,231	-	-	3,084,215	3,089,446	-
Other assets	-	-	-	-	-	153,768	-	153,768	-
<b>Total Financial Assets</b>	<b>27,361,842</b>	<b>29,926,110</b>	<b>2,117,419</b>	<b>3,681,176</b>	<b>1,621,338</b>	<b>829,759</b>	<b>5,350,179</b>	<b>70,887,823</b>	
<b>LIABILITIES</b>									
Deposits from customers	26,241,963	5,235,614	6,641,020	148,231	-	10,718,184	-	48,985,012	1.82
Deposits and placements from banks and other financial institutions	5,860,208	31,752	347	246,730	403,740	-	-	6,542,777	0.76
Bills and acceptances payable	-	-	-	-	-	302,673	-	302,673	-
Subordinated liabilities	-	-	500,000	2,559	1,146,265	-	-	1,648,824	3.87
Derivative financial liabilities	-	-	-	5,894	2,563	-	3,124,056	3,132,513	-
Other liabilities	-	-	-	-	-	293,168	3,125,564	3,418,732	-
<b>Total Financial Liabilities</b>	<b>32,102,171</b>	<b>5,267,366</b>	<b>7,141,367</b>	<b>403,414</b>	<b>1,552,568</b>	<b>11,314,025</b>	<b>6,249,620</b>	<b>64,030,531</b>	
<b>Total interest sensitivity gap</b>	<b>(4,740,329)</b>	<b>24,658,744</b>	<b>(5,023,948)</b>	<b>3,277,762</b>	<b>68,770</b>	<b>(10,484,266)</b>	<b>(899,441)</b>	<b>6,857,292</b>	

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Liquidity Risk

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

Group 30 Jun 2017	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
<b>ASSETS</b>								
Cash and short term funds	7,685,442	-	-	-	-	-	-	7,685,442
Securities purchased under resale agreements	194,146	815,170	-	-	-	-	-	1,009,316
Deposits and placements with banks and other financial institutions	-	50,000	-	-	-	-	-	50,000
Financial assets held-for-trading	-	-	-	-	-	-	4,757,705	4,757,705
Financial investments available-for-sale	-	1,917,147	8,273,279	4,049,429	958,320	177,407	-	15,375,582
Loans, advances and financing	12,292,926	6,154,062	2,974,097	5,598,414	22,602,455	-	-	49,621,954
Derivative financial assets	-	-	2,479	222	-	-	2,268,944	2,271,645
Others	1,357	26,037	71,494	54,562	22,166	1,667,806	114,363	1,957,785
<b>Total Assets</b>	<b>20,173,871</b>	<b>8,962,416</b>	<b>11,321,349</b>	<b>9,702,627</b>	<b>23,582,941</b>	<b>1,845,213</b>	<b>7,141,012</b>	<b>82,729,429</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	43,391,825	6,460,157	7,743,542	212,913	-	-	-	57,808,437
Deposits and placements from banks and other financial institutions	3,114,445	1,460	1,074,209	1,185,559	-	43,375	-	5,419,048
Bills and acceptances payable	306,002	-	-	-	-	-	-	306,002
Multi-Currency Sukuk Programme	-	500,000	-	1,251,836	-	-	-	1,751,836
Subordinated liabilities	-	-	1,574	-	1,118,821	-	-	1,120,395
Derivative financial liabilities	-	-	537	10,201	2,966	-	2,252,476	2,266,180
Others	56,832	66,889	130,993	37,768	32,028	1,281,739	3,411,907	5,018,156
<b>Total Liabilities</b>	<b>46,869,104</b>	<b>7,028,506</b>	<b>8,950,855</b>	<b>2,698,277</b>	<b>1,153,815</b>	<b>1,325,114</b>	<b>5,664,383</b>	<b>73,690,054</b>
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,039,375</b>	<b>-</b>	<b>9,039,375</b>
<b>Total Liabilities and Equity</b>	<b>46,869,104</b>	<b>7,028,506</b>	<b>8,950,855</b>	<b>2,698,277</b>	<b>1,153,815</b>	<b>10,364,489</b>	<b>5,664,383</b>	<b>82,729,429</b>
<b>Net maturity mismatches</b>	<b>(26,695,233)</b>	<b>1,933,910</b>	<b>2,370,494</b>	<b>7,004,350</b>	<b>22,429,126</b>	<b>(8,519,276)</b>	<b>1,476,629</b>	<b>-</b>
<b>Off-balance sheet liabilities</b>	<b>66,145,888</b>	<b>26,624,952</b>	<b>44,532,255</b>	<b>46,879,072</b>	<b>4,650,288</b>	<b>-</b>	<b>-</b>	<b>188,832,455</b>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Liquidity Risk (Cont'd)

Group 31 Dec 2016	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
<b>ASSETS</b>								
Cash and short term funds	16,804,114	-	-	-	-	-	-	16,804,114
Securities purchased under resale agreements	2,292,939	3,869,291	-	-	-	-	-	6,162,230
Deposits and placements with banks and other financial institutions	-	1,826,400	35,000	-	-	-	-	1,861,400
Financial assets held-for-trading	-	-	-	-	-	-	2,266,452	2,266,452
Financial investments available-for-sale	-	524,259	371,608	4,552,489	942,129	167,559	-	6,558,044
Loans, advances and financing	10,100,130	5,485,901	2,284,779	5,853,218	23,170,806	-	-	46,894,834
Derivative financial assets	-	-	-	5,231	-	-	2,983,723	2,988,954
Others	22,970	12,305	7,349	50,002	18,761	1,769,078	8,082	1,888,547
<b>Total Assets</b>	<b>29,220,153</b>	<b>11,718,156</b>	<b>2,698,736</b>	<b>10,460,940</b>	<b>24,131,696</b>	<b>1,936,637</b>	<b>5,258,257</b>	<b>85,424,575</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	42,661,001	7,002,951	7,866,780	180,802	-	-	-	57,711,534
Deposits and placements from banks and other financial institutions	5,864,211	31,752	347	246,730	403,740	24,413	-	6,571,193
Bills and acceptances payable	326,305	-	-	-	-	-	-	326,305
Multi-Currency Sukuk Programme	-	-	500,000	1,256,001	-	-	-	1,756,001
Subordinated liabilities	-	-	500,000	2,559	1,146,265	-	-	1,648,824
Derivative financial liabilities	-	-	-	5,894	2,563	-	3,118,571	3,127,028
Others	92,281	60,683	106,656	21,751	7,531	1,136,538	4,128,886	5,554,326
<b>Total Liabilities</b>	<b>48,943,798</b>	<b>7,095,386</b>	<b>8,973,783</b>	<b>1,713,737</b>	<b>1,560,099</b>	<b>1,160,951</b>	<b>7,247,457</b>	<b>76,695,211</b>
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,729,364</b>	<b>-</b>	<b>8,729,364</b>
<b>Total Liabilities and Equity</b>	<b>48,943,798</b>	<b>7,095,386</b>	<b>8,973,783</b>	<b>1,713,737</b>	<b>1,560,099</b>	<b>9,890,315</b>	<b>7,247,457</b>	<b>85,424,575</b>
<b>Net maturity mismatches</b>	<b>(19,723,645)</b>	<b>4,622,770</b>	<b>(6,275,047)</b>	<b>8,747,203</b>	<b>22,571,597</b>	<b>(7,953,678)</b>	<b>(1,989,200)</b>	<b>-</b>
<b>Off-balance sheet liabilities</b>	<b>57,343,591</b>	<b>19,279,244</b>	<b>40,796,933</b>	<b>49,888,715</b>	<b>5,882,526</b>	<b>-</b>	<b>-</b>	<b>173,191,009</b>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Liquidity Risk (Cont'd)

Bank 30 Jun 2017	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
<b>ASSETS</b>								
Cash and short term funds	6,308,386	-	-	-	-	-	-	6,308,386
Securities purchased under resale agreements	194,146	815,170	-	-	-	-	-	1,009,316
Deposits and placements with banks and other financial institutions	25,000	707,226	1,624,737	32,957	618,821	-	-	3,008,741
Financial assets held-for-trading	-	-	-	-	-	-	4,757,202	4,757,202
Financial investments available-for-sale	-	1,668,007	7,903,006	2,926,700	938,039	177,407	-	13,613,159
Loans, advances and financing	9,855,811	4,188,299	1,901,469	3,629,921	16,825,066	-	-	36,400,566
Derivative financial assets	-	-	2,479	222	-	-	2,286,058	2,288,759
Others	143,070	26,784	71,639	46,172	21,961	1,948,596	114,363	2,372,585
<b>Total Assets</b>	<b>16,526,413</b>	<b>7,405,486</b>	<b>11,503,330</b>	<b>6,635,972</b>	<b>18,403,887</b>	<b>2,126,003</b>	<b>7,157,623</b>	<b>69,758,714</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	37,295,006	4,867,458	6,479,452	169,480	-	-	-	48,811,396
Deposits and placements from banks and other financial institutions	3,094,414	1,460	1,074,209	622,848	-	-	-	4,792,931
Bills and acceptances payable	288,265	-	-	-	-	-	-	288,265
Subordinated liabilities	-	-	1,574	-	1,118,821	-	-	1,120,395
Derivative financial liabilities	-	-	537	10,201	2,966	-	2,265,319	2,279,023
Others	43,224	51,227	117,225	22,914	23,769	1,182,451	2,899,248	4,340,058
<b>Total Liabilities</b>	<b>40,720,909</b>	<b>4,920,145</b>	<b>7,672,997</b>	<b>825,443</b>	<b>1,145,556</b>	<b>1,182,451</b>	<b>5,164,567</b>	<b>61,632,068</b>
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,126,646</b>	<b>-</b>	<b>8,126,646</b>
<b>Total Liabilities and Equity</b>	<b>40,720,909</b>	<b>4,920,145</b>	<b>7,672,997</b>	<b>825,443</b>	<b>1,145,556</b>	<b>9,309,097</b>	<b>5,164,567</b>	<b>69,758,714</b>
<b>Net maturity mismatches</b>	<b>(24,194,496)</b>	<b>2,485,341</b>	<b>3,830,333</b>	<b>5,810,529</b>	<b>17,258,331</b>	<b>(7,183,094)</b>	<b>1,993,056</b>	<b>-</b>
<b>Off-balance sheet liabilities</b>	<b>58,703,653</b>	<b>26,111,607</b>	<b>43,402,788</b>	<b>48,101,165</b>	<b>4,581,003</b>	<b>-</b>	<b>-</b>	<b>180,900,216</b>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Liquidity Risk (Cont'd)

Bank 31 Dec 2016	Non-trading book					Non-specific maturity RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000			
<b>ASSETS</b>								
Cash and short term funds	14,999,888	-	-	-	-	-	-	14,999,888
Securities purchased under resale agreements	2,292,939	3,869,291	-	-	-	-	-	6,162,230
Deposits and placements with banks and other financial institutions	-	1,913,230	1,283,600	32,391	646,265	-	-	3,875,486
Financial assets held-for-trading	-	-	-	-	-	-	2,265,964	2,265,964
Financial investments available-for-sale	-	524,259	191,384	3,384,194	922,074	167,559	-	5,189,470
Loans, advances and financing	7,939,639	3,745,410	1,869,206	4,146,696	17,450,620	-	-	35,151,571
Derivative financial assets	-	-	-	5,231	-	-	3,084,215	3,089,446
Others	59,357	12,338	7,344	41,183	18,570	2,053,783	8,082	2,200,657
<b>Total Assets</b>	<b>25,291,823</b>	<b>10,064,528</b>	<b>3,351,534</b>	<b>7,609,695</b>	<b>19,037,529</b>	<b>2,221,342</b>	<b>5,358,261</b>	<b>72,934,712</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	36,960,147	5,235,614	6,641,020	148,231	-	-	-	48,985,012
Deposits and placements from banks and other financial institutions	5,860,208	31,752	347	246,730	403,740	-	-	6,542,777
Bills and acceptances payable	302,673	-	-	-	-	-	-	302,673
Subordinated liabilities	-	-	500,000	2,559	1,146,265	-	-	1,648,824
Derivative financial liabilities	-	-	-	5,894	2,563	-	3,124,056	3,132,513
Others	123,829	48,432	84,707	7,599	7,532	1,023,124	3,159,477	4,454,700
<b>Total Liabilities</b>	<b>43,246,857</b>	<b>5,315,798</b>	<b>7,226,074</b>	<b>411,013</b>	<b>1,560,100</b>	<b>1,023,124</b>	<b>6,283,533</b>	<b>65,066,499</b>
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,868,213</b>	<b>-</b>	<b>7,868,213</b>
<b>Total Liabilities and Equity</b>	<b>43,246,857</b>	<b>5,315,798</b>	<b>7,226,074</b>	<b>411,013</b>	<b>1,560,100</b>	<b>8,891,337</b>	<b>6,283,533</b>	<b>72,934,712</b>
<b>Net maturity mismatches</b>	<b>(17,955,034)</b>	<b>4,748,730</b>	<b>(3,874,540)</b>	<b>7,198,682</b>	<b>17,477,429</b>	<b>(6,669,995)</b>	<b>(925,272)</b>	<b>-</b>
<b>Off-balance sheet liabilities</b>	<b>50,208,593</b>	<b>18,341,859</b>	<b>40,425,517</b>	<b>51,238,878</b>	<b>5,872,582</b>	<b>-</b>	<b>-</b>	<b>166,087,429</b>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 38 Business Prospects

---

During the first quarter of 2017, there were broad-based improvements in global growth, supported by stronger investment activity in major advanced economies. Volatility in the global financial markets declined, as major developments and events were largely anticipated by market participants. Nevertheless, there remain risks to global growth arising from threats such as protectionism, geopolitical developments, and commodity price volatility.

Locally, the Malaysian economy recorded a better-than-expected growth performance of 5.6% in 1Q 2017 (2016: 4.2%) and is expected to sustain throughout 2017. This is underpinned on statistics of businesses spending more and the outlook for exports firming up. Domestic demand will continue to be the main driver of growth, supported primarily by private sector spending.

Bank Negara Malaysia (BNM)'s foreign exchange market stabilisation measures had seen improvement in balancing the Ringgit's supply and demand. During 1Q 2017, the Ringgit has performed better against the USD dollar amidst the broad weakening of the US dollar, driven mainly by market uncertainties on the direction and implication of policies in the US.

To ensure continuous domestic financial stability supported by healthy business activities, BNM had continued to keep the Overnight Policy Rate (OPR) of 3.00% unchanged since July 2016. Headline inflation projected to average higher in the range of 3.0% - 4.0% in 2017 (2016: 2.1%), given the prospect of fuel price adjustments, the spill over effect of the Ringgit's depreciation in 2016 which increased the cost of imported goods and services, and other cost related pressures.

As for the banking sector, challenges facing the industry include moderate loans growth, competition for deposits, potential rising costs of doing business including compliance and credit costs. However, the domestic financial institutions continue to demonstrate sound capacity and resilience in weathering these challenges while identifying opportunities to improve customer experience including ensuring security and speed of providing information as well as end-to-end services through infusion of the new wave of financial technology.

The substantial conclusion of Regional Comprehensive Economic Partnership (RCEP), a priority deliverable in 2017 which mark the 50<sup>th</sup> anniversary of the creation of Asean, will have the potential to shape the international trade agenda, offering opportunity for Malaysia to boost trade liberalisation and economic integration. Additionally, China's Belt and Road initiatives especially China's investment into Malaysia infrastructure projects will boost economic activities and financing/banking services requirements.

For 2017, the Group and the Bank will continue to capitalise on infrastructure related opportunities, trade corridors (led by China and intra-Asean) and the financial services needs of the rising middle class segment in Malaysia. The Group will also focus on expanding customers' base to increase market share where it has comparative advantage.

Malaysia continues to be an identified priority market for HSBC Group and is important footprint for the HSBC Group within ASEAN. The announcement to invest up to USD250 million in the construction of a new Malaysian head office in Tun Razak Exchange reflects HSBC long term commitment to its Malaysia franchise.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 39 Performance Review

---

The Group recorded a profit before tax of RM613.9 million for the financial period ended 30 June 2017, a decrease of RM131.8 million compared to the corresponding period in 2016.

Total balance sheet size at 30 June 2017 stood at RM82.8 billion, RM2.6 billion lower compared against 31 December 2016 (RM85.4 billion). However, the Group has recorded a 5.9% (or RM2.8 billion) growth in customer advances for the half year ended 30 June 2017. The Group's capital and liquidity ratios continues to remain strong and well above regulatory requirements.

In tandem with the growth in customer advances, net interest income has improved. Trading income has improved 12.6% mainly due to higher income from held for trading portfolio. Overall, the operating income was lower by RM29.0 million, mainly due to lower income from the Islamic banking operations.

The net loan/financing impairment charges for the financial period ended 30 June 2017 were RM91.8 million higher than history, mainly due to higher allowance made on net individual impairment on mortgage products and corporates accounts, coupled with higher net collective impairment made in lieu of higher expected loss on corporate accounts and restructured loans.

The Group continues to place high importance in managing its operating expenses to ensure that the resources are spent in a sustainable manner. For the half year ended 30 June 2017, the overall costs base only increased marginally by 1.5% against history. Savings were recorded across promotion and marketing related expenses, establishment related expenses and general administrative expenses. Increase in personnel expenses were in line with Group's commitment to invest in people for both growth and control agenda.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**40 Comparative Figures**

The presentation and classification of items in the financial statements are consistent with the previous financial year except those listed below. Comparatives for deposits from customers and other liabilities were restated as structured products are not to be considered as deposits in accordance with latest BNM's guideline. There was no significant impact to the financial performance and ratios in relation to the financial period ended 30 June 2017. The Group's and the Bank's prior year profit and loss and retained profits brought forward are not affected by these reclassifications.

Statement of Financial Position 31 Dec 2016	<i>Group</i>		<i>Bank</i>	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
<b>a) Deposits from Customers</b>	<b>57,711,534</b>	<b>60,837,098</b>	<b>48,985,012</b>	<b>52,110,576</b>
<i>(of which the affected components are disclosed below):</i>				
<u>By type of deposit</u>				
<i>At amortised cost</i>				
Negotiable instruments of deposit	-	641,776	-	641,776
<i>At fair value</i>				
Structured investments	-	2,483,788	-	2,483,788
The maturity structure of fixed/investment deposits is as follows:				
Due within six months	19,249,230	19,400,668	14,872,456	15,023,894
More than six months to one year	4,932,802	5,155,699	4,197,644	4,420,541
More than one year to three years	139,760	327,056	120,050	307,346
More than three years to five years	33,800	113,945	28,182	108,327
<u>By type of customer</u>				
Government and statutory bodies	14,607	26,145	8,178	19,716
Business enterprises	20,111,837	20,114,260	18,085,693	18,088,116
Individuals	25,214,947	27,629,617	20,631,064	23,045,734
Others	12,370,143	13,067,076	10,260,077	10,957,010
<b>b) Other liabilities</b>	<b>5,554,326</b>	<b>2,428,762</b>	<b>4,454,700</b>	<b>1,329,136</b>
<i>(of which the affected components are disclosed below):</i>				
<i>At fair value</i>				
Structured products	4,094,973	969,409	3,125,564	-