

HSBC AMANAH

HSBC AMANAH MALAYSIA BERHAD
(Company No. 807705-X)
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2015

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

HSBC AMANAH MALAYSIA BERHAD
(Company No. 807705-X)
(Incorporated in Malaysia)

MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed financial statements for the financial period ended 30 June 2015 have been prepared from the Bank's accounting and other records and that they are in accordance with the requirements of MFRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and the Guidelines on Financial Reporting for Islamic Banking Institutions issued by Bank Negara Malaysia in 2015.

NEOH ELLY
Chief Financial Officer

Date : 22 July 2015

HSBC AMANAH MALAYSIA BERHAD
(Company No. 807705-X)
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	<i>Note</i>	30 Jun 2015 RM'000	31 Dec 2014 RM'000 (Restated)
Assets			
Cash and short-term funds	10	4,355,160	670,934
Financial assets held for trading	11	20,543	20,055
Financial investments available-for-sale	12	1,719,089	4,135,323
Financing and advances	13	11,516,636	10,680,538
Derivative financial assets	15	150,228	123,842
Other assets	16	33,059	239,287
Statutory deposits with Bank Negara Malaysia	17	363,662	479,062
Equipment		13,139	16,214
Intangible assets		-	2
Deferred tax assets		5,439	7,757
Tax recoverable		8,959	8,861
Total assets		18,185,914	16,381,875
Liabilities			
Deposits from customers	18	10,784,106	10,976,181
Deposits and placements from banks and other financial institutions	19	3,192,101	2,501,753
Bills and acceptances payable		23,623	25,709
Derivative financial liabilities	15	179,445	127,617
Other liabilities	20	308,354	158,416
Multi-Currency Sukuk Programme	21	1,757,313	1,001,854
Subordinated Commodity Murabahah Financing	22	543,260	271,636
Total liabilities		16,788,202	15,063,166
Equity			
Share capital		50,000	50,000
Reserves		1,347,712	1,268,709
Total equity attributable to owner of the Bank		1,397,712	1,318,709
Total liabilities and equity		18,185,914	16,381,875
Commitments and Contingencies	31	16,862,440	15,940,789

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 2014 and the accompanying explanatory notes on pages 5 to 30 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 22 July 2015.

HSBC AMANAH MALAYSIA BERHAD
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**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015**

	<i>Note</i>	Second Quarter		Half Year To	
		30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	23	185,294	161,443	354,703	315,694
Income derived from investment of shareholder's funds	24	24,178	34,056	59,156	67,700
Impairment release/(losses) on financing	25	6,060	(17,284)	(22,043)	(32,032)
Total distributable income		215,532	178,215	391,816	351,362
Income attributable to depositors	26	(94,388)	(69,248)	(179,723)	(135,451)
Total net income		121,144	108,967	212,093	215,911
Personnel expenses	27	(13,605)	(11,390)	(26,403)	(21,812)
Other overheads and expenditures	28	(50,580)	(48,618)	(99,129)	(95,365)
Profit before tax		56,959	48,959	86,561	98,734
Tax expense		(11,001)	(10,935)	(17,008)	(22,713)
Profit for the period		45,958	38,024	69,553	76,021
Other comprehensive income/ (expense)					
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met:</i>					
Available-for-sale reserve:					
Change in fair value		1,121	(1,478)	12,399	1,857
Amount transferred to profit or loss		(232)	-	(232)	-
Income tax credit relating to components of other comprehensive income		(213)	370	(2,920)	(464)
Other comprehensive income/(expense) for the period, net of tax		676	(1,108)	9,247	1,393
Total comprehensive income for the period		46,634	36,916	78,800	77,414
Profit attributable to the owner of the Bank		45,958	38,024	69,553	76,021
Total comprehensive income attributable to the owner of the Bank		46,634	36,916	78,800	77,414
Basic earnings per RM0.50 ordinary share		46.0 sen	38.0 sen	69.6 sen	76.0 sen

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

	Non-distributable					Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Available- for-sale reserve RM'000	Capital contribution reserve RM'000	Regulatory reserve* RM'000	Retained profits RM'000	
2015								
Balance at 1 January	50,000	610,000	50,000	(6,488)	1,374	13,000	600,823	1,318,709
Total comprehensive income for the year								
Profit for the period	-	-	-	-	-	-	69,553	69,553
Other comprehensive income, net of tax								
Available-for-sale reserve:								
Net change in fair value	-	-	-	9,423	-	-	-	9,423
Net amount transferred to profit or loss	-	-	-	(176)	-	-	-	(176)
Total other comprehensive income	-	-	-	9,247	-	-	-	9,247
Total comprehensive income for the period	-	-	-	9,247	-	-	69,553	78,800
Transactions with the owner (the ultimate holding company), recorded directly in equity								
Share based payment transactions	-	-	-	-	203	-	-	203
Transfer relating to regulatory reserves	-	-	-	-	-	6,000	(6,000)	-
Balance at 30 June	50,000	610,000	50,000	2,759	1,577	19,000	664,376	1,397,712
2014								
Balance at 1 January	50,000	610,000	50,000	(5,960)	1,292	-	472,050	1,177,382
Total comprehensive income for the year								
Profit for the period	-	-	-	-	-	-	76,021	76,021
Other comprehensive income, net of tax								
Available-for-sale reserve:								
Net change in fair value	-	-	-	1,393	-	-	-	1,393
Total other comprehensive income	-	-	-	1,393	-	-	-	1,393
Total comprehensive income for the period	-	-	-	1,393	-	-	76,021	77,414
Transactions with the owner (the ultimate holding company), recorded directly in equity								
Share based payment transactions	-	-	-	-	225	-	-	225
Transfer relating to regulatory reserves	-	-	-	-	-	13,000	(13,000)	-
Balance at 30 June	50,000	610,000	50,000	(4,567)	1,517	13,000	535,071	1,255,021

* The Bank maintains a regulatory reserve to meet local regulatory requirements; the effect of this requirement is to restrict the amount of reserves that can be distributed to shareholders.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2014 and the accompanying explanatory notes on pages 5 to 30 attached to the unaudited condensed interim financial statements.

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HSBC AMANAH MALAYSIA BERHAD
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UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

	30 Jun 2015	30 Jun 2014
	RM'000	RM'000
Profit before tax	86,561	98,734
Adjustments for non-operating and non-cash items	4,061	4,514
Operating profit before working capital changes	90,622	103,248
Changes in working capital:		
Net changes in operating assets	(541,344)	(971,972)
Net changes in operating liabilities	724,737	769,175
Income tax paid	(17,708)	-
Net cash generated from/(used in) operating activities	256,307	(99,549)
Net cash generated from/(used in) investing activities	2,427,620	(514,263)
Net cash generated from financing activities	1,000,299	249,456
	3,427,919	(264,807)
Net changes in cash and cash equivalents	3,684,226	(364,356)
Cash and cash equivalents at beginning of the period	670,934	3,093,206
Cash and cash equivalents at end of the period	4,355,160	2,728,850
Analysis of cash and cash equivalents		
Cash and short-term funds	4,355,160	2,728,850

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The unaudited condensed interim financial statements were approved by the Board of Directors on 22 July 2015.

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NOTES TO THE FINANCIAL STATEMENTS

1 General Information

HSBC Amanah Malaysia Berhad (the Bank) was incorporated on 26 February 2008 and is a licensed Islamic Bank under the Islamic Financial Services Act, 2013. The registered office of the Bank is at No. 2, Leboh Ampang, 50100 Kuala Lumpur.

The principal activities of the Bank are Islamic banking and related financial services. There were no significant changes in these activities during the financial period.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 30 June 2015 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial instruments held-for-trading, financial investments available-for-sale, derivative financial instruments and financial instruments fair valued through profit and loss.

The unaudited condensed interim financial statements for the financial period ended 30 June 2015 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Bank Negara Malaysia requirements on Shariah related disclosures.

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 Bank for the financial year ended 31 December 2014. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2014.

All significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2014.

The following are accounting standard amendments and interpretations to MFRSs that have been issued by the MASB but have not been adopted by the Bank as they are either not applicable or not yet effective:

Effective for annual periods commencing on or after 1 January 2016

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Basis of Preparation (continued)

Effective for annual periods beginning on or after 1 January 2017

- MFRS 15, Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2018

- MFRS 9, Financial Instruments (2014)

The initial application of the above accounting standards, amendments and interpretation are not expected to have any material financial impact to the current period and prior period financial statements of the Bank upon their first adoption, except as mentioned below:

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139: Financial Instruments, Recognition and Measurement on the classification and measurement of financial assets

3 Auditors' Report On Preceding Annual Financial Statements

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

4 Seasonality or Cyclical Factors

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

5 Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Bank for the financial period ended 30 June 2015.

6 Changes in Estimates

The preparation of financial information requires the use of estimates. The use of available information and the application of judgement are inherent in the formation of estimates; actual results in the future may differ from those reported. Management believes that critical accounting policies where judgement is necessarily applied are those which relate to impairment allowances for financing and advances, 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 Bank for the financial period ended 30 June 2015.

7 Debt and Equity Securities

There were no other issuances, cancellations, repurchases, resale or repayment of other debt or equity securities during the financial period ended 30 June 2015, except for those disclosed under Note 21.

8 Dividend

No dividend was declared nor paid during the financial period ended 30 June 2015.

9 Significant and Subsequent Events

There were no material events subsequent to the balance sheet date that requires disclosure or adjustments to the unaudited condensed interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Cash and Short-Term Funds

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Cash and balances with banks and other financial institutions	155,160	170,934
Money at call and interbank placements maturing within one month	4,200,000	500,000
	4,355,160	670,934

11 Financial Assets Held for Trading

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government Islamic bonds	20,543	20,055
	20,543	20,055

12 Financial Investments Available-for-Sale

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
At fair value		
Money market instruments:		
Bank Negara Malaysia bills	-	2,484,809
Malaysian Government Islamic bonds	1,719,089	1,421,640
Negotiable instruments of deposit	-	228,874
	1,719,089	4,135,323

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

Maturing within one year	249,999	2,813,526
More than one year to three years	824,438	683,491
More than three years to five years	644,652	638,306
	1,719,089	4,135,323

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Financing and Advances

(i) By type and Shariah contracts

	Sale-based contracts				Lease-based contracts		Equity-based contracts	Ujrah	Total
	Commodity Murabahah	Bai Bithaman Ajil	Bai Al-Inah	Bai Al-Dayn	Ijarah	Ijarah Thumma Al-Bai	Diminishing Musharakah		
30 Jun 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	99,328	-	611	-	-	-	-	-	99,939
Term financing:									
House financing	-	1,653	-	-	-	-	4,031,545	-	4,033,198
Hire purchase receivables	-	-	-	-	-	236,416	-	-	236,416
Lease receivables	-	-	-	-	4,750	-	-	-	4,750
Other term financing	3,984,404	81,606	72,889	-	-	-	947,543	-	5,086,442
Trust receipts	406,044	-	-	-	-	-	-	-	406,044
Claims on customers under acceptance credits	721,842	-	-	-	-	-	-	-	721,842
Staff financing-i	3,457	-	1,101	-	-	-	2,767	-	7,325
Credit cards-i	-	-	-	-	-	-	-	506,570	506,570
Revolving credit	579,053	-	-	-	-	-	-	-	579,053
Gross financing and advances	5,794,128	83,259	74,601	-	4,750	236,416	4,981,855	506,570	11,681,579
Less: Allowance for impaired financing									
Collective allowances for impairment									(122,277)
Individual allowances for impairment									(42,666)
Total net financing and advances									11,516,636

	Sale-based contracts				Lease-based contracts		Equity-based contracts	Ujrah	Total
	Commodity Murabahah	Bai Bithaman Ajil	Bai Al-Inah	Bai Al-Dayn	Ijarah	Ijarah Thumma Al-Bai	Diminishing Musharakah		
31 Dec 2014 (Restated)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	92,561	-	647	-	-	-	-	-	93,208
Term financing:									
House financing	-	2,449	-	-	-	-	3,818,297	-	3,820,746
Hire purchase receivables	-	-	-	-	-	234,530	-	-	234,530
Lease receivables	-	-	-	-	5,373	-	-	-	5,373
Other term financing	3,419,045	108,205	138,882	-	-	-	925,242	-	4,591,374
Trust receipts	358,591	-	-	-	-	-	-	-	358,591
Claims on customers under acceptance credits	461,478	-	-	157,780	-	-	-	-	619,258
Staff financing-i	2,941	-	1,046	-	-	-	4,050	-	8,037
Credit cards-i	-	-	-	-	-	-	-	499,820	499,820
Revolving credit	618,239	-	-	-	-	-	-	-	618,239
Gross financing and advances	4,952,855	110,654	140,575	157,780	5,373	234,530	4,747,589	499,820	10,849,176
Less: Allowance for impaired financing									
Collective allowances for impairment									(124,817)
Individual allowances for impairment									(43,821)
Total net financing and advances									10,680,538

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Financing and Advances (continued)

(ii) By type of customer

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
		(Restated)
Domestic non-bank financial institutions	419,774	392,939
Domestic business enterprises:		
Small medium enterprises	2,411,440	1,958,012
Others	2,480,263	2,216,241
Government and statutory bodies	15,457	15,898
Individuals	5,142,224	4,931,784
Other domestic entities	2,715	1,657
Foreign entities	1,209,706	1,332,645
	<u>11,681,579</u>	<u>10,849,176</u>

(iii) By profit rate sensitivity

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
		(Restated)
Fixed rate:		
House financing	1,587	2,356
Hire purchase receivables	236,416	234,530
Other financing	1,992,018	1,839,701
Variable rate:		
BR/BFR plus	5,078,884	4,843,482
Cost-plus	3,866,104	3,429,287
Other variable rates	506,570	499,820
	<u>11,681,579</u>	<u>10,849,176</u>

(iv) By residual contractual maturity

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
		(Restated)
Maturing within one year	4,049,677	4,711,242
More than one year to three years	788,382	402,099
More than three years to five years	1,610,055	873,355
Over five years	5,233,465	4,862,480
	<u>11,681,579</u>	<u>10,849,176</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Financing and Advances (continued)

(v) **By sector**

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
		(Restated)
Agriculture, hunting, forestry & fishing	618,429	266,339
Mining and quarrying	275,467	167,795
Manufacturing	1,167,598	1,233,112
Electricity, gas and water	62,277	76,190
Construction	576,424	702,597
Real estate	261,563	238,026
Wholesale & retail trade, restaurants & hotels	847,650	793,365
Transport, storage and communication	231,521	213,442
Finance, takaful and business services	1,083,873	689,121
Household - Retail	5,774,173	5,527,443
Others	782,604	941,746
	11,681,579	10,849,176

(vi) **By purpose**

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
		(Restated)
Purchase of landed property:		
- Residential	4,035,965	3,823,177
- Non-residential	806,894	796,247
Purchase of transport vehicles	2,422	2,359
Purchase of fixed assets excluding land & building	6,977	12,716
Consumption credit	1,479,434	1,449,760
Construction	565,936	702,597
Working capital	4,189,627	3,307,779
Other purpose	594,324	754,541
	11,681,579	10,849,176

(vii) **By geographical distribution**

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
		(Restated)
Northern Region	1,321,669	1,368,837
Southern Region	1,591,875	1,529,537
Central Region	8,310,825	7,468,846
Eastern Region	457,210	481,956
	11,681,579	10,849,176

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 states of Selangor and the Federal Territory of Kuala Lumpur.

The Eastern region consists of the states of Sabah, Sarawak and the Federal Territory of Labuan.

Concentration by location for financing and advances is based on the location of the customer.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Financing and Advances (continued)

(viii) Assets under Management

The details of assets under management in respect of the Restricted Profit Sharing Investment Account (RPSIA) and Syndicated Investment Agency Financing (SIAF)/ Investment Agency Account (IAA) financing are as below. The exposures and the corresponding risk weighted amount are reported in investors' financial statements.

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Under SIAF/IAA arrangement	1,332,085	-
Under RPSIA arrangement	553,606	415,743
Total net financing and advances	1,885,691	415,743
	Credit	Credit
	Principal	equivalent
	amount	amount
	RM'000	RM'000
Commitments and Contingencies		Risk
Irrevocable commitments to extend credit:		weighted
- at 30 Jun 2015		amount
<u>Under RPSIA arrangement</u>		RM'000
- Maturity not exceeding one year	629,757	125,951
- at 31 Dec 2014		125,951
<u>Under RPSIA arrangement</u>		RM'000
- Maturity not exceeding one year	-	-
		Principal
		RM'000
Total RWA for Credit Risk		Risk weighted
- at 30 Jun 2015		RM'000
Under SIAF/IAA arrangement	1,332,085	1,332,085
Under RPSIA arrangement	679,557	679,557
- at 31 Dec 2014		415,743
Under RPSIA arrangement	415,743	415,743

The Restricted Profit Sharing Investment Account (RPSIA) is with the Bank's holding company, HSBC Bank Malaysia Berhad (HBMY), and the contract is based on the Mudharabah principle where HBMY provides the funds, whilst the assets are managed by the Bank. The profits of the underlying assets are shared based on pre-agreed ratios, whilst risks on the financing are borne by HBMY. Hence, the underlying assets and allowances for impairment arising thereon, if any, are recognised and accounted for by HBMY. Effective 31 March 2015, Syndicated Investment Account for Financing / Investment Agency Account (SIAF / IAA) replaces RPSIA for new financing and advances.

The SIAF/IAA arrangement is based on the Wakalah principle where HBMY, solely or together with other financial institutions provide the funds, whilst the assets are managed by the Bank (as the Wakeel or agent). However, in the arrangement, the profits of the underlying assets are recognised by HBMY and the other financial institutions for their respective portion of the funding provided in the syndication arrangement. At the same time, risks on the financing are also proportionately borne by HBMY and the other financial institutions. Hence, the underlying assets and allowances for impairment arising thereon, if any, are proportionately recognised and accounted for by HBMY and the other financial institutions.

The recognition and derecognition treatments of the above are in accordance to Note 3f(i) and(iii) on financial instruments in the audited financial statements of the Bank for the financial year ended 31 Dec 2014.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Impaired Financing

(i) Movements in impaired financing and advances

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
At beginning of period/year	162,227	166,906
Classified as impaired during the period/year	140,300	265,934
Reclassified as performing	(49,888)	(132,732)
Amount recovered	(30,053)	(64,272)
Amount written off	(44,890)	(97,356)
Other movements	886	23,747
At end of period/year	178,582	162,227
Less: Individual allowance for impairment	(42,666)	(43,821)
Collective allowance for impairment (impaired portion)	(37,661)	(41,128)
Net impaired financing and advances	98,255	77,278

(ii) Movements in allowance for impaired financing

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Collective allowance for impairment		
At beginning of period/year	124,817	119,290
Made during the period/year	75,075	118,612
Amount released	(35,313)	(25,873)
Amount written off	(42,591)	(86,338)
Other movement	289	(874)
At end of period/year	122,277	124,817

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Individual allowance for impairment		
At beginning of period/year	43,821	41,137
Made during the period/year	13,944	33,643
Amount recovered	(16,295)	(31,739)
Amount written off	(3,339)	(8,148)
Other movement	4,535	8,928
At end of period/year	42,666	43,821

(iii) By contract

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Bai Bithaman Ajil (<i>deferred payment sale</i>)	78	135
Bai Al-Dayn (<i>sale of debt</i>)	-	47
Ijarah Thumma Al-Bai (AITAB) (<i>hire purchase</i>)	7,983	11,759
Murabahah (<i>cost-plus</i>)	63,834	43,961
Musharakah (<i>profit and loss sharing</i>)	87,111	80,142
Bai Al-Inah (<i>sell and buy back</i>)	6,480	12,033
Ujrah (<i>fee-based</i>)	13,096	14,150
	178,582	162,227

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Impaired Financing (Cont'd)

(iv) By sector

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Manufacturing	4,118	13,592
Electricity, gas and water	-	3
Construction	184	782
Wholesale & retail trade, restaurants & hotels	2,521	2,941
Transport, storage and communication	5,463	5,670
Finance, takaful and business services	7,514	625
Household - Retail	158,782	138,017
Others	-	597
	178,582	162,227

(v) By purpose

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Purchase of landed property:		
- Residential	75,461	55,963
- Non-residential	9,363	7,186
Purchase of transport vehicles	229	296
Purchase of fixed assets excluding land & building	358	-
Consumption credit	76,056	74,674
Construction	184	782
Working capital	16,931	22,640
Other purpose	-	686
	178,582	162,227

(vi) By geographical distribution

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Northern Region	30,507	33,864
Southern Region	22,747	21,245
Central Region	116,447	97,980
Eastern Region	8,881	9,138
	178,582	162,227

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 Derivative Financial Instruments

Details of derivative financial instruments outstanding are as follows:

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

	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
30 Jun 2015												
Trading derivatives:												
Foreign exchange contracts												
- Forwards	1,849,557	-	-	1,849,557	29,161	-	-	29,161	28,870	-	-	28,870
- Swaps	-	1,572,361	-	1,572,361	-	109,253	-	109,253	-	103,058	-	103,058
- Options	45,013	-	-	45,013	473	-	-	473	2	-	-	2
Profit rate related contracts												
- Swaps	200,000	4,668,976	-	4,868,976	233	8,391	242	8,866	98	10,930	-	11,028
- Options	-	125,048	-	125,048	-	278	-	278	-	330	1,281	1,611
Equity related contracts												
- Options purchased	189,103	567,081	-	756,184	1,471	657	-	2,128	4,489	29,687	-	34,176
Precious metal contracts												
- Options purchased	-	-	-	-	-	-	-	-	-	-	-	-
Sub- total	2,283,673	6,933,466	-	9,217,139	31,338	118,579	242	150,159	33,459	144,005	1,281	178,745
Hedging Derivatives:												
Fair Value Hedge												
Profit rate related contracts												
- Swaps	-	280,000	-	280,000	-	69	-	69	-	700	-	700
Sub- total	-	280,000	-	280,000	-	69	-	69	-	700	-	700
Total	2,283,673	7,213,466	-	9,497,139	31,338	118,648	242	150,228	33,459	144,705	1,281	179,445

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 Derivative Financial Instruments (continued)

	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
31 Dec 2014												
Trading derivatives:												
Foreign exchange contracts												
- Forwards	1,931,962	-	-	1,931,962	51,636	-	-	51,636	36,516	-	-	36,516
- Swaps	-	928,905	-	928,905	-	52,982	-	52,982	-	47,200	-	47,200
- Options	39,395	-	-	39,395	1,670	-	-	1,670	32	-	-	32
Profit rate related contracts												
- Options	30,000	4,161,873	-	4,191,873	12	11,334	-	11,346	-	10,689	-	10,689
- Swaps	-	376,261	-	376,261	-	-	-	-	-	6,632	-	6,632
Equity related contracts												
- Options purchased	250,213	972,460	-	1,222,673	2,430	2,908	-	5,338	3,301	23,219	-	26,520
Precious metal contracts												
- Options purchased	-	-	-	-	-	-	-	-	-	-	-	-
Sub- total	2,251,570	6,439,499	-	8,691,069	55,748	67,224	-	122,972	39,849	87,740	-	127,589
Hedging Derivatives:												
Fair Value Hedge												
Profit rate related contracts												
- Swaps	-	280,000	-	280,000	-	870	-	870	-	28	-	28
Sub- total	-	280,000	-	280,000	-	870	-	870	-	28	-	28
Total	2,251,570	6,719,499	-	8,971,069	55,748	68,094	-	123,842	39,849	87,768	-	127,617

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 Other Assets

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
		(Restated)
Income receivable	17,323	13,591
Amount due from holding company/ related companies	2,441	135,415
Other receivables, deposits and prepayments	13,295	90,281
	33,059	239,287

17 Statutory deposits with Bank Negara Malaysia

The non-profit bearing statutory deposits are maintained with Bank Negara Malaysia 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.

18 Deposits From Customers

(i) By type of deposit

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Non-Mudharabah Fund		
Demand deposits		
- Wadiah	2,397,677	1,548,966
Savings deposits		
- Wadiah	1,487,331	1,351,171
Fixed return investment deposits		
- Murabahah	5,814,141	6,082,562
Islamic repurchase agreements		
- Bai Al-Inah	122,558	205,055
Negotiable instruments of deposits		
- Wakalah with Commodity Wa'ad	334,438	681,411
Structured Investments		
- Wakalah with Commodity Wa'ad	592,559	1,021,151
- Wakalah with Mudharabah	35,402	85,865
	10,784,106	10,976,181

The maturity structure of term deposits and negotiable instruments of deposits is as follows:

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Due within six months	5,005,824	5,278,924
More than six months to one year	871,675	984,577
More than one year to three years	117,750	69,882
More than three years to five years	153,330	430,590
	6,148,579	6,763,973

(ii) By type of customer

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Government and statutory bodies	9,085	11,554
Business enterprises	2,786,095	2,163,743
Individuals	5,864,774	6,789,836
Others	2,124,152	2,011,048
	10,784,106	10,976,181

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Deposits and Placements from Banks and Other Financial Institutions

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Non-Mudharabah Fund		
Licensed banks	2,614,465	1,822,110
Bank Negara Malaysia	27,637	19,643
Mudharabah Fund		
Licensed banks	550,000	660,000
	3,192,102	2,501,753

20 Other Liabilities

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
	Note	
Profit payable	72,622	65,033
Amounts due to holding company/ related companies	90,591	64
Other creditors and accruals	145,141	93,319
	308,354	158,416

(a) Other creditors and accruals

Included in other creditors and accruals is excess compensation balance and profit earned from inadvertent financing of Shariah non-compliant activities. The contribution was distributed to the Non-Governmental Organisations approved by the Shariah Committee during the financial year

Source and use of charity funds

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Source of charity funds		
At beginning of period/year	165	3
Income from inadvertent Shariah non-compliant activities	12	162
Use of charity funds		
Contribution to non-profit organisations	(50)	-
At end of period/year	127	165

21 Multi-Currency Sukuk Programme

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Multi-Currency Sukuk Programme (MCSP)	1,757,313	1,001,854

The Bank issued the following series of 5-year Sukuk under its RM3 billion MCSP.

	Nominal Value	Issue Date	Maturity Date	Carrying Value	
				30 Jun 2015	31 Dec 2014
	RM'000			RM'000	RM'000
Issuance under MCSP					
1st series at amortised cost	500,000	28 Sept 2012	28 Sept 2017	500,000	500,000
2nd series at fair value through profit and loss	500,000	16 Oct 2014	16 Oct 2019	503,320	501,854
3rd series at fair value through profit and loss	750,000	27 Mar 2015	27 Mar 2020	753,993	-
	1,750,000			1,757,313	1,001,854

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Subordinated Commodity Murabahah Financing

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Subordinated Commodity Murabahah Financing		
- At amortised costs		
First tranche issued on 25 June 2014	292,961	271,636
Second tranche issued on 30 June 2015	250,299	-
	543,260	271,636

The Subordinated Commodity Murabahah financing comprise two Basel III compliant Tier 2 subordinated financing of USD equivalent of RM250 million each from the Bank's immediate holding company, HSBC Bank Malaysia Berhad (HBMY). The tenor for both the Subordinated Commodity Murabahah financing is 10 years from the utilisation date with profit payable quarterly in arrears.

The Subordinated Commodity Murabahah financing constitute direct, unsecured and subordinated obligations of the Bank.

23 Income Derived from Investment of Depositors' Funds and Others

	Second Quarter		Half Year To	
	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) general investment deposits	124,682	127,540	242,619	242,950
(ii) specific investment deposits	17,381	7,207	29,240	13,710
(iii) other deposits	43,231	26,696	82,844	59,034
	185,294	161,443	354,703	315,694

(i) Income derived from investment of general investment deposits

	Second Quarter		Half Year To	
	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	92,609	96,579	186,138	187,634
- Recoveries from impaired financing	1,940	3,544	4,627	5,991
Financial investments available-for-sale	15,782	11,533	35,500	20,377
Money at call and deposit with financial institutions	17,375	15,268	25,702	29,783
	127,706	126,924	251,967	243,785
<u>Other operating income</u>				
Net (losses)/gains from dealing in foreign currency	(3,187)	3,545	(2,688)	7,088
Net gains from sale of financial assets held-for-trading and other financial instruments	2,793	4,166	3,876	7,998
Net unrealised gains from revaluation of financial assets held-for-trading	1,390	84	1,511	1,213
Net profit paid for financial assets held-for-trading and other financial instruments	(5,112)	(12,054)	(12,606)	(22,523)
Net gains from trading in derivatives	1,123	5,176	595	5,736
Other loss	(31)	(301)	(36)	(347)
	(3,024)	616	(9,348)	(835)
	124,682	127,540	242,619	242,950

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 Income Derived from Investment of Depositors' Funds and Others (Cont'd)

	Second Quarter		Half Year To	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
(ii) Income derived from investment of specific investment deposits				
<u>Finance income and hibah:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	8,674	5,317	16,632	10,183
Money at call and deposit with financial institutions	-	8	-	8
	8,674	5,325	16,632	10,191
<u>Other operating income</u>				
Fees and commission	662	505	2,417	1,355
Net gains from dealing in foreign currency	8,045	1,377	10,191	2,164
	8,707	1,882	12,608	3,519
	17,381	7,207	29,240	13,710
The above fees and commissions were derived from the following major contributors:				
Corporate advisory	10	-	818	-
Guarantee fees	344	255	539	514
Service charges and fees	585	174	1,058	764

	Second Quarter		Half Year To	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
(iii) Income derived from investment of other deposits				
<u>Finance income and hibah:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	32,143	20,080	63,558	45,593
- Recoveries from impaired financing	679	770	1,580	1,456
Financial investments available-for-sale	5,499	2,473	12,122	4,951
Money at call and deposit with financial institutions	5,979	3,170	8,776	7,237
	44,300	26,493	86,036	59,237
<u>Other operating income</u>				
Net (losses)/gains from dealing in foreign currency	(1,086)	729	(918)	1,722
Net gains from sale of financial assets held-for-trading and other financial instruments	959	869	1,323	1,943
Net gains from trading in derivatives	380	1,237	203	1,394
Net unrealised gains/(losses) from revaluation of financial assets held-for-trading	475	(21)	516	295
Net profit paid from financial assets held-for-trading and other financial instruments	(1,787)	(2,540)	(4,304)	(5,473)
Other loss	(10)	(71)	(12)	(84)
	(1,069)	203	(3,192)	(203)
	43,231	26,696	82,844	59,034

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 Income Derived from Investment of Shareholder's Funds

	Second Quarter		Half Year To	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
<u>Finance income and hibah:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	10,687	10,433	22,570	21,182
- Recoveries from impaired financing	220	387	561	676
Financial investments available-for-sale	1,799	1,256	4,304	2,300
Money at call and deposit with financial institutions	2,058	1,649	3,116	3,362
	14,764	13,725	30,551	27,520
<u>Other operating income</u>				
Fees and commission	18,617	19,355	35,406	37,801
Net (losses)/gains from dealing in foreign currency	(389)	382	(326)	800
Net gains from sale of financial assets held-for-trading and other financial instruments	332	451	470	903
Net gains from trading in derivatives	139	582	72	648
Net unrealised gains from revaluation of financial assets held-for-trading	168	4	183	137
Net profit paid from financial assets held-for-trading and other financial instruments	(576)	(1,307)	(1,528)	(2,543)
Shared-service fees from holding company	835	910	1,705	1,834
Net gain on disposal of financial assets available-for-sale	232	-	232	-
Net loss on financial instruments fair valued through profit or loss	(10,184)	-	(7,648)	-
Other income/(loss)	8	(46)	39	600
	9,182	20,331	28,605	40,180
	23,946	34,056	59,156	67,700
The above fees and commissions were derived from the following major contributors:				
Service charges and fees	6,052	4,784	11,702	9,507
Cards	7,143	8,883	14,844	15,610
Agency fees	2,064	4,709	5,212	8,763

25 Impairment Losses on Financing

	Second Quarter		Half Year To	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Impairment charges on financing:				
(a) Individual impairment				
- Provided	2,149	9,454	13,944	20,743
- Written back	(4,818)	(4,576)	(16,295)	(13,692)
(b) Collective impairment				
- Provided	28,118	25,232	75,075	55,598
- Written back	(23,901)	(7,426)	(35,313)	(17,735)
Impaired financing				
- Recovered	(8,295)	(7,531)	(16,650)	(15,239)
- Written off	687	2,131	1,282	2,357
	(6,060)	17,284	22,043	32,032

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 Income Attributable to Depositors

	Second Quarter		Half Year To	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Non-Mudharabah Fund				
Deposits from customers	57,526	55,582	112,790	108,585
Deposits and placements of banks and other financial institutions	11,425	1,477	25,839	3,241
Others	20,195	5,364	32,878	10,524
Mudharabah Fund				
Deposits and placements of banks and other financial institutions	5,242	6,825	8,216	13,101
	94,388	69,248	179,723	135,451

27 Personnel Expenses

	Second Quarter		Half Year To	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Salaries, allowances and bonuses	10,720	9,135	21,245	17,574
Employees Provident Fund contributions	1,984	1,512	3,645	2,858
Other staff related costs	901	743	1,513	1,380
	13,605	11,390	26,403	21,812

28 Other Overheads and Expenditures

	Second Quarter		Half Year To	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Promotion and marketing related expenses	5,341	6,759	11,769	11,835
Establishment related expenses				
Depreciation of equipment	1,929	2,106	3,856	4,285
Amortisation of intangible assets	-	2	2	4
Information technology costs	449	379	1,432	1,122
Hire of equipment	1	3	1	3
Rental of premises	2,085	2,000	4,101	4,002
Utilities	497	416	969	734
Others	221	355	323	638
	5,182	5,261	10,684	10,788
General administrative expenses				
Intercompany expenses	33,329	32,857	66,605	65,583
Auditors' remuneration				
Statutory audit fees				
PwC/KPMG Malaysia	20	30	50	60
Other services				
PwC/KPMG Malaysia	33	27	137	95
Professional fees	1,004	568	1,330	823
Communication	97	299	330	626
Others	5,574	2,817	8,224	5,555
	40,057	36,598	76,676	72,742
	50,580	48,618	99,129	95,365

NOTES TO THE FINANCIAL STATEMENTS (continued)

29 Credit exposure to connected parties

The credit exposures of the Bank to connected parties, as defined by Bank Negara Malaysia's Guidelines on Credit Transactions and Exposures with Connected Parties' are as follows:

	30 Jun 2015	31 Dec 2014
Aggregate value of outstanding credit exposures to connected parties (RM'000)	509,719	913,242
As a percentage of total credit exposures	3.36%	6.58%
Aggregate value of outstanding credit exposures to connected parties which is non-performing or in default (RM'000)	-	-
As a percentage of total credit exposures	-	-

30 Capital Adequacy

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Tier 1 capital		
Paid-up ordinary share capital	50,000	50,000
Share premium	610,000	610,000
Retained profits	664,376	600,823
Other reserves	74,207	55,837
Regulatory adjustments	(16,492)	(15,674)
Total Common Equity Tier 1 (CET1) and Tier 1 capital	1,382,091	1,300,986
Tier 2 capital		
Subordinated Commodity Murabahah financing	543,260	271,636
Collective impairment allowance (unimpaired portion) & regulatory reserves	103,616	96,689
Total Tier 2 capital	646,876	368,325
Capital base	2,028,967	1,669,311
CET1 and Tier 1 Capital ratio	11.853%	11.793%
Total Capital ratio	17.400%	15.132%

The total capital and capital adequacy ratios have been computed based on the Standardised Approach in accordance with the Capital Adequacy Framework for Islamic Banks (CAFIB). The Bank has adopted the 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:

	30 Jun 2015		31 Dec 2014	
	Principal	Risk-weighted	Principal	Risk-weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	21,150,622	10,610,255	19,368,430	10,001,574
Total RWA for market risk	-	137,549	-	110,353
Total RWA for operational risk	-	912,929	-	919,539
	21,150,622	11,660,733	19,368,430	11,031,466

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 Commitments and Contingencies

The table below shows the contracts or underlying principal amounts, positive fair value of derivative contracts, 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.

	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount * RM'000
30 Jun 2015			
Direct credit substitutes	916,893	916,893	492,193
Transaction-related contingent items	1,220,802	610,401	364,913
Short-term self-liquidating trade-related contingencies	18,987	3,797	2,431
Irrevocable commitments to extend credit			
- Maturity not exceeding one year	2,306,335	461,267	394,399
- Maturity exceeding one year	1,407,059	703,530	683,660
Unutilised credit card lines	1,495,226	299,045	224,284
Equity related contracts			
- Less than one year	189,103	12,817	425
- One year to less than five years	567,081	46,258	-
Profit rate related contracts			
- Less than one year	264,754	1,327	463
- One year to less than five years	5,009,269	127,715	16,778
Foreign exchange related contracts			
- Less than one year	1,894,571	67,509	10,882
- One year to less than five years	1,572,360	255,330	169,734
	16,862,440	3,505,889	2,360,162
31 Dec 2014			
Direct credit substitutes	832,224	832,224	460,309
Transaction-related contingent items	1,013,164	506,582	345,283
Short-term self-liquidating trade-related contingencies	34,412	6,882	3,237
Irrevocable commitments to extend credit			
- Maturity not exceeding one year	2,432,239	486,448	415,640
- Maturity exceeding one year	1,306,864	653,432	635,862
Unutilised credit card lines	1,350,816	270,163	202,622
Equity related contracts			
- Less than one year	250,213	17,489	3,498
- One year to less than five years	972,460	82,024	16,405
Profit rate related contracts			
- Less than one year	30,000	32	6
- One year to less than five years	4,818,135	130,633	41,242
Foreign exchange related contracts			
- Less than one year	1,971,357	79,829	19,430
- One year to less than five years	928,905	142,761	107,810
	15,940,789	3,208,499	2,251,344

* The credit equivalent and risk weighted amounts are computed using credit conversion factors and risk weighting rules as per Bank Negara Malaysia guidelines. The credit conversion factors and risk weighting rules were based on Basel II Capital Adequacy Framework for Islamic Banks (CAFIB).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Profit Rate Risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. The following table summarises the Bank's exposure to the profit rates 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

30 Jun 2015	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
ASSETS									
Cash and short-term funds	4,273,072	-	-	-	-	82,088	-	4,355,160	3.32
Financial assets held-for-trading	-	-	-	-	-	-	20,543	20,543	3.28
Financial investments available-for-sale	120,013	129,986	-	1,469,090	-	-	-	1,719,089	3.52
Financing and advances									
- performing	2,885,187	7,344,412	301,566	957,676	14,156	-	-	11,502,997	5.37
- impaired *	-	-	-	-	-	135,916	-	135,916	-
- collective allowance	-	-	-	-	-	(122,277)	-	(122,277)	-
Derivative financial assets	-	-	-	-	-	-	150,228	150,228	-
Others	-	-	-	-	-	424,258	-	424,258	-
Total Assets	7,278,272	7,474,398	301,566	2,426,766	14,156	519,985	170,771	18,185,914	
LIABILITIES AND EQUITY									
Deposits from customers	5,657,179	1,525,382	1,467,429	45,772	-	1,125,944	962,400	10,784,106	2.70
Deposits and placements from banks and other financial institutions	1,143,901	98,691	1,177,100	744,772	-	27,637	-	3,192,101	2.18
Bills and acceptances payable	-	-	-	-	-	23,623	-	23,623	-
Multi-Currency Sukuk Programme	-	-	-	1,757,313	-	-	-	1,757,313	3.98
Subordinated Commodity Murabahah Financing	-	-	-	-	543,260	-	-	543,260	2.55
Derivative financial liabilities	-	-	-	-	-	-	179,445	179,445	-
Others	-	-	-	-	-	308,354	-	308,354	-
Total Liabilities	6,801,080	1,624,073	2,644,529	2,547,857	543,260	1,485,558	1,141,845	16,788,202	
Equity	-	-	-	-	-	1,397,712	-	1,397,712	-
Total Liabilities and Equity	6,801,080	1,624,073	2,644,529	2,547,857	543,260	2,883,270	1,141,845	18,185,914	
On-balance sheet profit sensitivity gap	477,192	5,850,325	(2,342,963)	(121,091)	(529,104)	(2,363,285)	(971,074)	-	
Off-balance sheet profit sensitivity gap									
- Profit rate swaps	(24,278)	(722)	-	25,000	-	-	-	-	
- Profit rate options	(5,174)	(15,198)	-	20,372	-	-	-	-	
Total profit sensitivity gap	447,740	5,834,405	(2,342,963)	(75,719)	(529,104)	(2,363,285)	(971,074)	-	

* This is arrived at after deducting individual impairment allowance and collective impairment allowance (impaired portion only) from impaired financing.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Profit rate risk (Cont'd)

31 Dec 2014 (Restated)	← Non-trading book →						Trading book	Total	Effective profit rate %
	Up to 1 month	>1 - 3 months	>3 - 12 months	1 - 5 years	Over 5 years	Non-profit sensitive			
ASSETS									
Cash and short-term funds	500,000	-	-	-	-	170,934	-	670,934	3.31
Financial assets held-for-trading	-	-	-	-	-	-	20,055	20,055	3.48
Financial investments available-for-sale	-	2,058,055	755,471	1,321,797	-	-	-	4,135,323	3.29
Financing and advances									
- performing	2,452,070	7,005,825	278,195	934,635	16,224	-	-	10,686,949	5.66
- impaired *	-	-	-	-	-	118,406	-	118,406	-
- collective allowance	-	-	-	-	-	(124,817)	-	(124,817)	-
Derivative financial assets	-	-	-	-	-	-	123,842	123,842	-
Others	-	-	-	-	-	750,259	924	751,183	-
Total Assets	9,295,698	2,457,778	935,953	2,289,390	33,412	1,224,823	144,821	16,381,875	
LIABILITIES AND EQUITY									
Deposits from customers	5,436,264	1,575,195	1,392,307	40,478	-	743,510	1,788,427	10,976,181	2.36
Deposits and placements from banks and other financial institutions	929,480	-	1,039,650	532,623	-	-	-	2,501,753	2.47
Bills and acceptances payable	-	-	-	-	-	25,709	-	25,709	-
Multi-Currency Sukuk Programme	-	-	-	1,001,854	-	-	-	1,001,854	3.98
Derivative financial liabilities	-	-	-	-	-	-	127,617	127,617	-
Subordinated Commodity Murabahah Financing	-	-	-	-	271,636	-	-	271,636	2.51
Others	-	-	-	-	-	150,035	8,381	158,416	-
Total Liabilities	6,365,744	1,575,195	2,431,957	1,574,955	271,636	919,254	1,924,425	15,063,166	
Equity	-	-	-	-	-	1,318,709	-	1,318,709	-
Total Liabilities and Equity	6,365,744	1,575,195	2,431,957	1,574,955	271,636	2,237,963	1,924,425	16,381,875	
On-balance sheet profit sensitivity gap	2,929,954	882,583	(1,496,004)	714,435	(238,224)	(1,013,140)	(1,779,604)	-	
Off-balance sheet profit sensitivity gap									
- Profit rate swaps	31,093	(30,722)	20,000	(45,371)	25,000	-	-	-	
- Profit rate options	96,806	279,455	-	-	(376,261)	-	-	-	
Total profit sensitivity gap	3,057,853	1,131,316	(1,476,004)	669,064	(589,485)	(1,013,140)	(1,779,604)	-	

* This is arrived at after deducting individual impairment allowance and collective impairment allowance (impaired portion only) from impaired financing.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Liquidity Risk

The following tables summarise 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.

30 Jun 2015	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
ASSETS								
Cash and short-term funds	4,355,160	-	-	-	-	-	-	4,355,160
Financial assets held-for-trading	-	-	-	-	-	-	20,543	20,543
Financial investments available-for-sale	120,013	129,986	-	1,469,090	-	-	-	1,719,089
Financing and advances	2,061,013	1,625,642	335,928	2,369,759	5,124,294	-	-	11,516,636
Derivative financial assets	-	-	-	-	-	-	150,228	150,228
Others	7,970	1,728	194	9,864	8	404,494	-	424,258
Total Assets	6,544,156	1,757,356	336,122	3,848,713	5,124,302	404,494	170,771	18,185,914
LIABILITIES AND EQUITY								
Deposits from customers	6,783,123	1,525,382	1,467,429	45,772	-	-	962,400	10,784,106
Deposits and placements from banks and other financial institutions	1,171,538	98,691	1,177,100	744,772	-	-	-	3,192,101
Bills and acceptances payable	23,623	-	-	-	-	-	-	23,623
Multi-Currency Sukuk Programme	-	-	-	1,757,313	-	-	-	1,757,313
Subordinated Commodity Murabahah Financing	-	-	-	-	543,260	-	-	543,260
Derivative financial liabilities	-	-	-	-	-	-	179,445	179,445
Others	107,271	12,447	21,614	21,754	138	145,130	-	308,354
Total Liabilities	8,085,555	1,636,520	2,666,143	2,569,611	543,398	145,130	1,141,845	16,788,202
Equity	-	-	-	-	-	1,397,712	-	1,397,712
Total Liabilities and Equity	8,085,555	1,636,520	2,666,143	2,569,611	543,398	1,542,842	1,141,845	18,185,914
Net maturity mismatches	(1,541,399)	120,836	(2,330,021)	1,279,102	4,580,904	(1,138,348)	(971,074)	-
Off balance sheet liabilities	6,118,700	552,222	2,259,866	7,929,770	1,882	-	-	16,862,440

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Liquidity Risk (Cont'd)

31 Dec 2014 (Restated)	Non-trading book						Trading book	Total
	Up to 1 month	>1 - 3 months	>3 - 12 months	1 - 5 years	Over 5 years	Non-specific maturity		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	670,934	-	-	-	-	-	-	670,934
Financial assets held-for-trading	-	-	-	-	-	-	20,055	20,055
Financial investments available-for-sale	-	2,058,055	755,471	1,321,797	-	-	-	4,135,323
Financing and advances	2,534,612	1,805,316	246,459	1,266,418	4,827,733	-	-	10,680,538
Derivative financial assets	-	-	-	-	-	-	123,842	123,842
Others	136,362	-	1,523	10,964	-	601,410	924	751,183
Total Assets	3,341,908	3,863,371	1,003,453	2,599,179	4,827,733	601,410	144,821	16,381,875
LIABILITIES AND EQUITY								
Deposits from customers	6,179,774	1,575,195	1,392,307	40,478	-	-	1,788,427	10,976,181
Deposits and placements from banks and other financial institutions	929,480	-	1,039,650	532,623	-	-	-	2,501,753
Bills and acceptances payable	25,709	-	-	-	-	-	-	25,709
Multi-Currency Sukuk Programme	-	-	-	1,001,854	-	-	-	1,001,854
Subordinated Commodity Murabahah Financing	-	-	-	-	271,636	-	-	271,636
Derivative financial liabilities	-	-	-	-	-	-	127,617	127,617
Others	24,461	11,435	18,882	10,852	-	84,405	8,381	158,416
Total Liabilities	7,159,424	1,586,630	2,450,839	1,585,807	271,636	84,405	1,924,425	15,063,166
Equity	-	-	-	-	-	1,318,709	-	1,318,709
Total Liabilities and Equity	7,159,424	1,586,630	2,450,839	1,585,807	271,636	1,403,114	1,924,425	16,381,875
Net maturity mismatches	(3,817,516)	2,276,741	(1,447,386)	1,013,372	4,556,097	(801,704)	(1,779,604)	-
Off balance sheet liabilities	3,701,541	1,854,416	1,903,676	8,292,291	188,865	-	-	15,940,789

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 Performance Review

Profit before tax declined by RM12.2 million or 12.3% against history, arising from higher income attributable to depositors (+RM44.3 million) and operating expenses (+RM8.4 million), partly offset by higher income derived from investment of depositors' funds and others and shareholder's funds (+RM30.5 million) and lower impairment losses on financing (-RM10.0 million).

Income derived from investment of depositors' funds and others and shareholder's funds increased by RM30.5 million for the financial period ended 30 June 2015, mainly due to higher finance income (+RM44.5 million), offset by lower trading income (-RM4.5 million) and higher net losses on financial instruments fair valued through profit and loss (-RM7.6 million).

Income attributable to depositors and others increased arising from a 20 basis point increase in the OPR in July 2014, two sukuk issuances in October 2014 and March 2015 and USD equivalent of RM500 million subordinated financing facilities from HSBC Bank Malaysia Berhad (HBMY). Meanwhile, operating expenses increased mainly on higher personnel expenses and intercompany expenses.

Balance sheet size grew by 11.0% or RM1.8 billion to RM18.2 billion, driven by increase in cash and short term funds (+RM3.2 billion) and financing and advances (+RM0.8 billion), offset by lower financial investments available-for-sale (-RM2.4 billion). The Bank's capital and liquidity ratios remain strong and are well above regulatory requirements.

35 Business Prospects

The Malaysian economy registered a growth of 5.6% in 1Q 2015 (2014: 6.0%), which is marginally higher than the initial forecast of 4.5%-5.5% for 2015 amid a more challenging external environment. Growth was underpinned by stronger private sector expenditure, coupled with the front-loading of household spending prior to the implementation of Goods and Services Tax (GST).

Growth in private investment has expanded at a faster pace of 11.7%, driven by capital spending in the manufacturing and services sectors. Private consumption grew stronger by 8.8%, supported by stable labour market conditions and continued wage growth. Growth in public consumption has registered a positive growth of 4.1%, from higher growth in supplies and services amid moderate growth in emoluments. On the supply side, growth was sustained by the major economic sectors, supported by trade and domestic activities. Meanwhile, agricultural sector has contracted as a result of lower palm oil production, arising from flood-related disruptions.

Inflation was significantly lower in the 1Q 2015, at 0.7% (4Q2014: 2.8%) due to price reduction in transport category following the downward revision of domestic fuel prices in January and February amid lower global oil prices. The Monetary Policy Committee has decided to maintain the Overnight Policy Rate (OPR) at 3.25%. The current stance of monetary policy remains accommodative and is assessed to be appropriate given the developments in monetary and financial conditions. On 2 January 2015, the Base Rate (BR) replaced the base financing rate (BFR) as the main reference rate for new retail floating rate financing facilities.

The Ringgit continued to face volatility in the first half of 2015 due to uncertainty in global economy. Further market expectation on potential rate hike in the US in the second half of 2015 has kept Ringgit at its low level.

However, the Malaysian economy is expected to remain on a steady growth path. Domestic demand will remain the key driver of growth amid lower oil prices. While private consumption is expected to moderate as households adjust to the introduction of GST, the still low unemployment rate at circa of 3.1% would support household spending.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

36 Comparative Figures

Restatement of Comparative Figures

The presentation and classification of items in the current interim financial statements are consistent with the previous financial period except for those listed below. The restatement of 31Dec2014 financial data is a result of an initiative rolled out by the Bank in Q12015 to align financial reporting data with Central Credit Reference Information System (CCRIS) data. Similar reclassification is made to 31Dec2014 data so that they are comparable to 30Jun2015 data. The Bank's prior period profit and loss and retained earnings brought forward are not affected by these reclassifications.

(a) Financing and Advances
By type and Shariah contracts

		Sale-based contracts	Equity-based contracts
		Commodity Murabahah	Diminishing Musharakah
	Total RM'000	RM'000	RM'000
31 Dec 2014 (As restated)			
Financing and advances	10,680,538		
<i>(of which the affected components are disclosed below)</i>			
Term financing:			
House financing	3,820,746	-	3,818,297
Other term financing	4,591,374	3,419,045	925,242
Staff financing-i	8,037	2,941	4,050
		Sale-based contracts	Equity-based contracts
		Commodity Murabahah	Diminishing Musharakah
	Total RM'000	RM'000	RM'000
31 Dec 2014 (As previously stated)			
Financing and advances	10,507,543		
<i>(of which the affected components are disclosed below)</i>			
Term financing:			
House financing	3,309,059	-	3,306,610
Other term financing	4,890,214	3,246,050	1,397,077
Staff financing-i	47,889	2,941	43,902

NOTES TO THE FINANCIAL STATEMENTS (continued)

36 Comparative Figures (continued)

Restatement of Comparative Figures (continued)

	31 Dec 2014	
	RM'000 As restated	RM'000 As previously stated
(a) Financing and advances (continued)	10,680,538	10,507,543
<i>(of which the affected components are disclosed below)</i>		
By type of customer		
Foreign entities	1,332,645	1,159,650
By profit rate sensitivity		
Fixed rate:		
House financing	2,356	6,947
Other financing	1,839,701	1,910,631
Variable rate:		
BR/BFR plus	4,843,482	7,403,014
Cost-plus	3,429,287	621,239
By residual contractual maturity		
Maturing within one year	4,711,242	4,538,247
By sector		
Others	941,746	768,751
By purpose		
Purchase of landed property:		
- Residential	3,823,177	3,031,749
- Non-residential	796,247	326,452
Consumption credit	1,449,760	2,241,187
Working capital	3,307,779	3,777,575
Other purpose	754,541	581,546
By geographical distribution		
Central Region	7,468,846	7,295,851
(b) Other Assets	239,287	239,346
<i>(of which the affected components are disclosed below)</i>		
Income receivable	13,591	13,650