

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2021

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

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

	Note	<i>Group</i>		<i>Bank</i>	
		30 Sep 2021 RM'000	31 Dec 2020 RM'000	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Assets					
Cash and short-term funds	12	12,449,423	12,663,196	9,698,021	9,441,441
Securities purchased under resale agreements		5,485,278	6,826,369	5,485,278	6,826,369
Deposits and placements with banks and other financial institutions	13	-	48,204	1,289,727	1,403,411
Financial assets at fair value through profit and loss (FVTPL)	14	1,893,819	1,089,673	1,893,819	1,089,673
Financial investments at fair value through other comprehensive income (FVOCI)	15	15,063,134	10,827,545	12,928,056	9,527,730
Financial investments at amortised cost	16	199,039	199,743	199,039	199,743
Loans, advances and financing	17	49,035,174	50,752,784	36,471,823	37,260,208
Derivative financial assets	37	1,034,917	2,033,429	1,042,689	2,037,229
Other assets	20	1,094,563	588,905	1,081,235	605,867
Statutory deposits with Bank Negara Malaysia	21	49,745	55,511	20,884	30,009
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		973,043	900,381	965,550	891,297
Intangible assets		28,500	29,099	28,500	29,099
Tax recoverable		201,301	172,190	181,134	169,872
Deferred tax assets		141,816	130,069	103,043	102,309
Total assets		87,649,752	86,317,098	72,048,819	70,274,278
Liabilities					
Deposits from customers	22	65,326,215	63,410,436	53,558,656	51,263,508
Deposits and placements from banks and other financial institutions	23	3,730,301	2,858,341	2,979,684	2,135,227
Bills payable		150,912	169,111	140,459	121,104
Derivative financial liabilities	37	1,042,532	1,840,252	1,084,975	1,899,404
Structured liabilities designated at fair value through profit and loss	24	2,973,226	3,748,193	1,833,441	2,634,940
Other liabilities	25	2,614,783	2,368,130	2,439,479	2,188,958
Multi-Currency Sukuk Programme	26	517,639	523,841	-	-
Subordinated liabilities	27	500,000	500,000	500,000	500,000
Total liabilities		76,855,608	75,418,304	62,536,694	60,743,141
Equity					
Share capital		1,045,875	1,045,875	1,045,875	1,045,875
Other equity and reserves		9,748,269	9,852,919	8,466,250	8,485,262
Total equity attributable to owner of the Bank		10,794,144	10,898,794	9,512,125	9,531,137
Total liabilities and equity		87,649,752	86,317,098	72,048,819	70,274,278
Commitments and contingencies	36	178,886,322	182,549,756	168,748,273	173,674,916

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2020 and the accompanying explanatory notes on pages 13 to 46 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 29 October 2021.

HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

	<i>Note</i>	<i>Group</i>			
		Third Quarter		Nine Months Ended	
		30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
		RM'000	RM'000	RM'000	RM'000
Interest income	28	400,279	431,709	1,212,768	1,486,752
Interest expense	28	(102,050)	(128,244)	(311,805)	(457,973)
Net interest income	28	298,229	303,465	900,963	1,028,779
Fee and commission income	29	103,985	99,987	323,634	298,027
Fee and commission expense	29	(16,390)	(17,560)	(43,362)	(47,951)
Net fee and commission income	29	87,595	82,427	280,272	250,076
Net trading income	30	125,929	211,783	181,599	535,483
Income from Islamic banking operations	31	99,893	78,578	586,646	386,363
Net income/(expenses) from Financial Liabilities Designated at Fair Value		21,697	(12,668)	12,793	(64,391)
Other operating income	32	7,623	15,285	46,513	59,101
Operating income before impairment losses		640,966	678,870	2,008,786	2,195,411
Impairment allowance/provisions	33	(81,165)	(70,504)	(558,890)	(407,542)
Net operating income		559,801	608,366	1,449,896	1,787,869
Other operating expenses	34	(409,832)	(398,433)	(1,280,685)	(1,215,986)
Profit before tax		149,969	209,933	169,211	571,883
Tax expense		(37,292)	(61,389)	(42,229)	(152,576)
Profit for the financial period		112,677	148,544	126,982	419,307
Basic earnings per RM0.50 ordinary share		49.2 sen	64.9 sen	55.5 sen	183.1 sen
Dividends per RM0.50 ordinary share (net)					
- final dividend paid in respect of prior period		-	-	82.2 sen	79.9 sen

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UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021 (Cont'd)

	Note	<i>Bank</i>			
		Third Quarter		Nine Months Ended	
		30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
		RM'000	RM'000	RM'000	RM'000
Interest income	28	405,155	436,189	1,227,310	1,507,899
Interest expense	28	(102,050)	(128,244)	(311,805)	(457,973)
Net interest income	28	303,105	307,945	915,505	1,049,926
Fee and commission income	29	103,844	99,638	322,980	297,080
Fee and commission expense	29	(16,390)	(17,560)	(43,362)	(47,951)
Net fee and commission income	29	87,454	82,078	279,618	249,129
Net trading income	30	107,397	149,687	368,702	498,622
Net income/(expenses) from Financial Liabilities Designated at Fair Value		21,697	(12,668)	12,793	(64,391)
Other operating income	32	43,162	48,520	200,802	205,363
Operating income before impairment losses		562,815	575,562	1,777,420	1,938,649
Impairment allowance/provisions	33	(10,304)	(81,658)	(322,909)	(286,458)
Net operating income		552,511	493,904	1,454,511	1,652,191
Other operating expenses	34	(383,964)	(370,911)	(1,201,447)	(1,132,387)
Profit before tax		168,547	122,993	253,064	519,804
Tax expense		(42,318)	(42,686)	(50,189)	(130,735)
Profit for the financial period		126,229	80,307	202,875	389,069
Basic earnings per RM0.50 ordinary share		55.1 sen	35.1 sen	88.6 sen	169.9 sen
Dividends per RM0.50 ordinary share (net) - final dividend paid in respect of prior period		-	-	82.2 sen	79.9 sen

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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	112,677	148,544	126,982	419,307
Other comprehensive income/(expense)				
<i>Items that will not be reclassified to profit or loss</i>				
Own credit reserve:				
Change in fair value	(1,892)	(10,718)	1,599	15,602
Income tax effect	454	2,572	(384)	(3,745)
Fair value through other comprehensive income reserve (equity instruments):				
Change in fair value	-	-	11,771	16,982
Income tax effect	-	-	(2,825)	(4,076)
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i>				
Fair value through other comprehensive income reserve (debt instruments):				
Change in fair value	(25,348)	18,856	(55,572)	150,332
Amount transferred to profit or loss	6,605	(12,920)	(5,504)	(100,600)
Impairment	933	(2,787)	699	1,831
Income tax effect	4,498	(1,424)	14,658	(11,935)
Other comprehensive (expense)/income for the financial period, net of income tax	(14,750)	(6,421)	(35,558)	64,391
Total comprehensive income for the financial period	97,927	142,123	91,424	483,698
Profit attributable to owner of the Bank	112,677	148,544	126,982	419,307
Total comprehensive income attributable to owner of the Bank	97,927	142,123	91,424	483,698

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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021 (Cont'd)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	126,229	80,307	202,875	389,069
Other comprehensive income/(expense)				
<i>Items that will not be reclassified to profit or loss</i>				
Own credit reserve:				
Change in fair value	250	(4,288)	2,658	5,345
Income tax effect	(60)	1,029	(638)	(1,283)
Fair value through other comprehensive income reserve (equity instruments):				
Change in fair value	-	-	11,771	16,982
Income tax effect	-	-	(2,825)	(4,076)
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i>				
Fair value through other comprehensive income reserve (debt instruments):				
Change in fair value	(20,925)	12,894	(46,464)	127,750
Amount transferred to profit or loss	6,605	(6,759)	(2,950)	(88,330)
Impairment	797	(2,061)	591	1,596
Income tax effect	3,437	(1,473)	11,859	(9,461)
Other comprehensive (expense)/income for the financial period, net of income tax	(9,896)	(658)	(25,998)	48,523
Total comprehensive income for the financial period	116,333	79,649	176,877	437,592
Profit attributable to owner of the Bank	126,229	80,307	202,875	389,069
Total comprehensive income attributable to owner of the Bank	116,333	79,649	176,877	437,592

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

Group (RM'000)	<i>Non-distributable</i>						<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Other equity instrument</i>	<i>Revaluation reserve</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
2021									
Balance at 1 January	1,045,875	500,000	190,751	215,792	(5,685)	103,790	298,100	8,550,171	10,898,794
Profit for the financial period	-	-	-	-	-	-	-	126,982	126,982
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(1,697)	-	-	-	-	1,697	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	(33,289)	1,215	-	-	-	(32,074)
Net amount transferred to profit or loss	-	-	-	(4,183)	-	-	-	-	(4,183)
Transfer to retained profit upon disposal	-	-	-	(9)	-	-	-	9	-
Impairment charges	-	-	-	699	-	-	-	-	699
<i>Total other comprehensive (expense)/income</i>	-	-	(1,697)	(36,782)	1,215	-	-	1,706	(35,558)
Total comprehensive income for the financial period	-	-	(1,697)	(36,782)	1,215	-	-	128,688	91,424
Net change in regulatory reserves	-	-	-	-	-	-	81,300	(81,300)	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	(2,936)	-	2,677	(259)
Dividends paid to owner - 2020 final	-	-	-	-	-	-	-	(188,161)	(188,161)
Discretionary coupon on other equity instrument issued	-	-	-	-	-	-	-	(7,654)	(7,654)
Balance at 30 September	1,045,875	500,000	189,054	179,010	(4,470)	100,854	379,400	8,404,421	10,794,144

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021 (Cont'd)

Group (RM'000)	<i>Non-distributable</i>						<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Other equity instrument</i>	<i>Revaluation reserve</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
2020									
Balance at 1 January	1,045,875	500,000	205,363	173,673	(18,179)	100,010	486,200	8,201,963	10,694,905
Profit for the financial period	-	-	-	-	-	-	-	419,307	419,307
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(1,795)	-	-	-	-	1,795	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	127,159	11,857	-	-	-	139,016
Net amount transferred to profit or loss	-	-	-	(76,456)	-	-	-	-	(76,456)
Impairment charges	-	-	-	1,831	-	-	-	-	1,831
<i>Total other comprehensive (expense)/income</i>	-	-	(1,795)	52,534	11,857	-	-	1,795	64,391
Total comprehensive income for the financial period	-	-	(1,795)	52,534	11,857	-	-	421,102	483,698
Net change in regulatory reserves	-	-	-	-	-	-	(185,800)	185,800	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	4,844	-	1,411	6,255
Dividends paid to owner - 2019 final	-	-	-	-	-	-	-	(183,000)	(183,000)
Discretionary coupon on other equity instrument issued	-	-	-	-	-	-	-	(10,459)	(10,459)
Balance at 30 September	<u>1,045,875</u>	<u>500,000</u>	<u>203,568</u>	<u>226,207</u>	<u>(6,322)</u>	<u>104,854</u>	<u>300,400</u>	<u>8,616,817</u>	<u>10,991,399</u>

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021 (Cont'd)

Bank (RM'000)	<i>Non-distributable</i>						<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Other equity instrument</i>	<i>Revaluation reserve</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
2021									
Balance at 1 January	1,045,875	500,000	190,751	203,924	(4,562)	103,013	292,000	7,200,136	9,531,137
Profit for the financial period	-	-	-	-	-	-	-	202,875	202,875
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(1,697)	-	-	-	-	1,697	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	(26,367)	2,020	-	-	-	(24,347)
Net amount transferred to profit or loss	-	-	-	(2,242)	-	-	-	-	(2,242)
Transfer to retained profit upon disposal	-	-	-	(9)	-	-	-	9	-
Impairment charges	-	-	-	591	-	-	-	-	591
<i>Total other comprehensive (expense)/income</i>	-	-	(1,697)	(28,027)	2,020	-	-	1,706	(25,998)
Total comprehensive income for the financial period	-	-	(1,697)	(28,027)	2,020	-	-	204,581	176,877
Net change in regulatory reserves	-	-	-	-	-	-	45,800	(45,800)	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	(2,692)	-	2,618	(74)
Dividends paid to owner - 2020 final	-	-	-	-	-	-	-	(188,161)	(188,161)
Discretionary coupon on other equity instrument issued	-	-	-	-	-	-	-	(7,654)	(7,654)
Balance at 30 September	1,045,875	500,000	189,054	175,897	(2,542)	100,321	337,800	7,165,720	9,512,125

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021 (Cont'd)

Bank (RM'000)	<i>Non-distributable</i>						<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Other equity instrument</i>	<i>Revaluation reserve</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
2020									
Balance at 1 January	1,045,875	500,000	205,363	167,379	(9,922)	99,473	433,100	6,942,952	9,384,220
Profit for the financial period	-	-	-	-	-	-	-	389,069	389,069
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(1,795)	-	-	-	-	1,795	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	109,996	4,062	-	-	-	114,058
Net amount transferred to profit or loss	-	-	-	(67,131)	-	-	-	-	(67,131)
Impairment charges	-	-	-	1,596	-	-	-	-	1,596
<i>Total other comprehensive (expense)/income</i>	-	-	(1,795)	44,461	4,062	-	-	1,795	48,523
Total comprehensive income for the financial period	-	-	(1,795)	44,461	4,062	-	-	390,864	437,592
Net change in regulatory reserves	-	-	-	-	-	-	(144,500)	144,500	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	4,567	-	1,368	5,935
Dividends paid to owner - 2019 final	-	-	-	-	-	-	-	(183,000)	(183,000)
Discretionary coupon on other equity instrument issued	-	-	-	-	-	-	-	(10,459)	(10,459)
Balance at 30 September	1,045,875	500,000	203,568	211,840	(5,860)	104,040	288,600	7,286,225	9,634,288

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Profit before tax	169,211	571,883	253,064	519,804
Adjustments for non-operating and non-cash items	943,080	454,635	409,467	283,183
Operating profit before working capital changes	1,112,291	1,026,518	662,531	802,987
Changes in working capital:				
Net changes in operating assets	2,006,671	(72,395)	1,626,044	(163,158)
Net changes in operating liabilities	1,435,138	2,664,245	1,800,550	4,529,346
Income tax paid	(71,636)	(225,779)	(53,786)	(193,379)
Net cash generated from operations	4,482,464	3,392,589	4,035,339	4,975,796
Net cash used in investing activities	(4,484,225)	(341,812)	(3,570,353)	(1,589,959)
Net cash used in financing activities	(212,012)	(993,148)	(208,406)	(221,115)
	(4,696,237)	(1,334,960)	(3,778,759)	(1,811,074)
Net changes in cash and cash equivalents	(213,773)	2,057,629	256,580	3,164,722
Cash and cash equivalents at 1 January	12,663,196	9,623,962	9,441,441	4,847,237
Cash and cash equivalents at 30 September	12,449,423	11,681,591	9,698,021	8,011,959
Analysis of cash and cash equivalents				
Cash and short-term funds	12,449,423	11,681,591	9,698,021	8,011,959

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021 (Cont'd)

Change in liabilities arising from financing activities

Group (RM'000)

	At 1 Jan	Cash outflow	Foreign exchange adjustment	Fair value movement	Interest/ Profit accrual	At 30 Sep
2021						
Multi-Currency Sukuk Programme	523,841	-	-	(6,202)	-	517,639
Subordinated liabilities	500,000	-	-	-	-	500,000
Other liabilities of which:						
Profit paid on Multi-Currency Sukuk Programme	5,360	(3,606)	-	-	8,967	10,721
Interest paid on Subordinated liabilities	4,151	(12,591)	-	-	18,886	10,446
	1,033,352	(16,197)	-	(6,202)	27,853	1,038,806
2020						
Multi-Currency Sukuk Programme	1,265,929	(750,000)	-	9,163	-	525,092
Subordinated liabilities	1,089,612	-	9,689	-	-	1,099,301
Other liabilities of which:						
Profit paid on Multi-Currency Sukuk Programme	13,724	(22,033)	-	-	19,030	10,721
Interest paid on Subordinated liabilities	4,292	(27,656)	-	-	33,890	10,526
	2,373,557	(799,689)	9,689	9,163	52,920	1,645,640

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2020 and the accompanying explanatory notes on pages 13 to 46 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 29 October 2021.

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021 (Cont'd)

Change in liabilities arising from financing activities (Cont'd)

Bank (RM'000)

	At 1 Jan	Cash outflow	Foreign exchange adjustment	Fair value movement	Interest accrual	At 30 Sep
2021						
Subordinated liabilities	500,000	-	-	-	-	500,000
Other liabilities of which:						
Interest paid on Subordinated liabilities	4,151	(12,591)	-	-	18,886	10,446
	504,151	(12,591)	-	-	18,886	510,446
2020						
Subordinated liabilities	1,089,612	-	9,689	-	-	1,099,301
Other liabilities of which:						
Interest paid on Subordinated liabilities	4,292	(27,656)	-	-	33,890	10,526
	1,093,904	(27,656)	9,689	-	33,890	1,109,827

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2020 and the accompanying explanatory notes on pages 13 to 46 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 29 October 2021.

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (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, South 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 unaudited condensed interim financial statements were approved and authorised for issue by the Board of Directors on 29 October 2021.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 30 September 2021 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 2020. 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 2020.

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

The accounting policies, presentation, significant estimates and judgements adopted by the Group and the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2020, except for the adoption of Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16). The Group and the Bank have adopted the amendment to the standards and there is no material financial impact as at 30 September 2021.

(ii) Standards and amendments to published standards that have been issued but not yet effective to the Group and the Bank

A number of new standards and amendments to standards and interpretations have been issued that are applicable to the Group and the Bank but are not yet effective.

Effective for annual periods commencing on or after 1 April 2021

- Amendments to MFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021"

Effective for annual periods commencing on or after 1 January 2022

- Amendments to MFRS 116 "Proceeds before Intended Use"
- Amendments to MFRS 3 "Reference to the Conceptual Framework"
- Annual Improvements to MFRSs 2018 – 2020 Cycle
- Amendments to MFRS 137 "Onerous Contracts – Cost of Fulfilling a Contract"

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2 Basis of Preparation (Cont'd)

Effective for annual periods commencing on or after 1 January 2023

- Amendments to MFRS 101 "Classification of Liabilities as Current or Non-current"
- Amendments to MFRS 101 and MFRS Practice Statement 2 "Disclosure of Accounting Policies"
- Amendments to MFRS 108 "Definition of Accounting Estimates"
- Amendments to MFRS 7, MFRS 126 and MFRS 134, following from the Amendments to the Disclosure of Accounting Policies in MFRS 101 and MFRS Practice Statement 2
- Amendments to MFRS 112 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

None of the above is expected to have a significant effect on the financial statement of the Group and the Bank.

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 2020 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 September 2021.

7 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and Bank for the financial period ended 30 September 2021.

8 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 30 September 2021.

9 Dividend

Since the end of the previous financial year, the Bank paid final dividend for the financial year ended 31 December 2020 of 82.2 sen per ordinary share amounting to RM188.2 million.

No interim dividend was declared nor paid during the financial period ended 30 September 2021.

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 September 2021.

11 Significant and Subsequent Events

There were no material events subsequent to the date of the statement of financial position that require disclosure or adjustments to the unaudited condensed interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

12 Cash and Short-Term Funds

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,359,609	978,801	1,060,772	790,710
Money at call and interbank placements maturing within one month	11,089,814	11,684,395	8,637,249	8,650,731
	12,449,423	12,663,196	9,698,021	9,441,441

Money at call and interbank placements maturing within one month is within Stage 1 allocation (12 -months ECL) with impairment allowance of RM55,000 for the Group and RM53,000 for the Bank as at 30 September 2021 (31 December 2020: RM57,000 for the Group and RM47,000 for the Bank).

13 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Licensed banks	-	-	1,289,727	1,403,411
Bank Negara Malaysia	-	48,204	-	-
	-	48,204	1,289,727	1,403,411

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 RM1,289.7 million (31 December 2020: RM1,403.4 million).

The balance is within Stage 1 allocation (12 -months ECL) with nil impairment allowance for the Group and the Bank as at 30 September 2021 (31 December 2020: nil for the Group and the Bank).

14 Financial Assets at Fair Value through Profit and Loss (FVTPL)

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government treasury bills	76,407	-	76,407	-
Islamic treasury bills	456,874	32,751	456,874	32,751
Malaysian Government securities	951,770	803,632	951,770	803,632
Malaysian Government Islamic Sukuk	285,157	204,624	285,157	204,624
Cagamas bonds and notes	2,522	2,552	2,522	2,552
	1,772,730	1,043,559	1,772,730	1,043,559
Unquoted:				
Corporate bonds and Sukuk	121,089	46,114	121,089	46,114
	1,893,819	1,089,673	1,893,819	1,089,673

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Financial Investments at Fair Value through Other Comprehensive Income (FVOCI)

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Debt instruments				
Money market instruments:				
Bank Negara Malaysia bills and notes	2,180,331	3,820,462	2,180,331	3,820,462
Malaysian Government securities	7,846,821	4,576,941	7,846,821	4,576,941
Malaysian Government Islamic Sukuk	4,810,504	2,216,139	2,675,426	916,324
	14,837,656	10,613,542	12,702,578	9,313,727
Financial Investments Designated as FVOCI				
Equity instruments				
Unquoted:				
Shares	225,478	214,003	225,478	214,003
of which				
Cagamas Holdings Berhad	183,470	172,994	183,470	172,994
Credit Guarantee Corporation Malaysia Berhad	34,876	33,619	34,876	33,619
Others	7,132	7,390	7,132	7,390
	15,063,134	10,827,545	12,928,056	9,527,730

The Group and the Bank have elected to designate these equity instruments at fair value through other comprehensive income as these instruments are held for business facilitation and not to generate a capital return. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss. During the current financial period, there were capital reduction and repayment exercise on some instruments with fair value of RM527,000. The Group and the Bank realised a gain of RM9,000 which were transferred from OCI to retained earnings.

The maturity structure of money market instruments held as financial investments at FVOCI is as follows:

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	8,473,407	4,668,705	7,745,358	4,643,507
More than one year to three years	5,951,729	5,355,227	4,843,777	4,080,610
More than three years to five years	412,520	589,610	113,443	589,610
	14,837,656	10,613,542	12,702,578	9,313,727

There are no FVOCI balances that are pledged against Repurchase Agreement as at 30 September 2021 (31 December 2020: nil).

Financial investments at FVOCI are within Stage 1 allocation (12 -months ECL) with RM1,691,000 impairment allowance for the Group and RM1,405,000 for the Bank as at 30 September 2021 (31 December 2020: RM992,000 for the Group and RM814,000 for the Bank). The carrying amount of financial investments at FVOCI is equivalent to their fair value. The impairment allowance is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16 Financial Investments at Amortised Cost

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Debt instruments				
Unquoted:				
Corporate Sukuk	199,039	199,743	199,039	199,743

Financial investments at amortised cost are within Stage 1 allocation (12 -months ECL) with RM961,000 impairment allowance for the Group and the Bank as at 30 September 2021 (31 December 2020: RM257,000 for the Group and the Bank).

17 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts/cash line	734,145	569,745	666,181	499,148
Term loans/financing:				
Housing loans/financing	16,201,407	17,109,892	12,314,569	13,065,891
Syndicated term loans/financing	3,760,496	4,144,469	2,600,394	2,979,715
Factoring receivables	642,462	718,801	642,462	718,801
Hire purchase receivables	215,057	206,548	-	-
Other term loans/financing	9,913,020	10,383,133	6,695,310	6,713,647
Bills receivable	4,567,829	3,926,083	3,712,745	3,273,215
Trust receipts	3,124,482	2,408,497	2,651,573	1,961,314
Claims on customers under acceptance credits	867,868	874,799	702,169	592,705
Staff loans/financing	57,267	64,375	54,830	62,089
Credit/charge cards	2,971,076	3,372,936	2,000,164	2,282,613
Revolving financing	7,298,841	7,813,934	5,202,975	5,606,804
Other loans/financing	14,081	13,967	10,699	10,346
Gross loans, advances and financing ^[1]	50,368,031	51,607,179	37,254,071	37,766,288
Less: - Impairment allowances	(1,332,857)	(854,395)	(782,248)	(506,080)
Total net loans, advances and financing	49,035,174	50,752,784	36,471,823	37,260,208

[1] Included in gross loans, advances and financing of the Bank are Syndicated Investment Account for Financing/Investment Agency Account (SIAF/IAA) financing which are disclosed as "Asset Under Management" in the financial statements of HBMS. 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. These comprise of the following types of financing:

	<i>Bank</i>	
	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Syndicated term financing	2,311,023	2,109,579
Other term financing	112,683	115,761
Revolving financing	1,112,905	1,261,295
Gross loans, advances and financing	3,536,611	3,486,635
Less: - Impairment allowances	(178,040)	(872)
Total net loans, advances and financing	3,358,571	3,485,763

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Loans, Advances and Financing (Cont'd)

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	1,087,027	1,196,950	667,557	742,284
Domestic business enterprises:				
Small medium enterprises	3,402,048	3,018,099	2,329,798	1,922,892
Others	18,899,931	19,719,560	14,831,076	15,393,886
Individuals	18,919,287	20,304,894	13,242,320	14,283,075
Other domestic entities	3,491	3,727	2,514	2,635
Foreign entities/individuals	8,056,247	7,363,949	6,180,806	5,421,516
	50,368,031	51,607,179	37,254,071	37,766,288

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	23,045,491	21,045,884	17,331,723	15,881,974
More than one year to three years	4,858,951	6,429,386	3,950,750	4,434,098
More than three years to five years	2,942,149	3,441,574	1,999,658	2,535,261
More than five years	19,521,440	20,690,335	13,971,940	14,914,955
	50,368,031	51,607,179	37,254,071	37,766,288

(iv) By interest/profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Hire purchase receivables	215,057	206,548	-	-
Other fixed rate loans/financing	12,537,817	11,766,641	9,296,151	8,409,893
Variable rate:				
Base Rate/Base Lending/Financing Rate plus	19,112,937	20,233,453	14,287,625	15,175,072
Cost-plus	18,502,220	19,400,537	13,670,295	14,181,323
	50,368,031	51,607,179	37,254,071	37,766,288

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Loans, Advances and Financing (Cont'd)

(v) By sector	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	104,951	117,778	93,777	102,386
Mining and quarrying	235,200	435,023	114,096	302,753
Manufacturing	6,733,520	6,184,300	5,300,457	4,791,246
Electricity, gas and water	172,758	108,032	22,071	25,990
Construction	2,927,911	3,715,488	2,203,914	2,659,102
Real estate	4,443,720	4,669,099	3,478,826	3,800,120
Wholesale & retail trade and restaurants & hotels	4,023,288	3,801,121	3,189,936	3,014,292
Transport, storage and communication	623,725	688,704	472,295	502,720
Finance, insurance and business services	3,108,478	3,415,266	2,166,019	2,318,903
Household-retail	21,639,644	23,199,390	15,498,478	16,680,406
Others	6,354,836	5,272,978	4,714,202	3,568,370
	50,368,031	51,607,179	37,254,071	37,766,288

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Purchase of property:				
Residential	16,233,041	17,149,089	12,345,002	13,104,101
Non residential	1,341,069	1,404,442	595,863	618,148
Purchase of securities	2,920	3,130	2,920	3,130
Purchase of transport vehicles	14,103	15,574	13,237	14,763
Purchase of fixed assets excluding land & building	214,823	203,613	-	-
Consumption credit	5,068,665	5,675,861	3,019,179	3,423,738
Construction	2,875,867	3,449,175	2,204,069	2,415,360
Working capital	19,271,573	19,231,481	15,139,073	15,157,502
Other purpose	5,345,970	4,474,814	3,934,728	3,029,546
	50,368,031	51,607,179	37,254,071	37,766,288

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Northern Region	5,866,447	6,004,352	4,577,379	4,774,648
Southern Region	5,798,961	5,940,209	4,246,893	4,257,990
Central Region	37,056,998	37,644,928	27,104,842	27,064,114
Eastern Region	1,645,625	2,017,690	1,324,957	1,669,536
	50,368,031	51,607,179	37,254,071	37,766,288

Concentration by location for loans, advances and financing is based on the location of branches where facilities were captured.

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, the Federal Territory of Kuala Lumpur and the Federal Territory of Putrajaya.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18 Impaired Loans, Advances and Financing

(i) Gross carrying amount movement of loans, advances and financing classified as credit impaired:

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount as at 1 January	1,831,501	1,003,447	1,224,806	618,144
Transfer within stages	2,170,320	828,778	1,467,883	589,655
Net remeasurement due to changes in credit risk	(208,009)	247,202	(168,992)	145,825
Written-off	(146,258)	(247,926)	(73,465)	(128,818)
Gross carrying amount as at 30 September	3,647,554	1,831,501	2,450,232	1,224,806

(ii) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	264	319	-	-
Manufacturing	115,472	109,880	89,634	92,757
Electricity, gas and water	-	487	-	487
Construction	165,875	16,381	25,379	12,671
Real estate	118,385	12,164	118,385	12,164
Wholesale & retail trade, restaurants & hotels	70,808	66,298	62,081	54,919
Transport, storage and communication	98,697	118,069	98,697	117,856
Finance, insurance and business services	295,327	8,111	241,599	2,123
Household-retail	2,753,414	1,471,206	1,808,427	924,859
Others	29,312	28,586	6,030	6,970
	3,647,554	1,831,501	2,450,232	1,224,806

(iii) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Purchase of property:				
Residential	2,043,162	883,350	1,460,501	619,049
Non residential	39,805	43,267	29,897	29,765
Purchase of transport vehicles	2	71	-	9
Purchase of fixed assets excluding land & building	327	354	-	-
Consumption credit	704,560	581,031	342,236	299,643
Construction	163,755	13,793	23,415	10,143
Working capital	673,316	290,299	594,074	266,131
Other purpose	22,627	19,336	109	66
	3,647,554	1,831,501	2,450,232	1,224,806

(iv) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Northern Region	411,429	205,739	317,358	154,295
Southern Region	522,741	200,401	404,871	136,847
Central Region	2,564,231	1,325,153	1,601,103	847,871
Eastern Region	149,153	100,208	126,900	85,793
	3,647,554	1,831,501	2,450,232	1,224,806

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances

(i) Movements in ECL allowances for loans, advances and financing

The following table shows reconciliation from the opening to the closing balance of the ECL allowance for customer loan and advances:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Group				
Balance at 1 January 2021	136,817	242,457	475,121	854,395
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	43,926	(22,230)	(21,696)	-
- Transferred to Stage 2	(39,096)	56,133	(17,037)	-
- Transferred to Stage 3	(5,701)	(135,300)	141,001	-
New financial assets originated or purchased	13,641	-	-	13,641
Net remeasurement due to changes in credit risk	(76,738)	81,520	602,831	607,613
Asset written-off	-	-	(146,258)	(146,258)
Others	3,466	-	-	3,466
Balance at 30 September 2021	<u>76,315</u>	<u>222,580</u>	<u>1,033,962</u>	<u>1,332,857</u>
Balance at 1 January 2020	91,688	129,424	314,677	535,789
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	46,271	(38,130)	(8,141)	-
- Transferred to Stage 2	(6,165)	14,259	(8,094)	-
- Transferred to Stage 3	(2,379)	(13,825)	16,204	-
New financial assets originated or purchased	39,447	-	-	39,447
Net remeasurement due to changes in credit risk	(28,763)	150,729	408,401	530,367
Asset written-off	-	-	(247,926)	(247,926)
Others	(3,282)	-	-	(3,282)
Balance at 31 December 2020	<u>136,817</u>	<u>242,457</u>	<u>475,121</u>	<u>854,395</u>

The Group measures the expected credit losses (ECL) using the three-stage approach. The following section explains how significant changes in the gross carrying amount of loans, advances and financing during the year have contributed to the changes in the ECL allowances for the Group under the expected credit loss model.

Total ECL allowances increased by RM478.5 million for the Group compared to the balance at the beginning of the year. This net increase was mainly contributed by remeasurement due to changes in credit risk (RM607.6 million) and new financial assets originated or purchased (RM13.6 million), partially offset by assets written-off (RM146.3 million).

- 12-months ECL not credit impaired (Stage 1) – decreased by RM60.5 million for the Group, mainly from remeasurement due to changes in credit risk based on HSBC Group's model and net migration of loans from stages 2 and 3 partially offset by new financial assets originated or purchased.
- Lifetime ECL not credit-impaired (Stage 2) – decreased by RM19.9 million for the Group, mainly from net migration of loans to stage 1 and 3 partially offset by remeasurement due to changes in credit risk.
- Lifetime ECL credit-impaired (Stage 3) – increased by RM558.9 million for the Group, primarily from remeasurement due to changes in credit risk and net migration of loans from stage 1 and 2 partially offset by asset written-off.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances (Cont'd)

(i) Movements in ECL allowances for loans, advances and financing (Cont'd)

	Stage 1	Stage 2	Stage 3	
	12-month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Bank				
Balance at 1 January 2021	48,030	166,693	291,357	506,080
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	28,398	(13,329)	(15,069)	-
- Transferred to Stage 2	(11,990)	18,144	(6,154)	-
- Transferred to Stage 3	(1,856)	(104,308)	106,164	-
New financial assets originated or purchased	7,044	-	-	7,044
Net remeasurement due to changes in credit risk	(27,597)	63,506	304,300	340,209
Asset written-off	-	-	(73,465)	(73,465)
Others	2,380	-	-	2,380
Balance at 30 September 2021	44,409	130,706	607,133	782,248
Balance at 1 January 2020	45,185	61,421	171,918	278,524
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	23,323	(17,647)	(5,676)	-
- Transferred to Stage 2	(3,234)	8,590	(5,356)	-
- Transferred to Stage 3	(978)	(7,708)	8,686	-
New financial assets originated or purchased	11,463	-	-	11,463
Net remeasurement due to changes in credit risk	(24,598)	122,037	250,603	348,042
Asset written-off	-	-	(128,818)	(128,818)
Others	(3,131)	-	-	(3,131)
Balance at 31 December 2020	48,030	166,693	291,357	506,080

The Bank measures the expected credit losses (ECL) using the three-stage approach. The following section explains how significant changes in the gross carrying amount of loans, advances and financing during the year have contributed to the changes in the ECL allowances for the Bank under the expected credit loss model.

The total ECL allowances increased by RM276.2 million for the Bank compared to the balance at the beginning of the year. This net increase was mainly contributed by remeasurement due to changes in credit risk (RM340.2 million) and new financial assets originated or purchased (RM7.0 million), partially offset by asset written-off (RM73.5 million).

- 12-months ECL not credit impaired (Stage 1) – decreased by RM3.6 million for the Bank mainly contributed by remeasurement due to changes in credit risk, partially offset by net migration of loans from stages 2 and 3 due to improved credit quality and new financial assets originated or purchased.
- Lifetime ECL not credit-impaired (Stage 2) – decreased by RM36.0 million for the Bank, mainly from net migration of loans to stage 1 and 3 partially offset by remeasurement due to changes in credit risk.
- Lifetime ECL credit-impaired (Stage 3) – increased by RM315.8 million, primarily from remeasurement due to changes in credit risk and net migration of loans from stage 1 and 2, partially offset by asset written-off.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances movement (Cont'd)

(ii) Movements in ECL allowances for loan commitments

The following table shows reconciliation from the opening to the closing balance of the ECL allowance for loan commitments:

	Stage 1	Stage 2	Stage 3	
	12-month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Group				
Balance at 1 January 2021	4,612	3,198	464	8,274
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	708	(697)	(11)	-
- Transferred to Stage 2	(1,204)	1,204	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	1,870	-	-	1,870
Net remeasurement due to changes in credit risk	2,967	9,898	3,986	16,851
Others	35	-	-	35
Balance at 30 September 2021	8,988	13,603	4,439	27,030
Balance at 1 January 2020	4,830	3,105	649	8,584
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	582	(582)	-	-
- Transferred to Stage 2	(205)	205	-	-
- Transferred to Stage 3	-	(1)	1	-
New financial assets originated or purchased	1,335	-	-	1,335
Net remeasurement due to changes in credit risk	(1,515)	471	(186)	(1,230)
Others	(415)	-	-	(415)
Balance at 31 December 2020	4,612	3,198	464	8,274

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances movement (Cont'd)

(ii) Movements in ECL allowances for loan commitments (Cont'd)

	Stage 1	Stage 2	Stage 3	
	12-month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Bank				
Balance at 1 January 2021	3,103	2,439	464	6,006
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	617	(606)	(11)	-
- Transferred to Stage 2	(728)	728	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	1,848	-	-	1,848
Net remeasurement due to changes in credit risk	2,059	6,635	3,986	12,680
Others	9	-	-	9
Balance at 30 September 2021	6,908	9,196	4,439	20,543
Balance at 1 January 2020	3,554	2,231	247	6,032
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	412	(412)	-	-
- Transferred to Stage 2	(185)	185	-	-
- Transferred to Stage 3	-	(1)	1	-
New financial assets originated or purchased	789	-	-	789
Net remeasurement due to changes in credit risk	(1,109)	436	216	(457)
Others	(358)	-	-	(358)
Balance at 31 December 2020	3,103	2,439	464	6,006

For retail portfolio, the split of ECL allowance for drawn amount and provision for undrawn commitments is not available. In accordance to MFRS 7 Financial Instruments disclosure, the provisions for the loans, financing and other credit related commitments for retail portfolio are presented together with the allowance for the drawn loans, advances and financing.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20 Other Assets

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Settlements	455,911	168,206	447,396	168,206
Interest/profit receivable	111,834	105,379	88,038	91,906
Income receivable	25,487	31,763	75,355	63,922
Deposits and prepayments	5,322	2,331	5,022	2,031
Amount due from subsidiary company	-	-	473	30,520
Rights of Use (ROU) assets	56,243	72,672	34,489	52,769
Cash collateral	310,808	100,711	310,808	100,711
Other receivables	128,958	107,843	119,654	95,802
	1,094,563	588,905	1,081,235	605,867

21 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.

In 2020, BNM allowed banks to recognise Malaysia Government Securities (MGS) and Malaysian Government Investment Issues (MGII) securities as part of statutory reserve requirement compliance until 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22 Deposits from Customers

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
(i) By type of deposit	RM'000	RM'000	RM'000	RM'000
Demand deposits	23,783,142	22,378,777	21,488,374	19,940,987
Savings deposits	17,043,484	15,639,505	14,297,782	13,227,992
Fixed deposits	24,499,589	25,392,154	17,772,500	18,094,529
	65,326,215	63,410,436	53,558,656	51,263,508

The maturity structure of fixed deposits is as follows:

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Due within six months	18,818,420	19,825,209	13,388,297	13,919,094
More than six months to one year	4,449,853	4,482,405	3,575,225	3,456,238
More than one year to three years	927,353	723,856	599,324	474,542
More than three years to five years	303,963	360,684	209,654	244,655
Over five years	-	-	-	-
	24,499,589	25,392,154	17,772,500	18,094,529

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
(ii) By type of customer	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	16,544	33,855	3,261	15,577
Business enterprises	25,419,853	24,899,520	22,485,234	21,536,979
Individuals	25,911,609	25,145,896	20,148,565	19,413,603
Foreign entities/individuals	12,730,631	12,208,780	10,079,243	9,506,879
Others	1,247,578	1,122,385	842,353	790,470
	65,326,215	63,410,436	53,558,656	51,263,508

23 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Licensed banks	244	50,607	244	50,607
Bank Negara Malaysia	234,986	139,992	234,032	135,932
Other financial institutions	3,495,071	2,667,742	2,745,408	1,948,688
	3,730,301	2,858,341	2,979,684	2,135,227

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24 Structured Liabilities Designated at Fair Value through Profit or Loss

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Structured liabilities	2,973,226	3,748,193	1,833,441	2,634,940

Structured liabilities are measured at fair value over the life of the instruments. Structured liabilities are customer placements with embedded derivatives, of which both interest/profit paid and fair valuation on the structured liabilities are recorded in net income/(expense) from financial investments designated at fair value.

25 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Settlements	534,318	92,826	534,318	92,826
Interest/profit payable	170,962	179,958	115,342	126,246
Deferred income	75,682	74,395	62,994	62,813
Marginal deposit	160,032	65,734	152,916	58,181
Amount due to subsidiary company	-	-	38,861	1,856
Accrued expenses	650,718	689,486	622,615	658,493
Lease liabilities	59,241	77,492	35,814	56,325
Cash collateral	280,295	615,805	280,295	615,805
Other creditors	656,505	564,160	575,781	510,407
Provisions on loan and credit related commitments; and financial guarantees ^[1]	27,030	8,274	20,543	6,006
	2,614,783	2,368,130	2,439,479	2,188,958

^[1] Refer Note 19(ii) for movement in provision.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26 Multi-Currency Sukuk Programme

	<i>Group</i>	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Multi-Currency Sukuk Programme (MCSP)	517,639	523,841

HSBC Amanah Malaysia Berhad, a subsidiary of the Bank, issued the following series of 5-year Sukuk under its RM3 billion MCSP:

<u>Issuance under MCSP</u>	Nominal Value (RM'000)	Issue Date	Maturity Date	Carrying Value (RM'000)	
				30 Sep 2021	31 Dec 2020
At fair value					
4th series ^[1]	<u>500,000</u>	2 Oct 2018	2 Oct 2023	517,639	523,841

Movement in MCSP

	4th series RM'000	
<u>2021</u>		
Balance at 1 January		523,841
Change in fair value other than from own credit risk		(7,963)
Change in fair value from own credit risk		1,761
Redemption of Multi-Currency Sukuk		-
Balance at 30 September		<u>517,639</u>

	3rd series ^[2] RM'000	4th series RM'000
<u>2020</u>		
Balance at 1 January	751,732	514,197
Change in fair value other than from own credit risk	489	15,791
Change in fair value from own credit risk	(2,221)	(6,147)
Redemption of Multi-Currency Sukuk	(750,000)	-
Balance at 31 December	-	<u>523,841</u>

	<i>Group</i>	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000
The cumulative loss/(gain) from change in fair value due to changes in own credit risk	1,761	(8,368)

^[1] Proceeds from this series are utilised, where appropriate, to finance eligible businesses and projects in accordance with HSBC's internal Sustainable Development Goals (SDG) Bond Framework.

^[2] Redeemed on 27 March 2020.

27 Subordinated Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Second tranche issued on 2 November 2007 ^[1] at par	500,000	500,000	500,000	500,000

^[1] 5.05% coupon rate for RM500 million due 2027 callable with a 100 basis point 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 is 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28 Net Interest Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	282,174	328,614	866,307	1,129,014
- Interest income recognised from impaired loans	6,400	5,159	23,681	17,633
Money at call and deposit placements with financial institutions	55,688	57,125	186,511	170,555
Financial investments at FVOCI	54,712	40,568	132,227	169,307
Financial investments at amortised costs	1,305	243	4,042	243
	400,279	431,709	1,212,768	1,486,752
Interest expense				
Deposits and placements of banks and other financial institutions	(2,024)	(3,602)	(6,771)	(13,507)
Deposits from customers	(93,115)	(113,201)	(285,303)	(407,139)
Subordinated liabilities	(6,365)	(10,024)	(18,886)	(33,890)
Lease liabilities	(423)	(1,333)	(396)	(2,839)
Others	(123)	(84)	(449)	(598)
	(102,050)	(128,244)	(311,805)	(457,973)
Net interest income	298,229	303,465	900,963	1,028,779

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	282,174	328,614	866,307	1,129,014
- Interest income recognised from impaired loans	6,400	5,159	23,681	17,633
Money at call and deposit placements with financial institutions	60,564	61,605	201,053	191,702
Financial investments at FVOCI	54,712	40,568	132,227	169,307
Financial investments at amortised cost	1,305	243	4,042	243
	405,155	436,189	1,227,310	1,507,899
Interest expense				
Deposits and placements of banks and other financial institutions	(2,024)	(3,602)	(6,771)	(13,507)
Deposits from customers	(93,115)	(113,201)	(285,303)	(407,139)
Subordinated liabilities	(6,365)	(10,024)	(18,886)	(33,890)
Lease liabilities	(423)	(1,333)	(396)	(2,839)
Others	(123)	(84)	(449)	(598)
	(102,050)	(128,244)	(311,805)	(457,973)
Net interest income	303,105	307,945	915,505	1,049,926

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29 Net Fee and Commission Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021 RM'000	30 Sep 2020 RM'000	30 Sep 2021 RM'000	30 Sep 2020 RM'000
Fee and commission income				
Credit cards	22,403	22,451	69,824	70,694
Service charges and fees	27,059	25,646	85,116	80,560
Fees on credit facilities	14,760	13,504	43,948	43,091
Agency fee	33,795	31,163	107,191	82,191
Others	5,968	7,223	17,555	21,491
	103,985	99,987	323,634	298,027
Fee and commission expense				
Debit/credit cards	(11,387)	(13,141)	(27,736)	(34,189)
Interbank and clearing fees	(81)	(120)	(697)	(633)
Brokerage	(548)	(868)	(2,015)	(1,817)
Cash management	(223)	(156)	(694)	(1,010)
Others	(4,151)	(3,275)	(12,220)	(10,302)
	(16,390)	(17,560)	(43,362)	(47,951)
Net fee and commission income	87,595	82,427	280,272	250,076

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021 RM'000	30 Sep 2020 RM'000	30 Sep 2021 RM'000	30 Sep 2020 RM'000
Fee and commission income				
Credit cards	22,403	22,451	69,824	70,694
Service charges and fees	27,059	25,646	85,116	80,560
Fees on credit facilities	14,760	13,504	43,948	43,091
Agency fee	33,795	31,163	107,191	82,191
Others	5,827	6,874	16,901	20,544
	103,844	99,638	322,980	297,080
Fee and commission expense				
Debit/credit cards	(11,387)	(13,141)	(27,736)	(34,189)
Interbank and clearing fees	(81)	(120)	(697)	(633)
Brokerage	(548)	(868)	(2,015)	(1,817)
Cash management	(223)	(156)	(694)	(1,010)
Others	(4,151)	(3,275)	(12,220)	(10,302)
	(16,390)	(17,560)	(43,362)	(47,951)
Net fee and commission income	87,454	82,078	279,618	249,129

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Net Trading Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Realised gain on financial assets/liabilities at FVTPL and other financial instruments	5,205	25,180	3,303	54,329
Net interest income from financial assets at FVTPL	10,531	13,241	28,360	47,866
Net unrealised (loss)/gain on revaluation of financial assets at FVTPL	(3,872)	(10,251)	(7,947)	2,206
Net realised gain arising from dealing in foreign currency	186,555	228,924	296,065	370,205
Net unrealised (loss)/gain from dealing in foreign currency	(52,480)	(60,698)	(126,638)	2,004
Net realised gain/(loss) arising from dealing in derivatives	16,401	31,787	101,862	(3,360)
Net unrealised (loss)/gain on revaluation of derivatives	(36,420)	(16,238)	(113,441)	62,133
Gain/(Loss) arising from fair value hedges	9	(162)	35	100
	125,929	211,783	181,599	535,483

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Realised gain/(loss) on financial assets/liabilities at FVTPL and other financial instruments	2,984	22,567	(1,118)	50,324
Net interest income from financial assets at FVTPL	10,531	13,241	28,360	47,866
Net unrealised gain/(loss) on revaluation of financial assets at FVTPL	2,892	(8,006)	1,041	1,569
Net realised gain arising from dealing in foreign currency	186,161	228,510	298,097	365,650
Net unrealised (loss)/gain from dealing in foreign currency	(77,053)	(121,930)	44,566	(20,224)
Net realised gain arising from dealing in derivatives	15,494	24,330	113,823	52,204
Net unrealised (loss)/gain on revaluation of derivatives	(33,621)	(8,863)	(116,102)	1,133
Gain/(Loss) arising from fair value hedges	9	(162)	35	100
	107,397	149,687	368,702	498,622

Net trading income for the Group is presented in both Note 30 and Note 31. A reconciliation of the net trading income for the Group is as follows:

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Total net trading income (net of elimination with subsidiary)	111,740	160,377	396,350	536,082
of which:				
- is disclosed in Note 30	125,929	211,783	181,599	535,483
- is included under Income from Islamic Banking operations of the Group (Note 31)	(14,189)	(51,406)	214,751	599

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Income from Islamic Banking operations

For consolidation with the conventional banking operations, the income from Islamic Banking operations as shown in the face of the consolidated statements of profit or loss and other comprehensive income, consists of the following items:

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
- depositor funds and others ^[1]	123,493	156,156	408,774	505,959
- shareholders funds	32,537	38,139	108,463	123,192
Total income before allowance for impairment losses on financing and advances	156,030	194,295	517,237	629,151
Income attributable to the depositors	(42,161)	(57,433)	(130,816)	(224,927)
Income from Islamic Banking operations before elimination	113,869	136,862	386,421	404,224
Elimination of intercompany income and expenses	(13,976)	(58,284)	200,225	(17,861)
Income from Islamic Banking operations reported in statement of profit or loss of the Group ^[2]	99,893	78,578	586,646	386,363
	922	(8,083)	(7,346)	(43,684)
	(14,189)	(51,406)	214,751	599

^[1] Included in income derived from investment of depositors' funds and others are net expenses from financial liabilities designated at fair value through profit or loss for the period ended 30 September:

^[2] Included in income from Islamic Banking operations reported in statement of profit or loss of the Group is net trading (loss)/ income for the period ended 30 September:

32 Other Operating Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Gain from disposal of financial investments at FVOCI	-	8,244	22,692	38,807
Dividend income from financial investments at FVOCI				
- Unquoted in Malaysia	310	661	1,415	1,591
Rental income	794	1,998	2,518	5,670
Net gain on disposal of property and equipment	-	10	21	6
Other operating income	6,519	4,372	19,867	13,027
	7,623	15,285	46,513	59,101
	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Gain from disposal of financial investments at FVOCI	-	8,244	22,692	38,807
Dividend income from financial investments at FVOCI				
- Unquoted in Malaysia	310	661	1,415	1,591
Dividend income from subsidiary	-	-	50,000	50,000
Rental income	794	1,998	2,518	5,670
Net gain on disposal of property and equipment	-	10	21	6
Income recharges from subsidiary	35,539	33,235	104,289	96,262
Other operating income	6,519	4,372	19,867	13,027
	43,162	48,520	200,802	205,363

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Impairment Allowance/Provisions

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	103,825	97,053	641,385	474,888
Recoveries	(22,664)	(26,559)	(83,957)	(67,972)
Written off	4	10	1,462	626
Total charge to the statements of profit or loss	81,165	70,504	558,890	407,542

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	21,936	96,179	363,087	321,223
Recoveries	(11,633)	(14,528)	(41,636)	(35,250)
Written off	1	7	1,458	485
Total charge to the statements of profit or loss	10,304	81,658	322,909	286,458

Breakdown of the expected credit losses allowance by financial instruments type:

(i) Loan, advances and financing

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	101,697	114,314	621,254	470,110
Recoveries	(22,664)	(26,559)	(83,957)	(67,972)
Written off	4	10	1,462	626
Total charge to the statements of profit or loss	79,037	87,765	538,759	402,764

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	22,794	110,305	347,253	316,973
Recoveries	(11,633)	(14,528)	(41,636)	(35,250)
Written off	1	7	1,458	485
Total charge to the statements of profit or loss	11,162	95,784	307,075	282,208

(ii) Deposits and placements with banks and other financial institutions

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
(Net release) / net increase in allowance / provisions	(5,793)	(358)	8	74

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Impairment Allowance/Provisions (Cont'd)

(ii) Deposits and placements with banks and other financial institutions (cont'd)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
(Net release) / net increase in allowance / provisions	(5,795)	(319)	12	57

(iii) Debt securities - FVOCI

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Net increase / (net release) in allowance / provisions	933	(2,778)	697	1,838

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Net increase / (net release) in allowance / provisions	797	(2,052)	589	1,603

(iv) Financial investments at amortised costs

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Net increase in allowance / provisions	320	-	705	-

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Net increase in allowance / provisions	320	-	705	-

(v) Loan commitments and contingencies

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Net increase / (net release) in allowance / provisions	6,668	(14,125)	18,721	2,866

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Impairment Allowance/Provisions (Cont'd)

(v) Loan commitments and contingencies (cont'd)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021 RM'000	30 Sep 2020 RM'000	30 Sep 2021 RM'000	30 Sep 2020 RM'000
Net increase / (net release) in allowance / provisions	3,820	(11,755)	14,528	2,590

34 Other Operating Expenses

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021 RM'000	30 Sep 2020 RM'000	30 Sep 2021 RM'000	30 Sep 2020 RM'000
Personnel expenses	169,385	165,880	576,736	517,732
Promotion and marketing related expenses	4,570	7,227	23,073	26,751
Establishment related expenses	28,179	38,868	74,507	109,970
General administrative expenses	36,157	37,673	110,105	110,822
Related company charges	171,541	148,785	496,264	450,711
	409,832	398,433	1,280,685	1,215,986
Personnel expenses				
Salaries, allowances and bonuses	134,321	131,237	405,894	397,117
Employees Provident Fund contributions	22,245	22,220	67,608	66,746
Share based payment	(1,701)	2,644	6,430	7,604
Others	14,520	9,779	96,804	46,265
	169,385	165,880	576,736	517,732
Establishment related expenses				
Depreciation of property and equipment	5,679	6,336	16,936	19,011
Depreciation of RoU assets	4,041	5,733	14,039	20,505
Amortisation of intangible assets	1,939	2,636	5,842	7,797
Impairment for intangible asset	614	727	388	810
Information technology costs	3,063	6,648	9,972	18,941
Property and equipment written off	-	15	1,835	2,352
General repairs and maintenance	4,787	6,735	10,259	15,611
Utilities	1,548	3,182	5,764	10,347
Others	6,508	6,856	9,472	14,596
	28,179	38,868	74,507	109,970
Related company charges	171,541	148,785	496,264	450,711
Of which by:				
(i) Type of service				
- Information technology related cost	69,717	59,327	198,977	205,768
- Non information technology related cost	101,824	89,458	297,287	244,943
(ii) Countries/territories				
- Hong Kong	102,242	84,365	288,967	275,973
- United Kingdom	49,328	46,048	148,474	124,722
- Malaysia	19,686	17,791	54,313	48,046
- Others	285	581	4,510	1,970

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Other Operating Expenses (Cont'd)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	155,957	154,197	541,831	483,540
Promotion and marketing related expenses	4,249	5,728	18,776	20,044
Establishment related expenses	24,165	35,007	62,414	98,137
General administrative expenses	30,710	29,594	89,884	85,683
Related company charges	168,883	146,385	488,542	444,983
	383,964	370,911	1,201,447	1,132,387
Personnel expenses				
Salaries, allowances and bonuses	126,052	122,001	380,753	370,061
Employees Provident Fund contributions	20,828	20,589	63,176	61,966
Share based payment	(1,737)	2,481	6,443	7,165
Others	10,814	9,126	91,459	44,348
	155,957	154,197	541,831	483,540
Establishment related expenses				
Depreciation of property and equipment	5,068	5,792	15,081	17,473
Depreciation of RoU assets	2,443	4,033	9,188	14,660
Amortisation of intangible assets	1,939	2,636	5,842	7,797
Impairment for intangible asset	614	727	388	810
Information technology costs	2,092	6,003	7,485	17,319
Property and equipment written off	-	10	1,714	2,347
General repairs and maintenance	4,345	6,515	8,689	14,743
Utilities	1,344	2,666	4,872	8,838
Others	6,320	6,625	9,155	14,150
	24,165	35,007	62,414	98,137
Related company charges	168,883	146,385	488,542	444,983
Of which by:				
(i) Type of service				
- Information technology related cost	69,717	59,327	198,977	205,768
- Non information technology related cost	99,166	87,058	289,565	239,215
(ii) Countries/territories				
- Hong Kong	102,240	84,351	288,960	275,959
- United Kingdom	49,055	45,703	147,125	124,086
- Malaysia	17,303	15,750	47,947	42,968
- Others	285	581	4,510	1,970

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Capital Adequacy

	<i>Group</i>	
	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	8,277,438	8,550,171
Other reserves	931,868	904,446
Regulatory adjustments	(963,994)	(870,026)
Total CET1 capital	9,291,187	9,630,466
Tier 1 capital		
Additional Tier 1 capital	500,000	500,000
Total Tier 1 capital	9,791,187	10,130,466
Tier 2 capital		
Subordinated liabilities	100,000	200,000
Impairment allowance (unimpaired portion) & regulatory reserves	609,205	519,281
Regulatory adjustments	100,881	101,886
Total Tier 2 capital	810,086	821,167
Capital base	10,601,273	10,951,633
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	16.206%	17.030%
Tier 1 Capital ratio	17.078%	17.914%
Total Capital ratio	18.491%	19.366%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	16.206%	16.697%
Tier 1 Capital ratio	17.078%	17.581%
Total Capital ratio	18.491%	19.033%

The total capital and capital adequacy ratios of the Group and the Bank 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 risk categories:

	<i>Group</i>	
	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Total RWA for credit risk ^[1]	50,166,594	49,671,803
Total RWA for market risk	1,734,397	1,215,604
Total RWA for operational risk	5,429,884	5,662,957
	57,330,875	56,550,364

[1]

The risk weighted amount for credit risk relating to the SIAF/IAA (refer Note 17(i) for more details) are as follows:

	<i>Group</i>	
	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Under SIAF/IAA arrangement	2,704,280	2,743,531

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	6,962,844	7,200,136
Other reserves	888,552	883,486
Regulatory adjustments	<u>(1,554,557)</u>	<u>(1,534,219)</u>
Total CET1 capital	<u>7,342,714</u>	<u>7,595,278</u>
Tier 1 capital		
Additional Tier 1 capital	<u>500,000</u>	<u>500,000</u>
Total Tier 1 capital	<u>7,842,714</u>	<u>8,095,278</u>
Tier 2 capital		
Subordinated liabilities	100,000	200,000
Impairment allowance (unimpaired portion) & regulatory reserves	450,777	398,668
Regulatory adjustments	<u>(316,715)</u>	<u>(414,399)</u>
Total Tier 2 capital	<u>234,062</u>	<u>184,269</u>
Capital base	<u>8,076,776</u>	<u>8,279,547</u>
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	16.195%	17.033%
Tier 1 Capital ratio	17.298%	18.155%
Total Capital ratio	17.814%	18.568%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	16.195%	16.612%
Tier 1 Capital ratio	17.298%	17.733%
Total Capital ratio	17.814%	18.146%

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 risk categories:

	<i>Bank</i>	
	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Total RWA for credit risk ^[1]	38,852,479	38,424,645
Total RWA for market risk	1,682,420	1,163,047
Total RWA for operational risk	<u>4,804,619</u>	<u>5,002,558</u>
	<u>45,339,518</u>	<u>44,590,250</u>

[1]

The risk weighted amount for credit risk relating to the SIAF/IAA (refer Note 17(i) for more details) are as follows:

	<i>Bank</i>	
	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Under SIAF/IAA arrangement	<u>2,704,280</u>	<u>2,743,531</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Capital Adequacy (Cont'd)

Pursuant to BNM's Guidelines on Capital Adequacy Framework (Capital Component) issued on 9 December 2020 (the Guidelines), the Group and the Bank elected to apply the transitional arrangements as specified in paragraph 39.

Under transitional arrangements, the expected credit loss (ECL) allowance measured at an amount equal to 12-month and lifetime ECL to the extent they are related to non-credit-impaired exposures (hereinafter referred to as Stage 1 and Stage 2 provisions), are allowed to be added back to CET-1, subject to a capping. The transitional arrangement commenced from financial year beginning 1 January 2020, with an add-back factor that will gradually reduce over the four-year transitional duration.

As required by the Guideline, below is the disclosure on the capital ratios with comparison of:

(i) the Capital Ratios, computed in accordance with the transitional arrangement

(ii) the Capital Ratios, had the transitional arrangement not been applied.

Group	With Transitional Arrangement (%)		Without Transitional Arrangement (%)	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
<u>Before deducting proposed dividend</u>				
CET1 Capital Ratio	16.206%	17.030%	16.042%	16.750%
Tier 1 Capital Ratio	17.078%	17.914%	16.914%	17.634%
Total Capital Ratio	18.491%	19.366%	18.358%	19.266%
Bank				
	With Transitional Arrangement (%)		Without Transitional Arrangement (%)	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
<u>Before deducting proposed dividend</u>				
CET1 Capital Ratio	16.195%	17.033%	16.017%	16.790%
Tier 1 Capital Ratio	17.298%	18.155%	17.120%	17.912%
Total Capital Ratio	17.814%	18.568%	17.713%	18.508%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 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>	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
Principal amount	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	810,499	571,769	796,756	551,207
Transaction-related contingent items	9,744,448	9,001,843	8,342,259	7,727,208
Short-term self-liquidating trade-related contingencies	534,068	536,055	485,329	460,390
Formal standby facilities and credit lines				
- Maturity not exceeding one year	8,048,604	7,229,606	6,730,539	5,840,490
- Maturity exceeding one year	15,841,839	14,090,402	12,435,707	11,779,180
Other unconditionally cancellable	16,254,962	15,927,899	13,618,000	13,633,727
Unutilised credit card lines	13,155,898	13,347,584	9,572,753	9,658,284
Foreign exchange related contracts:				
- Less than one year	73,188,244	79,984,757	73,209,912	79,946,550
- Over one year to less than five years	4,635,986	4,400,810	4,681,856	4,478,825
- Over five years	695,193	1,043,567	695,193	1,043,567
Interest/profit rate related contracts:				
- Less than one year	10,352,823	10,115,382	10,650,040	10,569,974
- Over one year to less than five years	21,922,268	22,496,732	23,005,668	23,356,232
- Over five years	1,807,170	2,151,934	1,807,170	2,151,934
Gold and other precious metals contracts:				
- Less than one year	12,572	15,559	12,572	15,559
Equity related contracts:				
- Less than one year	683,651	629,277	924,302	957,558
- Over one year to less than five years	1,198,097	1,006,580	1,780,217	1,504,231
	178,886,322	182,549,756	168,748,273	173,674,916

of which the amount related to SIAF/IAA arrangement (refer Note17(i) for more detail) are as below:

<i>Formal standby facilities and credit lines:</i>				
- Maturity not exceeding one year	58,977	50,516	58,977	50,516
- Maturity exceeding one year	21,548	15,083	21,548	15,083
	80,525	65,599	80,525	65,599

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 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:

Group At 30 Sep 2021	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	70,231,509	763,652	-	70,995,161	336,900	9,567	-	346,467	361,557	2,212	-	363,769
- Swaps	2,302,265	3,872,334	695,193	6,869,792	96,440	141,168	74,109	311,717	113,117	37,291	22,913	173,321
- Options	654,470	-	-	654,470	3,703	-	-	3,703	680	-	-	680
Interest/profit rate related contracts												
- Options	373,519	121,962	-	495,481	1,660	361	-	2,021	312	-	-	312
- Swaps	9,409,304	21,250,306	1,807,170	32,466,780	40,501	270,050	33,491	344,042	38,958	245,713	38,893	323,564
Equity related contracts												
- Options	683,651	1,198,097	-	1,881,748	8,067	18,879	-	26,946	63,457	91,361	-	154,818
Precious metal contracts												
- Options	12,572	-	-	12,572	21	-	-	21	41	-	-	41
Sub- total	83,667,290	27,206,351	2,502,363	113,376,004	487,292	440,025	107,600	1,034,917	578,122	376,577	61,806	1,016,505
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	570,000	550,000	-	1,120,000	-	-	-	-	9,094	16,933	-	26,027
Sub- total	570,000	550,000	-	1,120,000	-	-	-	-	9,094	16,933	-	26,027
Total	84,237,290	27,756,351	2,502,363	114,496,004	487,292	440,025	107,600	1,034,917	587,216	393,510	61,806	1,042,532

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Derivative Financial Instruments (Cont'd)

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

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

Group At 31 Dec 2020	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	75,909,799	552,972	-	76,462,771	923,016	2,409	-	925,425	976,257	9,002	-	985,259
- Swaps	3,572,306	3,847,838	1,043,567	8,463,711	182,779	257,764	72,198	512,741	85,871	100,520	33,247	219,638
- Options	502,652	-	-	502,652	1,459	-	-	1,459	2,978	-	-	2,978
Interest/profit rate related contracts												
- Options	955,008	193,346	-	1,148,354	4,393	2,456	-	6,849	6,639	-	-	6,639
- Swaps	8,760,374	21,183,386	2,151,934	32,095,694	41,096	415,524	99,597	556,217	37,936	386,468	91,102	515,506
Equity related contracts												
- Options	629,277	1,006,580	-	1,635,857	14,041	16,688	-	30,729	22,564	38,264	-	60,828
Precious metal contracts												
- Options	15,559	-	-	15,559	9	-	-	9	36	-	-	36
Sub- total	90,344,975	26,784,122	3,195,501	120,324,598	1,166,793	694,841	171,795	2,033,429	1,132,281	534,254	124,349	1,790,884
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	400,000	1,120,000	-	1,520,000	-	-	-	-	4,440	44,928	-	49,368
Sub- total	400,000	1,120,000	-	1,520,000	-	-	-	-	4,440	44,928	-	49,368
Total	90,744,975	27,904,122	3,195,501	121,844,598	1,166,793	694,841	171,795	2,033,429	1,136,721	579,182	124,349	1,840,252

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Derivative Financial Instruments (Cont'd)

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

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

Bank At 30 Sep 2021	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	70,326,232	763,652	-	71,089,884	334,134	9,567	-	343,701	360,193	2,212	-	362,405
- Swaps	2,229,210	3,918,204	695,193	6,842,607	97,221	141,550	74,109	312,880	112,425	37,623	22,913	172,961
- Options	654,470	-	-	654,470	3,703	-	-	3,703	680	-	-	680
Interest rate related contracts												
- Options	500,736	315,862	-	816,598	1,660	6,080	-	7,740	914	-	-	914
- Swaps	9,579,304	22,139,806	1,807,170	33,526,280	40,501	269,974	33,491	343,966	39,124	267,925	38,893	345,942
Equity related contracts												
- Options	924,302	1,780,217	-	2,704,519	8,067	22,611	-	30,678	69,927	106,078	-	176,005
Precious metal contracts												
- Options	12,572	-	-	12,572	21	-	-	21	41	-	-	41
Sub- total	84,226,826	28,917,741	2,502,363	115,646,930	485,307	449,782	107,600	1,042,689	583,304	413,838	61,806	1,058,948
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	570,000	550,000	-	1,120,000	-	-	-	-	9,094	16,933	-	26,027
Sub- total	570,000	550,000	-	1,120,000	-	-	-	-	9,094	16,933	-	26,027
Total	84,796,826	29,467,741	2,502,363	116,766,930	485,307	449,782	107,600	1,042,689	592,398	430,771	61,806	1,084,975

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Derivative Financial Instruments (Cont'd)

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

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

Bank At 31 Dec 2020	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	75,871,592	552,972	-	76,424,564	922,628	2,409	-	925,037	974,754	9,002	-	983,756
- Swaps	3,572,306	3,925,853	1,043,567	8,541,726	182,765	262,095	72,198	517,058	85,871	100,520	33,247	219,638
- Options	502,652	-	-	502,652	1,459	-	-	1,459	2,978	-	-	2,978
Interest rate related contracts												
- Options	1,198,600	193,346	-	1,391,946	4,393	2,456	-	6,849	10,510	-	-	10,510
- Swaps	8,971,374	22,042,886	2,151,934	33,166,194	41,096	415,347	99,597	556,040	38,982	419,128	91,102	549,212
Equity related contracts												
- Options	957,558	1,504,231	-	2,461,789	14,041	16,736	-	30,777	32,343	51,563	-	83,906
Precious metal contracts												
- Options	15,559	-	-	15,559	9	-	-	9	36	-	-	36
Sub- total	91,089,641	28,219,288	3,195,501	122,504,430	1,166,391	699,043	171,795	2,037,229	1,145,474	580,213	124,349	1,850,036
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	400,000	1,120,000	-	1,520,000	-	-	-	-	4,440	44,928	-	49,368
Sub- total	400,000	1,120,000	-	1,520,000	-	-	-	-	4,440	44,928	-	49,368
Total	91,489,641	29,339,288	3,195,501	124,024,430	1,166,391	699,043	171,795	2,037,229	1,149,914	625,141	124,349	1,899,404

Included in the net non-interest income is the net losses arising from fair value hedges during the financial period as follows:

	<i>Group and Bank</i>	
	30 Sep 2021 RM'000	30 Sep 2020 RM'000
Gain/(loss) on hedging instruments	20,486	(28,223)
(Loss)/gain on the hedged items attributable to the hedged risk	(20,451)	28,323
Net gain from fair value hedges	35	100

As at 30 September 2021, RM1.1 billion (31 Dec 2020: RM1.5 billion) of the notional amounts of the interest rate derivatives designated in hedge accounting relationships represent the extent of the risk exposure managed by the Group and the Bank that is impacted by market-wide IBORs reform.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 Performance Review, Economy and Prospects

Performance Review

The Group recorded a profit before tax of RM169.2 million for the financial period ended 30 September 2021, a reduction of RM402.7 million compared to the corresponding period in 2020. The decrease was mainly due to lower operating income by RM186.6m primarily driven by the spillover impact of the rate cuts in both USD and MYR in 2020 as well as lower trading income. The results were also impacted by higher impairment allowance/ provisions of RM151.3 million.

Total balance sheet size as at 30 September 2021 has increased by 1.5% or RM1.3 billion to RM87.6 billion (31 December 2020: RM86.3 billion). The Group's capital and liquidity coverage ratios continue to remain strong and well above regulatory requirements.

Economy and Prospects

Malaysia continued to be severely impacted by COVID-19 in 2021. It has witnessed the lowest non-residential mobility in the ASEAN region owing to the severe restrictions in place since the end of May 2021. A new Malaysia's prime minister (PM) was appointed on 21 August 2021 following an unexpected resignation of former PM. Although continuity is expected in key areas of economic policymaking, the political uncertainty could complicate the government's medium-term fiscal consolidation plans, which are needed to rebuild fiscal health.

Amid the prolonged slow-down of economic activities, Bank Negara Malaysia (BNM) has recently revised the full year gross domestic product (GDP) growth forecast down to between 3% and 4% for 2021, from the previous range of 6% to 7.5%. It has opted not to cut the Overnight Policy Rate in 2021 despite policy space as it focuses on recovery prospects and financial stability risks.

The risk to the economy growth outlook remain tilted to the downside due to concerns in both domestic and external factors. These include any potential delay in transition of National Recovery Plan (NRP) or an imposition of broad-based containment measures again should there be any new surge in COVID-19 cases, and a weaker-than-expected global growth recovery. However, sentiments remain positive, at least domestically, with the continuation of rapid progress in vaccination programmes which is on track for an 80% vaccination rate for total population by November 2021, gradual re-opening of the economic sectors under the NRP and continued policy support by the Government and BNM.

HSBC Malaysia will continue to support the Government and BNM's initiatives with a specific emphasis on those most vulnerable to the current conditions and help them build financial resilience rather than financial reliance, whilst supporting its wider customers to build resilience to meet the challenges ahead.

HSBC Malaysia has continued its investment in enhancing digital capabilities to better serve customers' expectations and their preferred ways to do businesses including innovative branch formats, in line with HSBC Group's strategic focus. The new digital initiatives launched during the year included the roll-out of wealth management solutions and wealth insights on mobile banking apps, the first Artificial Intelligence (AI) powered unit trust which uses AI to turn data into investment insights and DuitNow Request, the first in Malaysia, to its business customers – a real time payment service which allows streamlining in collection of repetitive payments from multiple customers. Sophis, a new system to re-introduce equity linked quanto structured products to our retail customers, was also launched in the first half of the year.

As a testament of its achievements in digital initiatives, HSBC Malaysia was awarded the "Digital Bank of the Year", the "Best Retail Digital Payments Experience" and "Best Retail Online Banking Experience" by the Asset Triple A Digital Awards 2021, along with the 2021 "Best International Bank in Malaysia", for the 2nd consecutive year in recognition of its innovative digital features implemented since the pandemic last year which have enabled customers to easily transit to seamless retail online banking and digital payment experience.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 Performance Review, Economy and Prospects (Cont'd)

Economy and Prospects (Cont'd)

From the sustainable front, we have completed a few sustainable and ESG-linked propositions via our subsidiary HSBC Amanah Malaysia Berhad (HSBC Amanah), namely, the issuance of a Green Bank Guarantee to a biogas-to-energy player in Malaysia and Green Trade Financing facilities to two companies for sustainable cocoa sourcing in Malaysia and for acquiring a stake in solar project in Vietnam. HSBC Amanah is also the first bank in Malaysia to publish a Task Force on Climate-Related Financial Disclosures (TCFD) report. In doing so, we are fulfilling our commitment to transparency in our reporting of climate-related financial risks.

In August 2021, HSBC Amanah was awarded the highly coveted “Islamic ESG Bank of the Year” award for the 2nd consecutive year, from The Asset Triple A Islamic Finance Awards 2021. It also received the “Best Islamic Trade Finance Bank” award for the 4th consecutive year. This is a solid endorsement of HSBC Group’s sustainable financing capabilities and sustained commitment to the transition to a global net zero economy.

Malaysia is uniquely positioned to capture increasing opportunities arising from supply chains that are moving to the ASEAN region. Despite the challenging year, we continue to believe that Malaysia’s recovery prospects remain bright which should help us to execute our transformation plans and growth initiatives.