

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 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 JUNE 2021

	Note	<i>Group</i>		<i>Bank</i>	
		30 Jun 2021 RM'000	31 Dec 2020 RM'000	30 Jun 2021 RM'000	31 Dec 2020 RM'000
Assets					
Cash and short-term funds	12	13,461,079	12,663,196	10,207,867	9,441,441
Securities purchased under resale agreements		5,248,790	6,826,369	5,248,790	6,826,369
Deposits and placements with banks and other financial institutions	13	58,100	48,204	1,236,682	1,403,411
Financial assets at fair value through profit and loss (FVTPL)	14	1,769,446	1,089,673	1,769,446	1,089,673
Financial investments at fair value through other comprehensive income (FVOCI)	15	12,321,314	10,827,545	10,615,255	9,527,730
Financial investments at amortised cost	16	199,358	199,743	199,358	199,743
Loans, advances and financing	17	50,103,459	50,752,784	37,271,408	37,260,208
Derivative financial assets	38	1,105,872	2,033,429	1,100,835	2,037,229
Other assets	20	1,063,631	588,905	1,098,327	605,867
Statutory deposits with Bank Negara Malaysia	21	44,344	55,511	25,483	30,009
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		958,651	900,381	950,601	891,297
Intangible assets		29,996	29,099	29,996	29,099
Tax recoverable		243,776	172,190	223,608	169,872
Deferred tax assets		131,658	130,069	99,487	102,309
Total assets		86,739,474	86,317,098	70,737,164	70,274,278
Liabilities					
Deposits from customers	22	64,875,041	63,410,436	52,701,197	51,263,508
Deposits and placements from banks and other financial institutions	23	3,094,990	2,858,341	2,347,611	2,135,227
Bills payable		237,782	169,111	218,227	121,104
Derivative financial liabilities	38	860,592	1,840,252	914,715	1,899,404
Structured liabilities designated at fair value through profit and loss	24	3,077,665	3,748,193	1,977,731	2,634,940
Other liabilities	25	2,877,791	2,368,130	2,679,585	2,188,958
Multi-Currency Sukuk Programme	26	517,096	523,841	-	-
Subordinated liabilities	27	500,000	500,000	500,000	500,000
Total liabilities		76,040,957	75,418,304	61,339,066	60,743,141
Equity					
Share capital		1,045,875	1,045,875	1,045,875	1,045,875
Other equity and reserves		9,652,642	9,852,919	8,352,223	8,485,262
Total equity attributable to owner of the Bank		10,698,517	10,898,794	9,398,098	9,531,137
Total liabilities and equity		86,739,474	86,317,098	70,737,164	70,274,278
Commitments and contingencies	37	177,326,121	182,549,756	166,991,610	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 30 July 2021.

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

	<i>Note</i>	<i>Group</i>			
		Second Quarter		Six Months Ended	
		30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
		RM'000	RM'000	RM'000	RM'000
Interest income	28	401,131	492,733	812,489	1,055,043
Interest expense	28	(103,893)	(153,636)	(209,755)	(329,729)
Net interest income	28	297,238	339,097	602,734	725,314
Fee and commission income	29	106,926	86,368	219,649	198,040
Fee and commission expense	29	(12,603)	(5,485)	(26,972)	(30,391)
Net fee and commission income	29	94,323	80,883	192,677	167,649
Net trading income	30	141,074	199,373	55,670	323,700
Income from Islamic banking operations	31	133,446	92,639	486,753	307,785
Net expenses from Financial Liabilities Designated at Fair Value		(4,129)	(18,165)	(8,904)	(51,723)
Other operating income	32	8,399	28,612	38,890	43,816
Operating income before impairment losses		670,351	722,439	1,367,820	1,516,541
Impairment allowance/provisions	33	(490,567)	(195,488)	(477,725)	(337,038)
Net operating income		179,784	526,951	890,095	1,179,503
Other operating expenses	34	(471,946)	(403,601)	(870,853)	(817,553)
(Loss)/ Profit before tax		(292,162)	123,350	19,242	361,950
Tax write-back/ (expense)		76,056	(32,550)	(4,937)	(91,187)
(Loss)/ Profit for the financial period		(216,106)	90,800	14,305	270,763
Basic (loss)/ earnings per RM0.50 ordinary share		(94.4 sen)	39.7 sen	6.2 sen	118.2 sen
Dividends per RM0.50 ordinary share (net)					
- final dividend paid in respect of prior period		82.2 sen	79.9 sen	82.2 sen	79.9 sen

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

	<i>Note</i>	<i>Bank</i>			
		Second Quarter		Six Months Ended	
		30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
		RM'000	RM'000	RM'000	RM'000
Interest income	28	406,009	500,814	822,155	1,071,710
Interest expense	28	(103,893)	(153,636)	(209,755)	(329,729)
Net interest income	28	302,116	347,178	612,400	741,981
Fee and commission income	29	106,528	86,159	219,136	197,442
Fee and commission expense	29	(12,603)	(5,485)	(26,972)	(30,391)
Net fee and commission income	29	93,925	80,674	192,164	167,051
Net trading income	30	136,662	162,785	261,305	348,935
Net expenses from Financial Liabilities Designated at Fair Value		(4,129)	(18,165)	(8,904)	(51,723)
Other operating income	32	89,136	110,192	157,640	156,843
Operating income before impairment losses		617,710	682,664	1,214,605	1,363,087
Impairment allowance/provisions	33	(293,820)	(127,161)	(312,605)	(204,800)
Net operating income		323,890	555,503	902,000	1,158,287
Other operating expenses	34	(442,985)	(377,032)	(817,483)	(761,476)
(Loss)/ Profit before tax		(119,095)	178,471	84,517	396,811
Tax write-back/ (expense)		46,293	(33,464)	(7,871)	(88,049)
(Loss)/ Profit for the financial period		(72,802)	145,007	76,646	308,762
Basic (loss)/ earnings per RM0.50 ordinary share		(31.8 sen)	63.3 sen	33.5 sen	134.8 sen
Dividends per RM0.50 ordinary share (net) - final dividend paid in respect of prior period		82.2 sen	79.9 sen	82.2 sen	79.9 sen

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.

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

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(expense)				
<i>Items that will not be reclassified to profit or loss</i>				
Own credit reserve:				
Change in fair value	2,155	(7,408)	3,491	26,320
Income tax effect	(517)	1,778	(838)	(6,317)
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i>				
Fair value through other comprehensive income reserve:				
Change in fair value	1,460	77,252	(29,939)	131,476
Amount transferred to profit or loss	1,787	(33,094)	(12,109)	(87,680)
Impairment	(194)	4,498	(234)	4,618
Income tax effect	(3,534)	(14,674)	7,337	(14,587)
Financial assets designated as fair value through other comprehensive income				
Transfer to retained profit upon disposal	9	-	9	-
Change in fair value	11,475	16,982	11,475	16,982
Other comprehensive income for the financial period, net of income tax	12,641	45,334	(20,808)	70,812
Total comprehensive income for the period	(203,465)	136,134	(6,503)	341,575
Profit attributable to owner of the Bank	(216,106)	90,800	14,305	270,763
Total comprehensive income attributable to owner of the Bank	(203,465)	136,134	(6,503)	341,575

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

	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(expense)				
<i>Items that will not be reclassified to profit or loss</i>				
Own credit reserve:				
Change in fair value	(1,026)	(6,266)	2,408	9,633
Income tax effect	246	1,504	(578)	(2,312)
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i>				
Fair value through other comprehensive income reserve:				
Change in fair value	(154)	65,224	(25,255)	114,856
Amount transferred to profit or loss	4,341	(33,095)	(9,555)	(81,571)
Impairment	(152)	3,535	(206)	3,657
Income tax effect	(3,759)	(11,786)	5,600	(12,064)
Financial assets designated as fair value through other comprehensive income				
Transfer to retained profit upon disposal	9	-	9	-
Change in fair value	11,475	16,982	11,475	16,982
Other comprehensive income for the financial period, net of income tax	10,980	36,098	(16,102)	49,181
Total comprehensive income for the period	(61,822)	181,105	60,544	357,943
Profit attributable to owner of the Bank	(72,802)	145,007	76,646	308,762
Total comprehensive income attributable to owner of the Bank	(61,822)	181,105	60,544	357,943

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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	-	-	-	-	-	-	-	14,305	14,305
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(1,131)	-	-	-	-	1,131	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	(14,033)	2,653	-	-	-	(11,380)
Net amount transferred to profit or loss	-	-	-	(9,203)	-	-	-	-	(9,203)
Transfer to retained profit upon disposal	-	-	-	-	-	-	-	9	9
Impairment charges	-	-	-	(234)	-	-	-	-	(234)
<i>Total other comprehensive (expense)/income</i>	-	-	(1,131)	(23,470)	2,653	-	-	1,140	(20,808)
Total comprehensive income for the financial period	-	-	(1,131)	(23,470)	2,653	-	-	15,445	(6,503)
Net change in regulatory reserves	-	-	-	-	-	-	148,000	(148,000)	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	(1,017)	-	3,058	2,041
Dividends paid to owner - 2020 final	-	-	-	-	-	-	-	(188,161)	(188,161)
Discretionary coupon on other equity instrument issued	-	-	-	-	-	-	-	(7,654)	(7,654)
Balance at 30 June	1,045,875	500,000	189,620	192,322	(3,032)	102,773	446,100	8,224,859	10,698,517

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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	-	-	-	-	-	-	-	270,763	270,763
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(1,197)	-	-	-	-	1,197	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	112,828	20,003	-	-	-	132,831
Net amount transferred to profit or loss	-	-	-	(66,637)	-	-	-	-	(66,637)
Impairment charges	-	-	-	4,618	-	-	-	-	4,618
<i>Total other comprehensive (expense)/income</i>	-	-	(1,197)	50,809	20,003	-	-	1,197	70,812
Total comprehensive income for the financial period	-	-	(1,197)	50,809	20,003	-	-	271,960	341,575
Net change in regulatory reserves	-	-	-	-	-	-	(173,400)	173,400	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	2,929	-	1,607	4,536
Dividends paid to owner - 2019 final	-	-	-	-	-	-	-	(183,000)	(183,000)
Discretionary coupon on other equity instrument issued	-	-	-	-	-	-	-	(10,459)	(10,459)
Balance at 30 June	<u>1,045,875</u>	<u>500,000</u>	<u>204,166</u>	<u>224,482</u>	<u>1,824</u>	<u>102,939</u>	<u>312,800</u>	<u>8,455,471</u>	<u>10,847,557</u>

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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	-	-	-	-	-	-	-	76,646	76,646
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(1,131)	-	-	-	-	1,131	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	(10,473)	1,830	-	-	-	(8,643)
Net amount transferred to profit or loss	-	-	-	(7,262)	-	-	-	-	(7,262)
Transfer to retained profit upon disposal	-	-	-	-	-	-	-	9	9
Impairment charges	-	-	-	(206)	-	-	-	-	(206)
<i>Total other comprehensive (expense)/income</i>	-	-	(1,131)	(17,941)	1,830	-	-	1,140	(16,102)
Total comprehensive income for the financial period	-	-	(1,131)	(17,941)	1,830	-	-	77,786	60,544
Net change in regulatory reserves	-	-	-	-	-	-	70,900	(70,900)	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	(757)	-	2,989	2,232
Dividends paid to owner - 2020 final	-	-	-	-	-	-	-	(188,161)	(188,161)
Discretionary coupon on other equity instrument issued	-	-	-	-	-	-	-	(7,654)	(7,654)
Balance at 30 June	1,045,875	500,000	189,620	185,983	(2,732)	102,256	362,900	7,014,196	9,398,098

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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	-	-	-	-	-	-	-	308,762	308,762
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(1,197)	-	-	-	-	1,197	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	100,197	7,321	-	-	-	107,518
Net amount transferred to profit or loss	-	-	-	(61,994)	-	-	-	-	(61,994)
Impairment charges	-	-	-	3,657	-	-	-	-	3,657
<i>Total other comprehensive (expense)/income</i>	-	-	(1,197)	41,860	7,321	-	-	1,197	49,181
Total comprehensive income for the financial period	-	-	(1,197)	41,860	7,321	-	-	309,959	357,943
Net change in regulatory reserves	-	-	-	-	-	-	(125,300)	125,300	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	2,731	-	1,550	4,281
Dividends paid to owner - 2019 final	-	-	-	-	-	-	-	(183,000)	(183,000)
Discretionary coupon on other equity instrument issued	-	-	-	-	-	-	-	(10,459)	(10,459)
Balance at 30 June	1,045,875	500,000	204,166	209,239	(2,601)	102,204	307,800	7,186,302	9,552,985

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

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Profit before tax	19,242	361,950	84,517	396,811
Adjustments for non-operating and non-cash items	744,292	275,197	293,428	63,505
Operating profit before working capital changes	763,534	637,147	377,945	460,316
Changes in working capital:				
Net changes in operating assets	1,369,349	(1,965,104)	1,250,333	(874,284)
Net changes in operating liabilities	609,424	2,485,079	585,363	3,646,227
Income tax paid	(71,614)	(152,361)	(53,764)	(130,161)
Net cash generated from operations	2,670,693	1,004,761	2,159,877	3,102,098
Net cash (used in)/generated from investing activities	(1,658,400)	750,302	(1,185,046)	172,744
Net cash used in financing activities	(214,410)	(991,442)	(208,405)	(217,446)
	(1,872,810)	(241,140)	(1,393,451)	(44,702)
Net changes in cash and cash equivalents	797,883	763,621	766,426	3,057,396
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 June	13,461,079	10,387,583	10,207,867	7,904,633
Analysis of cash and cash equivalents				
Cash and short-term funds	13,461,079	10,387,583	10,207,867	7,904,633

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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 Jun
2021						
Multi-Currency Sukuk Programme	523,841	-	-	(6,745)	-	517,096
Subordinated liabilities	500,000	-	-	-	-	500,000
Other liabilities of which:						
Profit paid on Multi-Currency Sukuk Programme	5,360	(6,005)	-	-	5,946	5,301
Interest paid on Subordinated liabilities	4,151	(12,590)	-	-	12,521	4,082
	1,033,352	(18,595)	-	(6,745)	18,467	1,026,479
2020						
Multi-Currency Sukuk Programme	1,265,929	(750,000)	-	5,408	-	521,337
Subordinated liabilities	1,089,612	-	27,336	-	-	1,116,948
Other liabilities of which:						
Profit paid on Multi-Currency Sukuk Programme	13,724	(23,996)	-	-	15,573	5,301
Interest paid on Subordinated liabilities	4,292	(23,987)	-	-	23,866	4,171
	2,373,557	(797,983)	27,336	5,408	39,439	1,647,757

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 30 July 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 JUNE 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 Jun
2021						
Subordinated liabilities	500,000	-	-	-	-	500,000
Other liabilities of which:						
Interest paid on Subordinated liabilities	4,151	(12,590)	-	-	12,521	4,082
	504,151	-	12,590	-	12,521	504,082
2020						
Subordinated liabilities	1,089,612	-	27,336	-	-	1,116,948
Other liabilities of which:						
Interest paid on Subordinated liabilities	4,292	(23,987)	-	-	23,866	4,171
	1,093,904	(23,987)	27,336	-	23,866	1,121,119

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 30 July 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 30 July 2021.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 30 June 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) which will be implemented in later part of year 2021. The impact of the above Amendments to MFRS is currently being assessed.

(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.

The adoption of the above Amendments to MFRSs does not give rise to any material financial impact to 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 June 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 June 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 June 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 June 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 June 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 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,063,821	978,801	779,505	790,710
Money at call and interbank placements maturing within one month	12,397,258	11,684,395	9,428,362	8,650,731
	13,461,079	12,663,196	10,207,867	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 RM5,854,000 for the Group and RM5,853,000 for the Bank as at 30 June 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 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Licensed banks	-	-	1,178,582	1,403,411
Bank Negara Malaysia	58,100	48,204	58,100	-
	58,100	48,204	1,236,682	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 RM1,178.6 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 June 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 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government treasury bills	147,405	-	147,405	-
Islamic treasury bills	1,762	32,751	1,762	32,751
Malaysian Government securities	1,251,555	803,632	1,251,555	803,632
Malaysian Government Islamic Sukuk	199,357	204,624	199,357	204,624
Cagamas bonds and notes	2,530	2,552	2,530	2,552
	1,602,609	1,043,559	1,602,609	1,043,559
Unquoted:				
Corporate bonds and Sukuk	166,837	46,114	166,837	46,114
	1,769,446	1,089,673	1,769,446	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 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Debt instruments				
Money market instruments:				
Bank Negara Malaysia bills and notes	2,187,270	3,820,462	2,187,270	3,820,462
Malaysian Government securities	5,401,195	4,576,941	5,401,195	4,576,941
Malaysian Government Islamic Sukuk	4,507,371	2,216,139	2,801,312	916,324
	12,095,836	10,613,542	10,389,777	9,313,727
Financial Investments Designated as FVOCI				
Equity instruments				
Unquoted:				
Shares	225,478	214,003	225,478	214,003
<i>of which</i>				
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
	12,321,314	10,827,545	10,615,255	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 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	6,046,217	4,668,705	5,549,781	4,643,507
More than one year to three years	5,053,865	5,355,227	4,146,509	4,080,610
More than three years to five years	995,754	589,610	693,487	589,610
	12,095,836	10,613,542	10,389,777	9,313,727

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

Financial investments at FVOCI are within Stage 1 allocation (12 -months ECL) with RM758,000 impairment allowance for the Group and RM608,000 for the Bank as at 30 June 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 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Debt instruments				
Unquoted:				
Corporate Sukuk	199,358	199,743	199,358	199,743

Financial investments at amortised cost are within Stage 1 allocation (12 -months ECL) with RM642,000 impairment allowance for the Group and the Bank as at 30 June 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 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts/cash line	703,610	569,745	607,447	499,148
Term loans/financing:				
Housing loans/financing	16,418,189	17,109,892	12,491,035	13,065,891
Syndicated term loans/financing	3,933,039	4,144,469	2,701,807	2,979,715
Factoring receivables	748,058	718,801	730,058	718,801
Hire purchase receivables	220,110	206,548	-	-
Other term loans/financing	10,218,990	10,383,133	6,962,483	6,713,647
Bills receivable	3,993,998	3,926,083	3,223,775	3,273,215
Trust receipts	3,421,776	2,408,497	3,060,988	1,961,314
Claims on customers under acceptance credits	850,478	874,799	624,137	592,705
Staff loans/financing	60,555	64,375	57,834	62,089
Credit/charge cards	2,949,941	3,372,936	1,984,033	2,282,613
Revolving financing	7,844,298	7,813,934	5,600,380	5,606,804
Other loans/financing	14,682	13,967	10,800	10,346
Gross loans, advances and financing ^[1]	51,377,724	51,607,179	38,054,777	37,766,288
Less: - Impairment allowances	(1,274,265)	(854,395)	(783,369)	(506,080)
Total net loans, advances and financing	50,103,459	50,752,784	37,271,408	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 Jun 2021	31 Dec 2020
	RM'000	RM'000
Syndicated term financing	2,314,779	2,109,579
Other term financing	114,454	115,762
Revolving financing	1,281,307	1,261,295
	3,710,540	3,486,636

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 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	1,056,384	1,196,950	630,425	742,284
Domestic business enterprises:				
Small medium enterprises	3,240,341	3,018,099	2,135,082	1,922,892
Others	20,482,437	19,719,560	16,225,939	15,393,886
Individuals	19,132,667	20,304,894	13,407,079	14,283,075
Other domestic entities	3,383	3,727	2,371	2,635
Foreign entities/individuals	7,462,512	7,363,949	5,653,881	5,421,516
	51,377,724	51,607,179	38,054,777	37,766,288

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	22,222,622	21,045,884	16,774,120	15,881,974
More than one year to three years	6,284,133	6,429,386	5,051,620	4,434,098
More than three years to five years	3,057,974	3,441,574	1,948,284	2,535,261
More than five years	19,812,995	20,690,335	14,280,753	14,914,955
	51,377,724	51,607,179	38,054,777	37,766,288

(iv) By interest/profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Hire purchase receivables	220,110	206,548	-	-
Other fixed rate loans/financing	12,611,636	11,766,641	9,485,332	8,409,893
Variable rate:				
Base Rate/Base Lending/Financing Rate plus	19,502,872	20,233,453	14,573,704	15,175,072
Cost-plus	19,042,934	19,400,537	13,995,569	14,181,323
	51,377,724	51,607,179	38,054,777	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 Jun 2021 RM'000	31 Dec 2020 RM'000	30 Jun 2021 RM'000	31 Dec 2020 RM'000
Agricultural, hunting, forestry and fishing	103,762	117,778	92,468	102,386
Mining and quarrying	323,624	435,023	215,329	302,753
Manufacturing	7,299,581	6,184,300	5,823,828	4,791,246
Electricity, gas and water	170,903	108,032	22,664	25,990
Construction	3,277,307	3,715,488	2,426,717	2,659,102
Real estate	4,527,161	4,669,099	3,563,653	3,800,120
Wholesale & retail trade and restaurants & hotels	4,321,520	3,801,121	3,491,788	3,014,292
Transport, storage and communication	701,449	688,704	556,874	502,720
Finance, insurance and business services	3,213,451	3,415,266	2,189,676	2,318,903
Household-retail	21,905,409	23,199,390	15,702,562	16,680,406
Others	5,533,557	5,272,978	3,969,218	3,568,370
	51,377,724	51,607,179	38,054,777	37,766,288

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2021 RM'000	31 Dec 2020 RM'000	30 Jun 2021 RM'000	31 Dec 2020 RM'000
Purchase of property:				
Residential	16,455,017	17,149,089	12,526,438	13,104,101
Non residential	1,374,974	1,404,442	608,245	618,148
Purchase of securities	2,985	3,130	2,985	3,130
Purchase of transport vehicles	14,931	15,574	13,993	14,763
Purchase of fixed assets excluding land & building	219,748	203,613	-	-
Consumption credit	5,102,822	5,675,861	3,036,448	3,423,738
Construction	3,226,471	3,449,175	2,359,538	2,415,360
Working capital	20,282,470	19,231,481	16,140,196	15,157,502
Other purpose	4,698,306	4,474,814	3,366,934	3,029,546
	51,377,724	51,607,179	38,054,777	37,766,288

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2021 RM'000	31 Dec 2020 RM'000	30 Jun 2021 RM'000	31 Dec 2020 RM'000
Northern Region	6,074,539	6,004,352	4,782,871	4,774,648
Southern Region	5,950,902	5,940,209	4,430,147	4,257,990
Central Region	37,528,759	37,644,928	27,342,903	27,064,114
Eastern Region	1,823,524	2,017,690	1,498,856	1,669,536
	51,377,724	51,607,179	38,054,777	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 Jun 2021	31 Dec 2020	30 Jun 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	1,688,079	828,778	1,124,750	589,655
Net remeasurement due to changes in credit risk	(31,571)	247,202	(74,217)	145,825
Written-off	(102,070)	(247,926)	(49,346)	(128,818)
Gross carrying amount as at 30 June	3,385,939	1,831,501	2,225,993	1,224,806

(ii) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	264	319	-	-
Mining and quarrying	89,264	-	89,264	-
Manufacturing	119,784	109,880	93,752	92,757
Electricity, gas and water	-	487	-	487
Construction	152,484	16,381	16,090	12,671
Real estate	119,680	12,164	119,680	12,164
Wholesale & retail trade, restaurants & hotels	67,131	66,298	56,807	54,919
Transport, storage and communication	113,185	118,069	113,185	117,856
Finance, insurance and business services	362,665	8,111	244,397	2,123
Household-retail	2,280,853	1,471,206	1,486,578	924,859
Others	80,629	28,586	6,240	6,970
3,385,939	1,831,501	2,225,993	1,224,806	

(iii) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Purchase of property:				
Residential	1,653,094	883,350	1,176,953	619,049
Non residential	42,543	43,267	30,357	29,765
Purchase of transport vehicles	39	71	7	9
Purchase of fixed assets excluding land & building	354	354	-	-
Consumption credit	621,860	581,031	303,758	299,643
Construction	150,337	13,793	13,943	10,143
Working capital	845,492	290,299	700,866	266,131
Other purpose	72,220	19,336	109	66
3,385,939	1,831,501	2,225,993	1,224,806	

(iv) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Northern Region	346,637	205,739	272,756	154,295
Southern Region	449,987	200,401	345,352	136,847
Central Region	2,381,127	1,325,153	1,420,276	847,871
Eastern Region	208,188	100,208	187,609	85,793
3,385,939	1,831,501	2,225,993	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	57,567	(25,814)	(31,753)	-
- Transferred to Stage 2	(8,416)	22,856	(14,440)	-
- Transferred to Stage 3	(3,258)	(132,563)	135,821	-
New financial assets originated or purchased	8,878	-	-	8,878
Net remeasurement due to changes in credit risk	(106,692)	47,679	569,692	510,679
Asset written-off	-	-	(102,070)	(102,070)
Others	2,383	-	-	2,383
Balance at 30 June 2021	87,279	154,615	1,032,371	1,274,265
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	136,817	242,457	475,121	854,395

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 RM419.9 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 (RM510.7 million) and new financial assets originated or purchased (RM8.9 million), partially offset by assets written-off (RM102.1 million).

- 12-months ECL not credit impaired (Stage 1) – decreased by RM49.5 million for the Group, mainly from remeasurement due to changes in credit risk based on HSBC Group's model and partially offset by net migration of loans from stages 2 and 3 and new financial assets originated or purchased.
- Lifetime ECL not credit-impaired (Stage 2) – decreased by RM87.8 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 RM557.3 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	27,822	(12,242)	(15,580)	-
- Transferred to Stage 2	(3,647)	10,987	(7,340)	-
- Transferred to Stage 3	(1,424)	(102,048)	103,472	-
New financial assets originated or purchased	4,283	-	-	4,283
Net remeasurement due to changes in credit risk	(31,254)	44,456	306,974	320,176
Asset written-off	-	-	(49,346)	(49,346)
Others	2,176	-	-	2,176
Balance at 30 June 2021	45,986	107,846	629,537	783,369
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 RM277.3 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 (RM320.2 million) and new financial assets originated or purchased (RM4.3 million), partially offset by asset written-off (RM49.3 million).

- 12-months ECL not credit impaired (Stage 1) – decreased by RM2.0 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 RM58.8 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 RM338.2 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	249	(238)	(11)	-
- Transferred to Stage 2	(649)	649	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	482	-	-	482
Net remeasurement due to changes in credit risk	159	5,762	5,650	11,571
Others	55	-	-	55
Balance at 30 June 2021	4,908	9,371	6,103	20,382
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	133	(122)	(11)	-
- Transferred to Stage 2	(541)	541	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	436	-	-	436
Net remeasurement due to changes in credit risk	700	3,922	5,650	10,272
Others	24	-	-	24
Balance at 30 June 2021	3,855	6,780	6,103	16,738
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 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Settlements	518,329	168,206	518,329	168,206
Interest/profit receivable	136,074	105,379	118,927	91,906
Income receivable	34,547	31,763	70,396	63,922
Deposits and prepayments	8,081	2,331	7,781	2,031
Amount due from subsidiary company	-	-	62,142	30,520
Rights of Use (ROU) assets	60,580	72,672	37,258	52,769
Cash collateral	141,617	100,711	141,617	100,711
Other receivables	164,403	107,843	141,877	95,802
	1,063,631	588,905	1,098,327	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 SRR compliance until 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22 Deposits from Customers

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
(i) By type of deposit	RM'000	RM'000	RM'000	RM'000
Demand deposits	23,688,343	22,378,777	21,171,551	19,940,987
Savings deposits	16,665,337	15,639,505	13,977,768	13,227,992
Fixed deposits	24,521,361	25,392,154	17,551,878	18,094,529
	64,875,041	63,410,436	52,701,197	51,263,508

The maturity structure of fixed deposits is as follows:

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Due within six months	18,722,360	19,825,209	13,081,318	13,919,094
More than six months to one year	4,435,010	4,482,405	3,492,984	3,456,238
More than one year to three years	1,042,373	723,856	749,291	474,542
More than three years to five years	321,618	360,684	228,285	244,655
Over five years	-	-	-	-
	24,521,361	25,392,154	17,551,878	18,094,529

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
(ii) By type of customer	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	23,698	33,855	9,984	15,577
Business enterprises	25,433,540	24,899,520	22,063,347	21,536,979
Individuals	25,824,551	25,145,896	20,047,704	19,413,603
Foreign entities/individuals	12,587,956	12,208,780	9,886,353	9,506,879
Others	1,005,296	1,122,385	693,809	790,470
	64,875,041	63,410,436	52,701,197	51,263,508

23 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Licensed banks	9,369	50,607	9,369	50,607
Bank Negara Malaysia	260,731	139,992	256,392	135,932
Other financial institutions	2,824,890	2,667,742	2,081,850	1,948,688
	3,094,990	2,858,341	2,347,611	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 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Structured liabilities	3,077,665	3,748,193	1,977,731	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 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Settlements	927,856	92,826	927,696	92,826
Interest/profit payable	157,612	179,958	107,510	126,246
Deferred income	69,962	74,395	57,676	62,813
Marginal deposit	135,937	65,734	129,388	58,181
Amount due to subsidiary company	-	-	342	1,856
Accrued expenses	553,521	689,486	527,768	658,493
Lease liabilities	63,554	77,492	38,599	56,325
Cash collateral	261,862	615,805	261,862	615,805
Other creditors	687,105	564,160	612,006	510,407
Provisions on loan and credit related commitments; and financial guarantees ^[1]	20,382	8,274	16,738	6,006
	2,877,791	2,368,130	2,679,585	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 Jun 2021 RM'000	31 Dec 2020 RM'000
Multi-Currency Sukuk Programme (MCSP)	517,096	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 Jun 2021	31 Dec 2020
At fair value					
4th series ^[1]	<u>500,000</u>	2 Oct 2018	2 Oct 2023	<u>517,096</u>	<u>523,841</u>

Movement in MCSP

2021

	4th series RM'000	
Balance at 1 January		523,841
Change in fair value other than from own credit risk		(6,592)
Change in fair value from own credit risk		(153)
Redemption of Multi-Currency Sukuk		-
Balance at 30 June		<u>517,096</u>

2020

	3rd series ^[2] RM'000	4th series RM'000
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>-</u>	<u>523,841</u>

	<i>Group</i>	
	30 Jun 2021 RM'000	31 Dec 2020 RM'000
The cumulative gain from change in fair value due to changes in own credit risk	(153)	(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 Jun 2021 RM'000	31 Dec 2020 RM'000	30 Jun 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>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	288,382	379,884	584,133	800,400
- Interest income recognised from impaired loans	7,744	3,528	17,281	12,474
Money at call and deposit placements with financial institutions	65,929	52,818	130,823	113,430
Financial investments at FVOCI	37,699	56,503	77,515	128,739
Financial investments at amortised costs	1,377	-	2,737	-
	401,131	492,733	812,489	1,055,043
Interest expense				
Deposits and placements of banks and other financial institutions	(2,207)	(4,639)	(4,747)	(9,905)
Deposits from customers	(94,746)	(136,589)	(192,188)	(293,938)
Subordinated liabilities	(6,295)	(11,515)	(12,521)	(23,866)
Lease liabilities	(474)	(555)	27	(1,506)
Others	(171)	(338)	(326)	(514)
	(103,893)	(153,636)	(209,755)	(329,729)
Net interest income	297,238	339,097	602,734	725,314
<i>Bank</i>				
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	288,382	379,884	584,133	800,400
- Interest income recognised from impaired loans	7,744	3,528	17,281	12,474
Money at call and deposit placements with financial institutions	70,807	60,899	140,489	130,097
Financial investments at FVOCI	37,699	56,503	77,515	128,739
Financial investments at amortised cost	1,377	-	2,737	-
	406,009	500,814	822,155	1,071,710
Interest expense				
Deposits and placements of banks and other financial institutions	(2,207)	(4,639)	(4,747)	(9,905)
Deposits from customers	(94,746)	(136,589)	(192,188)	(293,938)
Subordinated liabilities	(6,295)	(11,515)	(12,521)	(23,866)
Lease liabilities	(474)	(555)	27	(1,506)
Others	(171)	(338)	(326)	(514)
	(103,893)	(153,636)	(209,755)	(329,729)
Net interest income	302,116	347,178	612,400	741,981

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29 Net Fee and Commission Income

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Credit cards	23,010	20,385	47,421	48,243
Service charges and fees	28,498	26,076	58,057	54,914
Fees on credit facilities	14,541	14,790	29,188	29,587
Agency fee	34,977	20,695	73,396	51,028
Others	5,900	4,422	11,587	14,268
	106,926	86,368	219,649	198,040
Fee and commission expense				
Debit/credit cards	(7,017)	(720)	(16,349)	(21,048)
Interbank and clearing fees	(190)	(309)	(616)	(513)
Brokerage	(659)	(478)	(1,467)	(949)
Cash management	(220)	(383)	(471)	(854)
Others	(4,517)	(3,595)	(8,069)	(7,027)
	(12,603)	(5,485)	(26,972)	(30,391)
Net fee and commission income	94,323	80,883	192,677	167,649

	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Credit cards	23,010	20,385	47,421	48,243
Service charges and fees	28,498	26,076	58,057	54,914
Fees on credit facilities	14,541	14,790	29,188	29,587
Agency fee	34,977	20,695	73,396	51,028
Others	5,502	4,213	11,074	13,670
	106,528	86,159	219,136	197,442
Fee and commission expense				
Debit/credit cards	(7,017)	(720)	(16,349)	(21,048)
Interbank and clearing fees	(190)	(309)	(616)	(513)
Brokerage	(659)	(478)	(1,467)	(949)
Cash management	(220)	(383)	(471)	(854)
Others	(4,517)	(3,595)	(8,069)	(7,027)
	(12,603)	(5,485)	(26,972)	(30,391)
Net fee and commission income	93,925	80,674	192,164	167,051

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Net Trading Income

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Realised gain/(loss) on financial assets/liabilities at FVTPL and other financial instruments	3,122	10,988	(1,902)	29,149
Net interest income from financial assets at FVTPL	10,663	17,422	17,829	34,625
Net unrealised gain/(loss) on revaluation of financial assets at FVTPL	2,783	(701)	(4,075)	12,457
Net realised gain arising from dealing in foreign currency	52,051	167,051	109,510	141,281
Net unrealised gain/(loss) from dealing in foreign currency	66,481	(16,369)	(74,158)	62,702
Net realised gain/(loss) arising from dealing in derivatives	20,764	(40,870)	85,461	(35,147)
Net unrealised (loss)/gain on revaluation of derivatives	(14,927)	61,917	(77,021)	78,371
Gain/(Loss) arising from fair value hedges	137	(65)	26	262
	141,074	199,373	55,670	323,700

	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Realised gain/(loss) on financial assets/liabilities at FVTPL and other financial instruments	2,079	9,294	(4,102)	27,757
Net interest income from financial assets at FVTPL	10,663	17,422	17,829	34,625
Net unrealised gain/(loss) on revaluation of financial assets at FVTPL	3,797	258	(1,851)	9,575
Net realised gain arising from dealing in foreign currency	52,430	162,582	111,936	137,140
Net unrealised gain/(loss) from dealing in foreign currency	57,346	(46,717)	121,619	101,706
Net realised gain/(loss) arising from dealing in derivatives	24,624	22,148	98,329	27,874
Net unrealised (loss)/gain on revaluation of derivatives	(14,414)	(2,137)	(82,481)	9,996
Gain/(Loss) arising from fair value hedges	137	(65)	26	262
	136,662	162,785	261,305	348,935

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>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Total net trading income (net of elimination with subsidiary)	148,732	172,794	284,610	375,705
of which:				
- is disclosed in Note 30	141,074	199,373	55,670	323,700
- is included under Income from Islamic Banking operations of the Group (Note 31)	7,658	(26,579)	228,940	52,005

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>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
- depositor funds and others ^[1]	138,855	158,777	285,281	349,803
- shareholders funds	38,090	37,903	75,926	85,053
Total income before allowance for impairment losses on financing and advances	176,945	196,680	361,207	434,856
Income attributable to the depositors	(43,276)	(75,076)	(88,655)	(167,494)
Income from Islamic Banking operations before elimination	133,669	121,604	272,552	267,362
Elimination of intercompany income and expenses	(223)	(28,965)	214,201	40,423
Income from Islamic Banking operations reported in statement of profit or loss of the Group ^[2]	133,446	92,639	486,753	307,785
^[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 June:	(5,399)	(11,835)	(8,268)	(35,601)
^[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 June:	7,658	(26,579)	228,940	52,005

32 Other Operating Income

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Gain from disposal of financial investments at FVOCI	168	21,300	22,692	30,563
Dividend income from financial investments at FVOCI				
- Unquoted in Malaysia	1,105	930	1,105	930
Rental income	532	1,886	1,724	3,672
Net gain/(loss) on disposal of property and equipment	21	(27)	21	(4)
Other operating income	6,573	4,523	13,348	8,655
	8,399	28,612	38,890	43,816
	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Gain from disposal of financial investments at FVOCI	168	21,300	22,692	30,563
Dividend income from financial investments at FVOCI				
- Unquoted in Malaysia	1,105	930	1,105	930
Dividend income from subsidiary	50,000	50,000	50,000	50,000
Rental income	532	1,886	1,724	3,672
Net gain/(loss) on disposal of property and equipment	21	(27)	21	(4)
Income recharges from subsidiary	30,737	31,580	68,750	63,027
Other operating income	6,573	4,523	13,348	8,655
	89,136	110,192	157,640	156,843

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Impairment Allowance/Provisions

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	518,431	209,963	537,560	377,835
Recoveries	(28,900)	(15,018)	(61,293)	(41,413)
Written off	1,036	543	1,458	616
Total charge to the statements of profit or loss	490,567	195,488	477,725	337,038

	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	307,448	133,897	341,151	225,044
Recoveries	(14,663)	(7,142)	(30,003)	(20,722)
Written off	1,035	406	1,457	478
Total charge to the statements of profit or loss	293,820	127,161	312,605	204,800

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

(i) Loan, advances and financing

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	500,003	200,394	519,557	355,796
Recoveries	(28,900)	(15,018)	(61,293)	(41,413)
Written off	1,036	543	1,458	616
Total charge to the statements of profit or loss	472,139	185,919	459,722	314,999

	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	290,285	124,565	324,459	206,668
Recoveries	(14,663)	(7,142)	(30,003)	(20,722)
Written off	1,035	406	1,457	478
Total charge to the statements of profit or loss	276,657	117,829	295,913	186,424

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

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Net increase in allowance / provisions	5,817	400	5,801	432

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>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Net increase in allowance / provisions	5,822	366	5,807	376

(iii) Debt securities - FVOCI

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
(Net release) / net increase in allowance / provisions	(195)	4,498	(236)	4,616

	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
(Net release) / net increase in allowance / provisions	(153)	3,535	(208)	3,655

(iv) Financial investments at amortised costs

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Net increase in allowance / provisions	407	-	385	-

	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Net increase in allowance / provisions	407	-	385	-

(v) Loan commitments and contingencies

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Net increase in allowance / provisions	12,399	4,671	12,053	16,991

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Impairment Allowance/Provisions (Cont'd)

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

	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Net increase in allowance / provisions	11,087	5,431	10,708	14,345

34 Other Operating Expenses

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	226,403	166,962	407,351	351,852
Promotion and marketing related expenses	12,086	6,773	18,503	19,524
Establishment related expenses	22,316	33,986	46,328	71,102
General administrative expenses	37,571	34,472	73,948	73,149
Related company charges	173,570	161,408	324,723	301,926
	471,946	403,601	870,853	817,553
Personnel expenses				
Salaries, allowances and bonuses	131,555	124,202	271,573	265,880
Employees Provident Fund contributions	22,172	21,056	45,363	44,526
Share based payment	5,520	2,601	8,131	4,960
Others	67,156	19,103	82,284	36,486
	226,403	166,962	407,351	351,852
Establishment related expenses				
Depreciation of property and equipment	5,709	6,525	11,257	12,675
Depreciation of RoU assets	4,403	6,761	9,998	14,772
Amortisation of intangible assets	2,028	2,646	3,903	5,161
Information technology costs	4,680	4,341	6,909	12,293
Property and equipment written off	-	2,332	1,835	2,337
General repairs and maintenance	1,322	3,731	5,472	8,876
Utilities	2,009	3,290	4,216	7,165
Others	2,165	4,360	2,738	7,823
	22,316	33,986	46,328	71,102
Related company charges	173,570	161,408	324,723	301,926
Of which by:				
(i) Type of service				
- Information technology related cost	68,737	81,575	129,260	146,441
- Non information technology related cost	104,833	79,833	195,463	155,485
(ii) Countries/territories				
- Hong Kong	93,750	98,810	186,725	191,608
- United Kingdom	59,082	46,320	99,146	78,674
- Malaysia	18,161	15,935	34,627	30,255
- Others	2,577	343	4,225	1,389

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Other Operating Expenses (Cont'd)

	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	215,121	156,126	385,874	329,343
Promotion and marketing related expenses	9,218	4,486	14,527	14,316
Establishment related expenses	17,773	30,461	38,249	63,130
General administrative expenses	29,954	26,324	59,174	56,089
Related company charges	170,919	159,635	319,659	298,598
	442,985	377,032	817,483	761,476
Personnel expenses				
Salaries, allowances and bonuses	122,893	115,661	254,701	248,060
Employees Provident Fund contributions	20,644	19,542	42,348	41,377
Share based payment	5,603	2,479	8,180	4,684
Others	65,981	18,444	80,645	35,222
	215,121	156,126	385,874	329,343
Establishment related expenses				
Depreciation of property and equipment	5,091	6,026	10,013	11,681
Depreciation of RoU assets	2,708	5,058	6,745	10,627
Amortisation of intangible assets	2,028	2,646	3,903	5,161
Information technology costs	3,347	3,823	5,393	11,316
Property and equipment written off	-	2,332	1,714	2,337
General repairs and maintenance	923	3,477	4,344	8,228
Utilities	1,670	2,789	3,528	6,172
Others	2,006	4,310	2,609	7,608
	17,773	30,461	38,249	63,130
Related company charges	170,919	159,635	319,659	298,598
Of which by:				
(i) Type of service				
- Information technology related cost	68,737	81,575	129,260	146,441
- Non information technology related cost	102,182	78,060	190,399	152,157
(ii) Countries/territories				
- Hong Kong	93,750	98,810	186,720	191,608
- United Kingdom	58,505	46,175	98,070	78,383
- Malaysia	16,087	14,307	30,644	27,218
- Others	2,577	343	4,225	1,389

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Credit Exposure to Connected Parties

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2021 RM'000	31 Dec 2020 RM'000	30 Jun 2021 RM'000	31 Dec 2020 RM'000
Aggregate value of outstanding credit exposures to connected parties	3,440,733	3,579,045	3,697,569	3,684,063
As a percentage of total credit exposures	3.3%	3.5%	4.4%	4.5%
Aggregate value of total outstanding credit exposures to connected parties which is impaired or in default	-	-	-	-
As a percentage of total credit exposures	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Capital Adequacy

	<i>Group</i>	
	30 Jun 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	8,210,553	8,550,171
Other reserves	1,021,866	904,446
Regulatory adjustments	(1,104,288)	(870,026)
Total CET1 capital	9,174,006	9,630,466
Tier 1 capital		
Additional Tier 1 capital	500,000	500,000
Total Tier 1 capital	9,674,006	10,130,466
Tier 2 capital		
Subordinated liabilities	100,000	200,000
Impairment allowance (unimpaired portion) & regulatory reserves	644,202	519,281
Regulatory adjustments	101,216	101,886
Total Tier 2 capital	845,418	821,167
Capital base	10,519,424	10,951,633
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	15.698%	17.030%
Tier 1 Capital ratio	16.553%	17.914%
Total Capital ratio	18.000%	19.366%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	15.698%	16.697%
Tier 1 Capital ratio	16.553%	17.581%
Total Capital ratio	18.000%	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 Jun 2021	31 Dec 2020
	RM'000	RM'000
Total RWA for credit risk ^[1]	51,536,133	49,671,803
Total RWA for market risk	1,386,042	1,215,604
Total RWA for operational risk	5,519,322	5,662,957
	58,441,497	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 Jun 2021	31 Dec 2020
	RM'000	RM'000
Under SIAF/IAA arrangement	2,913,808	2,743,531

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	30 Jun 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	6,937,550	7,200,136
Other reserves	930,400	883,486
Regulatory adjustments	<u>(1,615,907)</u>	<u>(1,534,219)</u>
Total CET1 capital	<u>7,297,918</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>7,797,918</u>	<u>8,095,278</u>
Tier 2 capital		
Subordinated liabilities	100,000	200,000
Impairment allowance (unimpaired portion) & regulatory reserves	475,877	398,668
Regulatory adjustments	<u>(312,691)</u>	<u>(414,399)</u>
Total Tier 2 capital	<u>263,186</u>	<u>184,269</u>
Capital base	<u>8,061,104</u>	<u>8,279,547</u>
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	15.833%	17.033%
Tier 1 Capital ratio	16.918%	18.155%
Total Capital ratio	17.489%	18.568%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	15.833%	16.612%
Tier 1 Capital ratio	16.918%	17.733%
Total Capital ratio	17.489%	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 Jun 2021	31 Dec 2020
	RM'000	RM'000
Total RWA for credit risk ^[1]	39,867,355	38,424,645
Total RWA for market risk	1,347,978	1,163,047
Total RWA for operational risk	<u>4,878,039</u>	<u>5,002,558</u>
	<u>46,093,372</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 Jun 2021	31 Dec 2020
	RM'000	RM'000
Under SIAF/IAA arrangement	<u>2,913,808</u>	<u>2,743,531</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 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 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
<u>Before deducting proposed dividend</u>				
CET1 Capital Ratio	15.698%	17.030%	15.640%	16.750%
Tier 1 Capital Ratio	16.553%	17.914%	16.496%	17.634%
Total Capital Ratio	18.000%	19.366%	17.942%	19.266%
Bank				
	With Transitional Arrangement (%)		Without Transitional Arrangement (%)	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
<u>Before deducting proposed dividend</u>				
CET1 Capital Ratio	15.833%	17.033%	15.706%	16.790%
Tier 1 Capital Ratio	16.918%	18.155%	16.791%	17.912%
Total Capital Ratio	17.489%	18.568%	17.410%	18.508%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 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 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Principal amount	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	794,041	571,769	786,944	551,207
Transaction-related contingent items	10,487,916	9,001,843	9,190,849	7,727,208
Short-term self-liquidating trade-related contingencies	629,761	536,055	550,194	460,390
Formal standby facilities and credit lines				
- Maturity not exceeding one year	7,946,327	7,229,606	6,231,929	5,840,490
- Maturity exceeding one year	15,953,253	14,090,402	12,644,598	11,779,180
Other unconditionally cancellable	14,050,227	15,927,899	11,654,338	13,633,727
Unutilised credit card lines	13,371,136	13,347,584	9,713,894	9,658,284
Foreign exchange related contracts:				
- Less than one year	72,024,336	79,984,757	71,850,147	79,946,550
- Over one year to less than five years	4,649,759	4,400,810	4,719,408	4,478,825
- Over five years	752,786	1,043,567	752,786	1,043,567
Interest/profit rate related contracts:				
- Less than one year	10,959,829	10,115,382	11,330,336	10,569,974
- Over one year to less than five years	21,875,210	22,496,732	22,874,710	23,356,232
- Over five years	2,133,176	2,151,934	2,133,176	2,151,934
Gold and other precious metals contracts:				
- Less than one year	7,403	15,559	7,403	15,559
Equity related contracts:				
- Less than one year	573,073	629,277	807,918	957,558
- Over one year to less than five years	1,117,888	1,006,580	1,742,980	1,504,231
	177,326,121	182,549,756	166,991,610	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	38,646	50,516	38,646	50,516
- Maturity exceeding one year	19,048	15,083	19,048	15,083
	57,694	65,599	57,694	65,599

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 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 Jun 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	68,862,889	754,847	-	69,617,736	341,156	5,831	-	346,987	276,011	2,977	-	278,988
- Swaps	2,680,788	3,894,912	752,786	7,328,486	99,024	155,312	72,880	327,216	114,822	23,537	22,985	161,344
- Options	480,659	-	-	480,659	2,345	-	-	2,345	567	-	-	567
Interest/profit rate related contracts												
- Options	440,120	141,176	-	581,296	1,877	567	-	2,444	71	-	-	71
- Swaps	9,999,709	21,054,034	2,133,176	33,186,919	46,396	296,503	46,831	389,730	45,955	274,488	47,690	368,133
Equity related contracts												
- Options	573,073	1,117,888	-	1,690,961	6,988	30,144	-	37,132	6,451	11,866	-	18,317
Precious metal contracts												
- Options	7,403	-	-	7,403	18	-	-	18	85	-	-	85
Sub- total	83,044,641	26,962,857	2,885,962	112,893,460	497,804	488,357	119,711	1,105,872	443,962	312,868	70,675	827,505
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	520,000	680,000	-	1,200,000	-	-	-	-	9,461	23,626	-	33,087
Sub- total	520,000	680,000	-	1,200,000	-	-	-	-	9,461	23,626	-	33,087
Total	83,564,641	27,642,857	2,885,962	114,093,460	497,804	488,357	119,711	1,105,872	453,423	336,494	70,675	860,592

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 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	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total
At 31 Dec 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	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)

38 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 Jun 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	68,802,456	754,847	-	69,557,303	333,412	5,831	-	339,243	276,624	2,977	-	279,601
- Swaps	2,567,032	3,964,561	752,786	7,284,379	99,387	156,856	72,880	329,123	110,704	23,715	22,985	157,404
- Options	480,659	-	-	480,659	2,345	-	-	2,345	567	-	-	567
Interest rate related contracts												
- Options	660,627	141,176	-	801,803	1,877	567	-	2,444	1,717	-	-	1,717
- Swaps	10,149,709	22,053,534	2,133,176	34,336,419	46,396	296,413	46,831	389,640	46,264	299,011	47,690	392,965
Equity related contracts												
- Options	807,918	1,742,980	-	2,550,898	6,988	31,034	-	38,022	12,918	36,371	-	49,289
Precious metal contracts												
- Options	7,403	-	-	7,403	18	-	-	18	85	-	-	85
Sub- total	83,475,804	28,657,098	2,885,962	115,018,864	490,423	490,701	119,711	1,100,835	448,879	362,074	70,675	881,628
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	520,000	680,000	-	1,200,000	-	-	-	-	9,461	23,626	-	33,087
Sub- total	520,000	680,000	-	1,200,000	-	-	-	-	9,461	23,626	-	33,087
Total	83,995,804	29,337,098	2,885,962	116,218,864	490,423	490,701	119,711	1,100,835	458,340	385,700	70,675	914,715

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 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	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total
At 31 Dec 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	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

Group and Bank

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

	30 Jun 2021	30 Jun 2020
	RM'000	RM'000
Gain/(loss) on hedging instruments	15,456	(31,169)
(Loss)/gain on the hedged items attributable to the hedged risk	(15,430)	31,431
Net (loss)/gain from fair value hedges	26	262

As at 30 June 2021, RM1.2 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)

39 Performance Review, Economy and Prospects

Performance Review

The Group recorded a profit before tax of RM19.2 million for the financial period ended 30 June 2021, a reduction of RM342.7 million compared to the corresponding period in 2020. The decrease was mainly due to lower operating income by RM148.7m 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 RM140.7 million.

Total balance sheet size as at 30 June 2021 has increased by 0.5% or RM0.4 billion to RM86.7 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

COVID-19 is without doubt still the major downside risk. In early June, Malaysia recorded Asia's highest per capita increase in new cases. In response, the government renewed Movement Control Order (MCO), following several weeks of lighter restrictions. Given the likelihood of sustained restrictions after, the outlook for the Malaysian economy has deteriorated substantially. The World Bank has in June 2021, lowered its growth projection for Malaysia to 4.5% (from 6.0% estimated in March 2021), reflecting the hit to private consumption in 2Q, while manufacturing and exports will likely prove to be more resilient (albeit still impacted by workplace capacity restrictions).

However, despite the immense short-term challenges, we believe Malaysia's recovery prospects remain relatively bright. The government has secured enough vaccines for the entire population this year, and has recently announced another economic stimulus package, the National People's Well-Being and Economic Recovery Package (PEMULIH) worth RM150 billion to support business sectors impacted by the MCO.

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

Beyond the very specific relief measures, our approach will be to help customers build financial resilience rather than financial reliance. This will help customers recover more quickly and build a sustainable future for our economy. HSBC has been in Malaysia for almost 140 years and we remain committed for the long term. We do this not only because it is in the best interests of our customers and ourselves, but also because it is the right thing to do.

HSBC Malaysia has continued its strategic investments in its digital capabilities while making changes to the technology and branch footprint to better serve customers' expectation and their preferred ways to do businesses. This transformation is in line with the evolution of the financial and banking services.

As a testament of our achievements in digital initiatives, we were awarded the "Digital Bank of the Year" in March 2021, by the Asset Triple A Digital Awards 2021, recognising our ability, during the pandemic last year, to implement innovative digital features that enabled customers to easily transit to seamless retail online banking and digital payment experience. We were also awarded "Outstanding Customer Experience – Contact Center" and "Outstanding Innovation in Digital CX Product/Service – Islamic Banking" by Digital CX Awards 2021.

In 1H, we have also successfully launched Sophis, a new system for Equity Derivatives, which enables us to re-introduce equity linked quanto structured products to our retail customers.

We will continue to roll out sustainability-linked propositions through our Islamic subsidiary, HSBC Amanah Malaysia Berhad. HSBC Amanah has recently launched its first Islamic Green Trade Finance proposition with the issuance of a Green Bank Guarantee to the largest grid-connected biogas-to-energy player in Malaysia. 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.

Malaysia is uniquely positioned to capture increasing opportunities arising from supply chains that are moving to the ASEAN region. Although uncertainties remain, we will continue to execute our transformation plans and implement growth initiatives, while maintaining prudent positions on capital, funding, liquidity and credit.