

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
31 MARCH 2020

Domiciled in Malaysia
Registered Office:
10th Floor, North 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 31 MARCH 2020

		<i>Group</i>		<i>Bank</i>	
		31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	12	7,534,779	9,623,962	5,308,217	4,847,237
Securities purchased under resale agreements		3,606,702	6,645,298	3,606,702	6,645,298
Deposits and placements with banks and other financial institutions	13	1,421,475	139,153	1,543,399	1,011,570
Financial assets at fair value through profit and loss (FVTPL)	14	2,136,909	1,391,978	2,136,909	1,391,978
Financial investments at fair value through other comprehensive income (FVOCI)	15	14,131,411	11,907,954	11,148,106	9,187,979
Loans, advances and financing	16	52,721,543	51,289,860	39,401,049	38,246,907
Derivative financial assets	36	2,310,100	1,440,197	2,310,498	1,440,057
Other assets	19	1,248,826	432,253	1,158,998	424,659
Statutory deposits with Bank Negara Malaysia	20	266,884	992,351	16,722	662,689
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		896,568	834,156	889,626	827,055
Intangible assets		37,037	38,854	37,037	38,854
Tax recoverable		101,622	89,458	101,622	89,458
Deferred tax assets		117,877	125,695	97,884	101,787
Total assets		86,531,733	84,951,169	68,416,790	65,575,549
Liabilities					
Deposits from customers	21	61,629,827	59,407,190	48,117,932	46,086,878
Deposits and placements from banks and other financial institutions	22	3,075,344	3,683,684	1,784,001	1,770,927
Bills payable		240,624	176,652	228,559	154,616
Derivative financial liabilities	36	2,308,930	1,282,269	2,367,606	1,328,082
Structured liabilities designated at fair value through profit and loss	23	4,355,458	4,860,845	3,045,651	3,565,487
Other liabilities	24	2,374,890	2,478,076	2,190,337	2,195,727
Provision for taxation		4,059	12,007	-	-
Multi-Currency Sukuk Programme	25	520,584	1,265,929	-	-
Subordinated liabilities	26	1,120,550	1,089,612	1,120,550	1,089,612
Total liabilities		75,630,266	74,256,264	58,854,636	56,191,329
Equity					
Share capital		1,045,875	1,045,875	1,045,875	1,045,875
Other equity and reserves		9,855,592	9,649,030	8,516,279	8,338,345
Total equity attributable to owner of the Bank		10,901,467	10,694,905	9,562,154	9,384,220
Total liabilities and equity		86,531,733	84,951,169	68,416,790	65,575,549
Commitments and contingencies	35	202,992,783	198,344,398	195,952,480	193,751,469

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 2019 and the accompanying explanatory notes on pages 11 to 42 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 30 April 2020.

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

UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

		Group		Bank	
		31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	<i>Note</i>	RM'000	RM'000	RM'000	RM'000
Interest income	27	562,310	606,697	570,896	617,153
Interest expense	27	(176,093)	(202,879)	(176,093)	(202,879)
Net interest income	27	386,217	403,818	394,803	414,274
Fee and commission income	28	111,672	114,459	111,283	114,459
Fee and commission expense	28	(24,906)	(9,179)	(24,906)	(9,179)
Net fee and commission income	28	86,766	105,280	86,377	105,280
Net trading income	29	124,327	200,241	186,150	172,407
Income from Islamic banking operations	30	215,146	116,311	-	-
Net expenses from financial liabilities designated at fair value		(33,558)	(33,247)	(33,558)	(33,247)
Other operating income	31	15,204	7,085	46,651	37,496
Operating income before impairment losses		794,102	799,489	680,423	696,210
Impairment allowance/provisions	32	(141,550)	(27,819)	(77,639)	(9,383)
Net operating income		652,552	771,670	602,784	686,827
Other operating expenses	33	(413,952)	(375,845)	(384,444)	(349,585)
Profit before tax		238,600	395,825	218,340	337,242
Tax expense		(58,637)	(96,430)	(54,585)	(85,749)
Profit for the financial period		179,963	299,395	163,755	251,493

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 2019 and the accompanying explanatory notes on pages 11 to 42 attached to the unaudited condensed interim financial statements.

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HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
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UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

	Group		Bank	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	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	33,728	(834)	15,899	(1,863)
Income tax effect	(8,095)	200	(3,816)	447
<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	54,224	44,317	49,632	39,812
Amount transferred to profit or loss	(54,586)	(12,028)	(48,476)	(12,066)
Impairment charges	120	326	122	234
Income tax effect	87	(7,749)	(278)	(6,659)
Other comprehensive income for the financial period, net of income tax	25,478	24,232	13,083	19,905
Profit attributable to the owner of the Bank	179,963	299,395	163,755	251,493
Total comprehensive income attributable to the owner of the Bank	205,441	323,627	176,838	271,398
Basic earnings per RM0.50 ordinary share	78.6 sen	130.7 sen	71.5 sen	109.8 sen

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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

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	-	-	-	-	-	-	-	179,963	179,963
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(598)	-	-	-	-	598	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	41,210	25,633	-	-	-	66,843
Net amount transferred to profit or loss	-	-	-	(41,485)	-	-	-	-	(41,485)
Impairment charges	-	-	-	120	-	-	-	-	120
<i>Total other comprehensive income</i>	-	-	(598)	(155)	25,633	-	-	598	25,478
Total comprehensive income for the financial period	-	-	(598)	(155)	25,633	-	-	180,561	205,441
Net change in regulatory reserves	-	-	-	-	-	-	(100,700)	100,700	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	1,064	-	57	1,121
Balance at 31 March	1,045,875	500,000	204,765	173,518	7,454	101,074	385,500	8,483,281	10,901,467

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020 (Cont'd)

Group (RM'000)	Non-distributable					Distributable		Total equity
	Share capital	Revaluation reserve	FVOCI reserve	Own credit reserve	Capital contribution reserve	Regulatory reserve	Retained profits	
2019								
Balance at 1 January	1,045,875	204,890	125,969	(6,863)	99,586	559,200	8,148,816	10,177,473
Profit for the financial period	-	-	-	-	-	-	299,395	299,395
Other comprehensive income, net of income tax								
Revaluation reserve:								
Transfer to retained profits upon realisation of depreciation	-	(587)	-	-	-	-	587	-
FVOCI reserve/Own credit reserve								
Net change in fair value	-	-	33,681	(634)	-	-	-	33,047
Net amount transferred to profit or loss	-	-	(9,141)	-	-	-	-	(9,141)
Transfer to retained profits upon realisation of unquoted investments	-	-	(57)	-	-	-	57	-
Impairment charges	-	-	326	-	-	-	-	326
<i>Total other comprehensive income</i>	-	(587)	24,809	(634)	-	-	644	24,232
Total comprehensive income for the financial period	-	(587)	24,809	(634)	-	-	300,039	323,627
Net change in regulatory reserves	-	-	-	-	-	(25,000)	25,000	-
Transactions with the owner, recorded directly in equity								
Share based payment transactions	-	-	-	-	3,018	-	(1,567)	1,451
Balance at 31 March	1,045,875	204,303	150,778	(7,497)	102,604	534,200	8,472,288	10,502,551

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020 (Cont'd)

Bank (RM'000)	Non-distributable						Distributable	Total equity	
	Share capital	Other equity instrument	Revaluation reserve	FVOCI reserve	Own credit reserve	Capital contribution reserve	Regulatory reserve		Retained profits
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	-	-	-	-	-	-	-	163,755	163,755
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(598)	-	-	-	-	598	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	37,720	12,083	-	-	-	49,803
Net amount transferred to profit or loss	-	-	-	(36,842)	-	-	-	-	(36,842)
Impairment charges	-	-	-	122	-	-	-	-	122
Total other comprehensive income	-	-	(598)	1,000	12,083	-	-	598	13,083
Total comprehensive income for the financial period	-	-	(598)	1,000	12,083	-	-	164,353	176,838
Net change in regulatory reserves	-	-	-	-	-	-	(55,900)	55,900	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	1,096	-	-	1,096
Balance at 31 March	1,045,875	500,000	204,765	168,379	2,161	100,569	377,200	7,163,205	9,562,154

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020 (Cont'd)

Bank (RM'000)	<i>Non-distributable</i>					<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</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>	
2019								
Balance at 1 January	1,045,875	204,890	125,490	(3,876)	99,087	468,100	7,075,642	9,015,208
Profit for the financial period	-	-	-	-	-	-	251,493	251,493
Other comprehensive income, net of income tax								
Revaluation reserve:								
Transfer to retained profits upon realisation of depreciation	-	(587)	-	-	-	-	587	-
FVOCI reserve/Own credit reserve								
Net change in fair value	-	-	30,257	(1,416)	-	-	-	28,841
Net amount transferred to profit or loss	-	-	(9,170)	-	-	-	-	(9,170)
Transfer to retained profits upon realisation of unquoted investments	-	-	(57)	-	-	-	57	-
Impairment charges	-	-	234	-	-	-	-	234
<i>Total other comprehensive income</i>	-	(587)	21,264	(1,416)	-	-	644	19,905
Total comprehensive income for the financial period	-	(587)	21,264	(1,416)	-	-	252,137	271,398
Net change in regulatory reserves	-	-	-	-	-	(24,000)	24,000	-
Transactions with the owner, recorded directly in equity								
Share based payment transactions	-	-	-	-	2,909	-	(1,592)	1,317
Balance at 31 March	1,045,875	204,303	146,754	(5,292)	101,996	444,100	7,350,187	9,287,923

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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax	238,600	395,825	218,340	337,242
Adjustments for non-operating and non-cash items	99,508	36,456	(65,265)	26,897
Operating profit before working capital changes	338,108	432,281	153,075	364,139
Changes in working capital:				
Net changes in operating assets	(1,469,904)	140,638	(304,765)	102,133
Net changes in operating liabilities	2,151,540	1,676,163	2,677,861	1,480,888
Income tax paid	(78,938)	(177,999)	(66,938)	(151,672)
Net cash generated from operations	940,806	2,071,083	2,459,233	1,795,488
Net cash used in investing activities	(2,259,422)	(3,446,645)	(1,992,194)	(2,532,488)
Net cash used in financing activities	(770,567)	(19,146)	(6,059)	(4,000)
	(3,029,989)	(3,465,791)	(1,998,253)	(2,536,488)
Net changes in cash and cash equivalents	(2,089,183)	(1,394,708)	460,980	(741,000)
Cash and cash equivalents at 1 January	9,623,962	7,908,159	4,847,237	5,137,240
Cash and cash equivalents at 31 March	7,534,779	6,513,451	5,308,217	4,396,240
Analysis of cash and cash equivalents				
Cash and short-term funds	7,534,779	6,513,451	5,308,217	4,396,240

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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020 (Cont'd)

Change in liabilities arising from financing activities

Group (RM'000)

2020	At 1 Jan	Cash outflow	Foreign exchange adjustment	Fair value movement	Interest/ Profit accrual	At 31 Mar
Multi-Currency Sukuk Programme	1,265,929	(750,000)	-	4,655	-	520,584
Subordinated liabilities	1,089,612	-	30,938	-	-	1,120,550
Other liabilities of which:						
Profit paid on Multi-Currency Sukuk	13,724	(14,508)	-	-	11,505	10,721
Interest paid on Subordinated liabilities	4,292	(6,059)	-	-	12,351	10,584
Other equity instrument	500,000	-	-	-	-	500,000
	<u>2,873,557</u>	<u>(770,567)</u>	<u>30,938</u>	<u>4,655</u>	<u>23,856</u>	<u>2,162,439</u>
2019						
Multi-Currency Sukuk Programme	1,755,281	-	-	3,347	-	1,758,628
Subordinated liabilities	1,095,987	-	(8,139)	-	-	1,087,848
Other liabilities of which:						
Profit paid on Multi-Currency Sukuk	18,175	(15,146)	-	-	17,722	20,751
Interest paid on Subordinated liabilities	4,458	(4,000)	-	-	13,403	13,861
	<u>2,873,901</u>	<u>(19,146)</u>	<u>(8,139)</u>	<u>3,347</u>	<u>31,125</u>	<u>2,881,088</u>

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020 (Cont'd)

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

Bank (RM'000)

2020	At 1 Jan	Cash outflow	Foreign exchange adjustment	Fair value movement	Interest accrual	At 31 Mar
Subordinated liabilities	1,089,612	-	30,938	-	-	1,120,550
Other liabilities of which:						
Interest paid on Subordinated liabilities	4,292	(6,059)	-	-	12,351	10,584
Other equity instrument	500,000	-	-	-	-	500,000
	<u>1,593,904</u>	<u>(6,059)</u>	<u>30,938</u>	<u>-</u>	<u>12,351</u>	<u>1,631,134</u>
 2019						
Subordinated liabilities	1,095,987	-	(8,139)	-	-	1,087,848
Other liabilities of which:						
Interest paid on Subordinated liabilities	4,458	(4,000)	-	-	13,403	13,861
	<u>1,100,445</u>	<u>(4,000)</u>	<u>(8,139)</u>	<u>-</u>	<u>13,403</u>	<u>1,101,709</u>

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NOTES TO THE FINANCIAL STATEMENTS

1 General Information

HSBC Bank Malaysia Berhad (the Bank) is principally engaged in the provision of banking and other related financial services. The subsidiaries of the Bank are principally engaged in the businesses of Islamic Banking and nominee services. Islamic Banking operations refer generally to the acceptance of deposits and granting of financing under the principles of Shariah. The Bank and its subsidiaries are collectively known as "the Group".

There were no significant changes in these activities during the financial period.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 10th Floor, North Tower, 2, Leboh Ampang, 50100 Kuala Lumpur.

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

The unaudited condensed interim financial statements were approved and authorised for issue by the Board of Directors on 30 April 2020.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 31 March 2020 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets at fair value through profit and loss, financial investments at fair value through other comprehensive income, derivative financial instruments, and financial liabilities designated at fair-valued through profit and loss.

The unaudited condensed interim financial statements for the financial period ended 31 March 2020 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 2019. 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 2019.

All significant accounting policies, measurement basis and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2019.

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2020. None of these is expected to have a significant effect on the consolidated financial statements of the Group and the Bank, except the following set out below:

- Amendments to MFRS 3 'Definition of a Business' revise the definition of a business.

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2 Basis of Preparation (Cont'd)

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

- Amendments to MFRS 3 'Definition of a Business' (cont'd)

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments shall be applied prospectively. There is no material change in basis of preparation arising from the adoption of this standard.

- Amendments to MFRS 9 'Financial Instruments', MFRS 139 'Financial Instruments: Recognition and Measurement' and MFRS 7 'Financial Instruments: Disclosures' for Interest Rate Benchmark Reform.

Amendments to MFRS 9, MFRS 139 and MFRS 7 were issued in October 2019 that modify the specific hedge accounting requirements so that entities apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of interest rate benchmark reform. These amendments apply from 1 January 2020 with early adoption permitted. The Group and the Bank have adopted amendments that apply to MFRS 139 and have made additional disclosures as required by the amendments in the audited annual financial statements for the year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Functional and Presentation Currency

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

4 Auditors' Report On Preceding Annual Financial Statements

The audit report on the audited annual financial statements for the financial year ended 31 December 2019 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 31 March 2020.

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 31 March 2020.

8 Debt and Equity Securities

The third series of Multi-Currency Sukuk Programme (MCSP) of RM750 million was redeemed upon maturity on 27 March 2020. There were no other issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 31 March 2020.

9 Dividend

No interim dividend was declared nor paid during the financial period ended 31 March 2020.

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 31 March 2020.

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>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	913,765	956,880	709,133	740,937
Money at call and interbank placements maturing within one month	6,621,014	8,667,082	4,599,084	4,106,300
	7,534,779	9,623,962	5,308,217	4,847,237

Money at call and interbank placements maturing within one month is within Stage 1 allocation (12 -months ECL) with RM99,000 impairment allowance as at 31 March 2020 (31 December 2019: RM69,000).

13 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Licensed banks	-	-	1,543,399	1,011,570
Bank Negara Malaysia	1,421,475	139,153	-	-
Net deposit and placements	1,421,475	139,153	1,543,399	1,011,570

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 RM1,543.4 million (31 December 2019: RM1,011.6 million). The balance is within Stage 1 allocation (12 -months ECL) with nil impairment allowance as at 31 March 2020 (31 December 2019: nil).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government treasury bills	15,906	48,736	15,906	48,736
Islamic treasury bills	118,821	19,668	118,821	19,668
Malaysian Government securities	1,344,280	397,683	1,344,280	397,683
Malaysian Government Islamic Sukuk	539,686	198,991	539,686	198,991
Cagamas bonds and notes	18,473	13,458	18,473	13,458
	2,037,166	678,536	2,037,166	678,536
Unquoted:				
Corporate bonds and Sukuk	99,743	113,388	99,743	113,388
Loans, advances and financing ^[1]	-	600,054	-	600,054
	2,136,909	1,391,978	2,136,909	1,391,978

^[1] Included in Financial Assets at FVTPL of the Bank as at 31 December 2019 is a financing exposure of RM600,054,000 held for the purpose of sale in the near term. This exposure is classified as 'other' business model and its cash flow does not represent solely for the collection of principal and interest (the "SPPI" test). Hence it is being classified as FVTPL. This has been sold during the financial period ended 31 March 2020.

This exposure is also an SIAF/IAA financing which is being disclosed as "Asset Under Management" in the financial statements of HBMS. Syndicated Investment Account for Financing/Investment Agency Account (SIAF/IAA) arrangement is with the Bank's wholly owned subsidiary, HBMS, and the contract is based on the Wakalah principle where the Bank, solely or together with other financial institutions provide the funds, whilst the assets are managed by HBMS (as the Wakeel or agent). However, in the arrangement, the profits of the underlying assets are recognised by the Bank proportionately in relation to the funding it provides in the syndication arrangement. At the same time, risks on the financing are also proportionately borne by the Bank. Hence, the underlying assets and allowances for impairment arising thereon, if any, are proportionately recognised and accounted for by the Bank.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Debt instruments				
Money market instruments:				
Bank Negara Malaysia bills and notes	3,502,767	840,066	3,502,767	840,066
Islamic Bank Negara bills	-	499,459	-	499,459
Malaysian Government securities	4,870,678	4,685,666	4,870,678	4,685,666
Malaysian Government Islamic Sukuk	4,796,567	4,323,458	1,813,262	1,603,483
Cagamas bonds and notes	100,007	135,065	100,007	135,065
US treasury bond	658,257	1,221,297	658,257	1,221,297
	13,928,276	11,705,011	10,944,971	8,985,036
Unquoted:				
Corporate bonds and Sukuk	6,114	5,922	6,114	5,922
Financial Investments Designated as FVOCI				
Equity instruments				
Unquoted:				
Shares	197,021	197,021	197,021	197,021
of which				
Cagamas Holdings Berhad	159,741	159,741	159,741	159,741
Credit Guarantee Corporation Malaysia Berhad	31,196	31,196	31,196	31,196
Others	6,084	6,084	6,084	6,084
	14,131,411	11,907,954	11,148,106	9,187,979

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. None of these equity instruments were disposed during the financial period.

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	6,993,990	4,837,044	5,294,578	3,136,455
More than one year to three years	5,116,225	5,667,297	4,079,954	4,647,911
More than three years to five years	1,818,061	1,200,670	1,570,439	1,200,670
	13,928,276	11,705,011	10,944,971	8,985,036

There are no FVOCI balances that are pledged against Repurchase Agreement as at 31 March 2020 (31 December 2019: nil).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts/cash line	807,107	811,630	730,069	738,499
Term loans/financing:				
Housing loans/financing	17,597,372	17,790,451	13,476,673	13,626,079
Syndicated term loans/financing	3,463,080	3,432,114	2,683,371	2,703,816
Factoring receivables	740,669	613,197	740,669	613,197
Hire purchase receivables	192,290	194,049	-	-
Other term loans/financing	10,324,327	10,089,398	6,514,285	6,250,324
Bills receivable	2,897,756	2,066,044	2,056,414	1,595,124
Trust receipts	2,844,691	2,511,619	2,411,695	1,985,793
Claims on customers under acceptance credits	1,298,831	1,404,798	917,565	1,081,526
Staff loans/financing	69,580	75,179	67,534	72,935
Credit/charge cards	3,693,531	4,009,507	2,496,915	2,750,943
Revolving financing	9,420,074	8,811,969	7,633,066	7,095,804
Other loans/financing	15,396	15,694	11,155	11,391
Gross loans, advances and financing ^[1]	53,364,704	51,825,649	39,739,411	38,525,431
Less: - Impairment allowances	(643,161)	(535,789)	(338,362)	(278,524)
Total net loans, advances and financing	52,721,543	51,289,860	39,401,049	38,246,907

^[1] Included in gross loans, advances and financing of the Bank are SIAF/IAA financing which are disclosed as "Asset Under Management" in the financial statements of HBMS (refer to Note 14 for more details). These comprise of the following types of financing:

	<i>Bank</i>	
	31 Mar 2020	31 Dec 2019
	RM'000	RM'000
Syndicated term financing	1,904,506	1,910,351
Other term financing	24,247	15,087
Revolving financing	989,267	839,000
	2,918,019	2,764,438

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16 Loans, Advances and Financing (Cont'd)

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	1,741,525	1,312,978	1,267,041	818,092
Domestic business enterprises:				
Small medium enterprises	2,349,419	2,316,481	1,369,759	1,379,084
Others	22,293,930	21,248,961	17,840,576	17,027,935
Government and statutory bodies	1,265	1,917	-	-
Individuals	21,149,703	21,675,316	14,959,402	15,412,214
Other domestic entities	4,387	4,390	3,269	3,253
Foreign entities/individuals	5,824,475	5,265,606	4,299,364	3,884,853
	53,364,704	51,825,649	39,739,411	38,525,431

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	23,064,735	21,320,575	17,887,584	16,778,704
More than one year to three years	4,944,456	5,208,744	3,690,247	3,453,335
More than three years to five years	3,931,433	3,638,797	2,822,350	2,625,964
More than five years	21,424,080	21,657,533	15,339,230	15,667,428
	53,364,704	51,825,649	39,739,411	38,525,431

(iv) By interest/profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Housing loans/financing	169	7,677	169	7,677
Hire purchase receivables	192,290	194,049	-	-
Other fixed rate loans/financing	11,830,265	11,129,738	8,099,024	7,686,187
Variable rate:				
Base Rate/Base Lending/Financing Rate plus	20,757,965	21,179,066	15,603,509	15,981,634
Cost-plus	20,584,015	19,315,119	16,036,709	14,849,933
	53,364,704	51,825,649	39,739,411	38,525,431

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16 Loans, Advances and Financing (Cont'd)

(v) By sector	Group		Bank	
	31 Mar 2020 RM'000	31 Dec 2019 RM'000	31 Mar 2020 RM'000	31 Dec 2019 RM'000
Agricultural, hunting, forestry and fishing	126,993	183,220	108,929	166,505
Mining and quarrying	349,500	361,643	173,815	177,453
Manufacturing	8,177,203	7,693,137	6,758,963	6,489,904
Electricity, gas and water	240,986	278,428	24,973	79,117
Construction	3,895,780	3,747,741	2,925,726	2,696,662
Real estate	4,162,492	4,039,836	3,362,403	3,280,067
Wholesale & retail trade and restaurants & hotels	4,098,648	3,860,439	3,209,185	3,036,125
Transport, storage and communication	545,499	547,990	358,940	370,418
Finance, insurance and business services	3,851,153	3,376,985	2,991,101	2,508,676
Household-retail	24,090,922	24,673,823	17,390,582	17,888,637
Others	3,825,528	3,062,407	2,434,794	1,831,867
	53,364,704	51,825,649	39,739,411	38,525,431

(vi) By purpose	Group		Bank	
	31 Mar 2020 RM'000	31 Dec 2019 RM'000	31 Mar 2020 RM'000	31 Dec 2019 RM'000
Purchase of property:				
Residential	17,584,862	17,838,858	13,463,014	13,673,312
Non residential	1,396,962	1,427,087	600,768	627,338
Purchase of securities	3,122	3,177	3,122	3,177
Purchase of transport vehicles	15,738	17,103	15,090	16,332
Consumption credit	6,103,845	6,420,319	3,758,571	4,037,542
Construction	3,074,539	2,906,066	2,219,790	2,088,817
Working capital	22,294,856	20,935,035	17,804,613	16,661,495
Other purpose	2,890,780	2,278,004	1,874,443	1,417,418
	53,364,704	51,825,649	39,739,411	38,525,431

(vii) By geographical distribution	Group		Bank	
	31 Mar 2020 RM'000	31 Dec 2019 RM'000	31 Mar 2020 RM'000	31 Dec 2019 RM'000
Northern Region	6,615,468	6,568,954	5,041,996	5,011,671
Southern Region	6,071,604	6,046,981	4,466,097	4,476,077
Central Region	38,557,508	37,011,516	28,475,233	27,218,490
Eastern Region	2,120,124	2,198,198	1,756,085	1,819,193
	53,364,704	51,825,649	39,739,411	38,525,431

Concentration by location for loans, advances and financing is based on the location of the borrower.

The Northern region consists of the states of Perlis, Kedah, Penang, Perak, Pahang, Kelantan and Terengganu.

The Southern region consists of the states of Johor, Malacca and Negeri Sembilan.

The Central region consists of the state of Selangor, 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)

17 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>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount as at 1 January	1,003,447	973,287	618,144	616,975
Transfer within stages	63,349	140,107	40,098	80,658
Net remeasurement due to changes in credit risk	15,203	96,662	(968)	26,021
Written-off	(48,693)	(206,609)	(22,798)	(105,510)
Gross carrying amount as at 31 March	1,033,306	1,003,447	634,476	618,144

(ii) By sector

By sector	Group		Bank	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Mining and quarrying	-	1,611	-	1,611
Manufacturing	81,972	79,934	64,614	63,687
Electricity, gas and water	592	600	592	600
Construction	32,424	34,177	29,803	29,978
Real estate	12,499	12,151	12,499	12,116
Wholesale & retail trade, restaurants & hotels	34,130	36,021	16,527	18,017
Transport, storage and communication	18,136	18,223	17,854	17,854
Finance, insurance and business services	31,350	29,614	809	893
Household-retail	786,731	757,974	483,569	465,409
Others	35,472	33,142	8,209	7,979
	1,033,306	1,003,447	634,476	618,144

(iii) By purpose

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Purchase of property:				
Residential	382,558	379,762	276,487	273,771
Non residential	47,590	50,238	31,300	31,931
Purchase of transport vehicles	104	109	72	77
Consumption credit	396,256	368,637	199,197	183,578
Construction	29,457	29,622	26,906	26,898
Working capital	152,362	152,212	100,452	101,831
Other purpose	24,979	22,867	62	58
	1,033,306	1,003,447	634,476	618,144

(iv) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Northern Region	121,114	120,756	89,861	87,578
Southern Region	118,184	112,952	77,011	73,391
Central Region	733,979	712,067	415,397	406,430
Eastern Region	60,029	57,672	52,207	50,745
	1,033,306	1,003,447	634,476	618,144

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18 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:

	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 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	29,264	(24,914)	(4,350)	-
- Transferred to Stage 2	(6,056)	14,328	(8,272)	-
- Transferred to Stage 3	(14)	(18,423)	18,437	-
New financial assets originated or purchased	18,508	-	-	18,508
Net remeasurement due to changes in credit risk	16,154	64,280	56,460	136,894
Asset written-off	-	-	(48,693)	(48,693)
Others	663	-	-	663
Balance at 31 March 2020	150,207	164,695	328,259	643,161
Balance at 1 January 2019	99,954	132,892	259,032	491,878
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	58,006	(49,322)	(8,684)	-
- Transferred to Stage 2	(7,907)	21,435	(13,528)	-
- Transferred to Stage 3	(733)	(8,888)	9,621	-
New financial assets originated or purchased	28,358	-	-	28,358
Net remeasurement due to changes in credit risk	(84,983)	33,307	274,845	223,169
Asset written-off	-	-	(206,609)	(206,609)
Others	(1,007)	-	-	(1,007)
Balance at 31 December 2019	91,688	129,424	314,677	535,789

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 RM107.4 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 (RM136.9 million) and new financial assets originated or purchased (RM18.5 million), partially offset by asset written-off (RM48.7 million).

- 12-months ECL not credit impaired (Stage 1) – increased by RM58.5 million for the Group, due to net migration of loans from Stages 2 and 3, new financial assets and remeasurement due to changes in credit risk based on HSBC Group's model.
- Lifetime ECL not credit-impaired (Stage 2) – increased by RM35.3 million for the Group, mainly from remeasurement due to changes in credit risk and partially offset by net migration of loans mostly to stage 1 as a result of improved credit quality.
- Lifetime ECL credit-impaired (Stage 3) – increased by RM13.6 million for the Group, primarily from remeasurement due to changes in credit risk and net transfers from stages 1 and 2 as a result of credit quality deterioration. This is partially offset by asset written-off.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18 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 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	16,873	(14,075)	(2,798)	-
- Transferred to Stage 2	(2,579)	7,634	(5,055)	-
- Transferred to Stage 3	(5)	(8,523)	8,528	-
New financial assets originated or purchased	11,380	-	-	11,380
Net remeasurement due to changes in credit risk	7,907	30,674	32,142	70,723
Asset written-off	-	-	(22,798)	(22,798)
Others	533	-	-	533
Balance at 31 March 2020	79,294	77,131	181,937	338,362
Balance at 1 January 2019	55,966	68,428	132,951	257,345
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	36,259	(31,147)	(5,112)	-
- Transferred to Stage 2	(3,612)	13,084	(9,472)	-
- Transferred to Stage 3	(290)	(5,057)	5,347	-
New financial assets originated or purchased	10,703	-	-	10,703
Net remeasurement due to changes in credit risk	(53,052)	16,113	153,714	116,775
Asset written-off	-	-	(105,510)	(105,510)
Others	(789)	-	-	(789)
Balance at 31 December 2019	45,185	61,421	171,918	278,524

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 RM59.8 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 (RM70.7 million) and new financial assets originated or purchased (RM11.4 million), partially offset by asset written-off (RM22.8 million).

- 12-months ECL not credit impaired (Stage 1) – increased by RM34.1 million for the Bank, contributed by loans migrated to Stage 1 due to improved credit quality, new financial assets, and remeasurement due to changes in credit risk based on the HSBC Group's model.
- Lifetime ECL not credit-impaired (Stage 2) – increased by RM15.7 million for the Bank, mainly from remeasurement due to changes in credit risk and offset by migration of loans mostly to stage 1 due to credit quality improvement.
- Lifetime ECL credit-impaired (Stage 3) – Stage 3 ECL increased by RM10.0 million, primarily contributed by remeasurement due to changes in credit risk. This was partially offset by impaired loans written off.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18 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	Lifetime		
	ECL not	ECL not	Lifetime	
	credit	credit	ECL credit	
	impaired	impaired	impaired	Total
	RM'000	RM'000	RM'000	RM'000
Group				
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	188	(188)	-	-
- Transferred to Stage 2	(172)	172	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	2,238	-	-	2,238
Net remeasurement due to changes in credit risk	5,358	4,721	3	10,082
Others	59	-	-	59
Balance at 31 March 2020	12,501	7,810	652	20,963
Balance at 1 January 2019	4,415	3,358	825	8,598
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	532	(532)	-	-
- Transferred to Stage 2	(228)	228	-	-
- Transferred to Stage 3	-	(1)	1	-
New financial assets originated or purchased	1,242	-	-	1,242
Net remeasurement due to changes in credit risk	(1,129)	52	(177)	(1,254)
Others	(2)	-	-	(2)
Balance at 31 December 2019	4,830	3,105	649	8,584

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18 ECL allowances movement (Cont'd)

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

	Stage 1 12-month ECL not credit impaired RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Bank				
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	111	(111)	-	-
- Transferred to Stage 2	(141)	141	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	2,049	-	-	2,049
Net remeasurement due to changes in credit risk	3,763	3,102	-	6,865
Others	37	-	-	37
Balance at 31 March 2020	9,373	5,363	247	14,983
Balance at 1 January 2019	3,306	2,433	-	5,739
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	451	(451)	-	-
- Transferred to Stage 2	(140)	140	-	-
- Transferred to Stage 3	-	(1)	1	-
New financial assets originated or purchased	589	-	-	589
Net remeasurement due to changes in credit risk	(658)	110	246	(302)
Others	6	-	-	6
Balance at 31 December 2019	3,554	2,231	247	6,032

Allowance for drawn amount and provisions for the undrawn commitments are not able to be split for retail portfolio, and 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)

19 Other Assets

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Settlements	172,387	2,417	159,318	2,417
Interest/profit receivable	107,725	143,547	78,265	119,776
Income receivable	27,658	35,255	28,292	29,021
Deposits and prepayments	1,724	1,451	1,724	1,451
Amount due from subsidiary company	-	-	59	57,735
Rights of Use (ROU) assets	115,212	82,620	89,954	58,116
Cash collateral	715,692	40,143	715,692	40,143
Other receivables	108,428	126,820	85,694	116,000
	1,248,826	432,253	1,158,998	424,659

20 Statutory Deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia (BNM) in compliance with Section 26(2)c and 26(3) of the Central Bank of Malaysia Act 2009, the amounts of which are determined at set percentages of total eligible liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21 Deposits from Customers

(i) By type of deposit	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020 RM'000	31 Dec 2019 RM'000	31 Mar 2020 RM'000	31 Dec 2019 RM'000
Demand deposits	20,745,016	21,252,995	18,373,390	17,801,805
Savings deposits	13,633,695	12,647,639	11,571,519	10,774,990
Fixed deposits	27,251,116	25,506,556	18,173,023	17,510,083
	61,629,827	59,407,190	48,117,932	46,086,878

The maturity structure of fixed deposits is as follows:

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020 RM'000	31 Dec 2019 RM'000	31 Mar 2020 RM'000	31 Dec 2019 RM'000
Due within six months	21,628,666	20,111,102	13,980,192	13,521,017
More than six months to one year	4,636,332	4,560,534	3,558,698	3,460,754
More than one year to three years	583,781	493,239	374,164	319,059
More than three years to five years	402,337	340,941	259,969	208,513
Over five years	-	740	-	740
	27,251,116	25,506,556	18,173,023	17,510,083

(ii) By type of customer	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020 RM'000	31 Dec 2019 RM'000	31 Mar 2020 RM'000	31 Dec 2019 RM'000
Government and statutory bodies	34,413	29,979	19,877	16,993
Business enterprises	23,077,902	21,235,228	19,766,163	18,481,598
Individuals	24,566,300	24,079,749	18,281,737	17,857,275
Foreign entities/individuals	12,764,751	13,014,439	9,115,469	9,068,476
Others	1,186,461	1,047,795	934,686	662,536
	61,629,827	59,407,190	48,117,932	46,086,878

22 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020 RM'000	31 Dec 2019 RM'000	31 Mar 2020 RM'000	31 Dec 2019 RM'000
Licensed banks	9,447	822	9,447	822
Bank Negara Malaysia	52,007	22,262	15,535	1,850
Other financial institutions	3,013,890	3,660,600	1,759,019	1,768,255
	3,075,344	3,683,684	1,784,001	1,770,927

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

23 Structured Liabilities Designated at Fair Value through Profit or Loss

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Structured liabilities	4,355,458	4,860,845	3,045,651	3,565,487

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.

24 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Settlements	254,036	194	241,867	98
Interest/profit payable	242,818	250,172	164,726	165,739
Deferred income	81,750	115,485	70,431	76,725
Marginal deposit	88,920	90,086	85,534	86,321
Amount due to subsidiary company	-	-	49,872	2,093
Accrued expenses	660,438	707,423	638,979	680,452
Lease liabilities	89,497	87,923	62,681	62,869
Cash collateral	323,060	439,106	323,060	439,106
Other creditors	613,408	779,103	538,204	676,292
Provisions on loan and credit related commitments; and financial guarantees	20,963	8,584	14,983	6,032
	2,374,890	2,478,076	2,190,337	2,195,727

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

25 Multi-Currency Sukuk Programme

	<i>Group</i>	
	31 Mar 2020	31 Dec 2019
	RM'000	RM'000
Multi-Currency Sukuk Programme (MCSP)	520,584	1,265,929

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)	
				31 Mar 2020	31 Dec 2019
At fair value					
3rd series ^[1]	750,000	27 Mar 2015	27 Mar 2020	-	751,732
4th series	500,000	2 Oct 2018	2 Oct 2023	520,584	514,197
Total	<u>1,250,000</u>			520,584	1,265,929

Movement in MCSP

	3rd series RM'000	4th series RM'000
<u>2020</u>		
Balance at 1 January	751,732	514,197
Change in fair value other than from own credit risk	(847)	8,930
Change in fair value from own credit risk	(885)	(2,543)
Redemption of Multi-Currency Sukuk	(750,000)	-
Balance at 31 March	-	520,584

2019

	2nd series RM'000	3rd series RM'000	4th series RM'000
Balance at 1 January	501,173	751,993	502,115
Change in fair value other than from own credit risk	(917)	(1,455)	8,446
Change in fair value from own credit risk	(256)	1,194	3,636
Redemption of Multi-Currency Sukuk	(500,000)	-	-
Balance at 31 December	-	751,732	514,197

	<i>Group</i>	
	31 Mar 2020	31 Dec 2019
	RM'000	RM'000
The cumulative change in fair value due to changes in own credit risk	(3,428)	4,574

^[1] Redeemed on 27 March 2020.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26 Subordinated Liabilities

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Subordinated Liabilities	1,120,550	1,089,612	1,120,550	1,089,612
(i) Subordinated liabilities, at par				
- Second tranche issued on 2 November 2007 ^[1]	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 are amortised on a straight line basis, with 10% of the par value phased out each year, with effect from 2013 for regulatory capital base purposes.

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
(ii) Subordinated term loan				
- First tranche issued on 25 June 2014	334,641	317,957	334,641	317,957
- Second tranche issued on 30 June 2015	285,909	271,655	285,909	271,655
	620,550	589,612	620,550	589,612

The subordinated term loans comprised two tranches of Basel III compliant Tier 2 subordinated loans of USD equivalent of RM250 million each from the Bank's immediate holding company, HBAP. The tenor for both the subordinated term loans is 10 years from the utilisation date with interest payable quarterly in arrears.

The subordinated term loans constitute direct, unsecured and subordinated obligations of the Bank. The Bank further invested a similar amount into HBMS.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27 Net Interest Income

	Group		Bank	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	420,516	451,854	420,516	451,854
- Interest income recognised from impaired loans	8,946	9,726	8,946	9,726
Money at call and deposit placements with financial institutions	60,612	46,445	69,198	56,901
Financial investments at FVOCI	72,236	98,672	72,236	98,672
	562,310	606,697	570,896	617,153
Interest expense				
Deposits and placements of banks and other financial institutions	(5,266)	(11,028)	(5,266)	(11,028)
Deposits from customers	(157,349)	(177,448)	(157,349)	(177,448)
Subordinated liabilities	(12,351)	(13,403)	(12,351)	(13,403)
Lease liabilities	(951)	(851)	(951)	(851)
Others	(176)	(149)	(176)	(149)
	(176,093)	(202,879)	(176,093)	(202,879)
Net interest income	386,217	403,818	394,803	414,274

28 Net Fee and Commission Income

	Group		Bank	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Credit cards	27,858	36,075	27,858	36,075
Service charges	28,838	33,867	28,838	33,867
Credit facilities	14,797	14,842	14,797	14,842
Agency	30,333	21,455	30,333	21,455
Others	9,846	8,220	9,457	8,220
	111,672	114,459	111,283	114,459
Fee and commission expense				
Debit/credit cards	(20,328)	(892)	(20,328)	(892)
Interbank and clearing	(204)	(415)	(204)	(415)
Brokerage	(471)	(426)	(471)	(426)
Cash management	(471)	-	(471)	-
Others	(3,432)	(7,446)	(3,432)	(7,446)
	(24,906)	(9,179)	(24,906)	(9,179)
Net fee and commission income	86,766	105,280	86,377	105,280

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29 Net Trading Income

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
Realised gains on financial assets/liabilities at FVTPL and other financial instruments	18,161	12,359	18,463	13,000
Net interest income from financial assets at FVTPL	17,203	25,772	17,203	25,772
Net unrealised gains on revaluation of financial assets at FVTPL	13,158	13,150	9,317	10,707
Net realised (losses)/gains arising from dealing in foreign currency	(25,770)	127,228	(25,442)	127,849
Net unrealised gains/(losses) from dealing in foreign currency	79,071	19,125	148,423	(9,709)
Net realised gains/(losses) arising from dealing in derivatives	5,723	(39,214)	5,726	(34,934)
Net unrealised gains on revaluation of derivatives	16,454	41,810	12,133	39,711
Gains arising from fair value hedges	327	11	327	11
	124,327	200,241	186,150	172,407

Net trading income for the Group is presented in both Note 29 and Note 30. A reconciliation of the net trading income for the Group is as follows:

	<i>Group</i>	
	31 Mar 2020	31 Mar 2019
	RM'000	RM'000
Total net trading income (net of elimination with subsidiary)	202,911	180,774
of which:		
- is disclosed in Note 29	124,327	200,241
- is included under Income from Islamic Banking operations of the Group (Note 30)	78,584	(19,467)

30 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>	
	31 Mar 2020	31 Mar 2019
	RM'000	RM'000
Income derived from investment of depositor funds and others ^[1]	186,828	207,483
Income derived from investment of shareholders funds ^[1]	51,348	39,715
Total income before allowance for impairment losses on financing and advances	238,176	247,198
Income attributable to the depositors	(92,418)	(112,860)
	145,758	134,338
Elimination of intercompany income and expenses	69,388	(18,027)
Income from Islamic Banking operations reported in the statement of profit or loss of the Group	215,146	116,311

^[1] Included in the following funds are net losses on financial instruments designated at fair value through profit or loss for the period ended 31 March:

Income derived from investment of depositors' funds and others	(23,766)	(9,688)
Income derived from investment of shareholder's funds	-	(1,046)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Other Operating Income

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of financial investments at FVOCI	9,263	-	9,263	-
Rental income	1,786	1,869	1,786	1,869
Net gain on disposal of property and equipment	23	9	23	9
Income recharges from subsidiary	-	-	31,447	30,411
Other operating income	4,132	5,207	4,132	5,207
	15,204	7,085	46,651	37,496

32 Impairment Allowance/Provisions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	167,872	57,126	91,147	27,532
Recoveries	(26,395)	(29,475)	(13,580)	(18,280)
Written off	73	168	72	131
Total charge to the statements of profit or loss	141,550	27,819	77,639	9,383

Breakdown of the impairment allowance/provisions by financial instruments type.

(i) Loan, advances and financing

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	155,402	56,028	82,103	26,129
Recoveries	(26,395)	(29,475)	(13,580)	(18,280)
Written off	73	168	72	131
Total charge to the statements of profit or loss	129,080	26,721	68,595	7,980

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	32	(8)	10	(6)
Total charge to the statements of profit or loss	32	(8)	10	(6)

(iii) Debt securities - FVOCI

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	118	326	120	234
Total charge to the statements of profit or loss	118	326	120	234

(iv) Loan Commitments and Contingencies

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	12,320	780	8,914	1,175
Total charge to the statements of profit or loss	12,320	780	8,914	1,175

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Other Operating Expenses

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	184,890	188,558	173,217	177,201
Promotion and marketing related expenses	12,751	11,865	9,830	10,666
Establishment related expenses	37,116	32,403	32,669	28,350
General administrative expenses	38,677	35,715	29,765	27,291
Related company charges	140,518	107,304	138,963	106,077
	413,952	375,845	384,444	349,585
Personnel expenses				
Salaries, allowances and bonuses	141,678	147,893	132,399	138,901
Employees Provident Fund contributions	23,470	24,685	21,835	23,086
Share based payment	2,359	1,945	2,205	1,897
Others	17,383	14,035	16,778	13,317
	184,890	188,558	173,217	177,201
Promotion and marketing related expenses	12,751	11,865	9,830	10,666
Establishment related expenses				
Depreciation of property and equipment	6,150	5,573	5,655	5,077
Depreciation of ROU assets	8,011	6,718	5,569	4,692
Amortisation of intangible assets	2,515	3,162	2,515	3,162
Impairment of intangible assets	83	-	83	-
Information technology costs	7,952	6,525	7,493	5,822
Property and equipment written off	5	16	5	16
General repairs and maintenance	5,145	4,479	4,751	4,344
Utilities	3,875	3,460	3,383	2,960
Others	3,380	2,470	3,215	2,277
	37,116	32,403	32,669	28,350
General administrative expenses	38,677	35,715	29,765	27,291
Related company charges	140,518	107,304	138,963	106,077
Of which by:				
Type of service				
- Information technology related cost	64,866	48,708	64,866	48,708
- Non information technology related cost	75,652	58,596	74,097	57,369
Countries				
- Hong Kong	92,798	66,987	92,798	66,987
- United Kingdom	32,354	27,626	32,208	27,463
- Malaysia	14,320	11,741	12,911	10,677
- Others	1,046	950	1,046	950

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Capital Adequacy

	<i>Group</i>	
	31 Mar 2020	31 Dec 2019
	RM'000	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	8,120,319	8,201,963
Other reserves	967,416	1,034,352
Regulatory adjustments	(1,098,541)	(1,147,716)
Total CET1 capital	9,035,069	9,134,474
Tier 1 capital		
Additional Tier 1 capital	500,000	500,000
Total Tier 1 capital	9,535,069	9,634,474
Tier 2 capital		
Subordinated liabilities	200,000	300,000
Subordinated term loan	620,550	589,613
Impairment allowance (unimpaired portion) & regulatory reserves	659,542	636,923
Regulatory adjustments	109,339	109,693
Total Tier 2 capital	1,589,431	1,636,229
Capital base	11,124,500	11,270,703
<u>Inclusive of proposed dividend</u>		
CET 1 Capital ratio	15.084%	15.682%
Tier 1 Capital ratio	15.919%	16.540%
Total Capital ratio	18.572%	19.350%
<u>Net of proposed dividend</u>		
CET 1 Capital ratio	15.084%	15.368%
Tier 1 Capital ratio	15.919%	16.226%
Total Capital ratio	18.572%	19.035%

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 categories of risk-weights:

	<i>Group</i>	
	31 Mar 2020	31 Dec 2019
	RM'000	RM'000
Total RWA for credit risk	52,763,360 ^[1]	50,953,924 ^[1]
Total RWA for market risk	1,298,312	1,496,214
Total RWA for operational risk	5,837,002	5,797,822
	59,898,674	58,247,960

^[1] The risk weighted amount for credit risk relating to the SIAF/IAA (refer Note 14 for more details) are as follows:

	<i>Group</i>	
	31 Mar 2020	31 Dec 2019
	RM'000	RM'000
Under SIAF/IAA arrangement	2,466,020	2,991,025

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	31 Mar 2020	31 Dec 2019
	RM'000	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	6,816,450	6,942,952
Other reserves	944,937	983,351
Regulatory adjustments	(1,714,898)	(1,736,309)
Total CET1 capital	7,092,364	7,235,869
Tier 1 capital		
Additional Tier 1 capital	500,000	500,000
Total Tier 1 capital	7,592,364	7,735,869
Tier 2 capital		
Subordinated liabilities	200,000	300,000
Subordinated term loan	620,550	589,613
Impairment allowance (unimpaired portion) & regulatory reserves	512,482	494,431
Regulatory adjustments	(511,211)	(479,920)
Total Tier 2 capital	821,821	904,124
Capital base	8,414,185	8,639,993
<u>Inclusive of proposed dividend</u>		
CET 1 Capital ratio	14.972%	15.700%
Tier 1 Capital ratio	16.027%	16.785%
Total Capital ratio	17.762%	18.747%
<u>Net of proposed dividend</u>		
CET 1 Capital ratio	14.972%	15.303%
Tier 1 Capital ratio	16.027%	16.388%
Total Capital ratio	17.762%	18.350%

The total capital and capital adequacy ratios have been computed based on Standardised Approach in accordance with the Capital Adequacy Framework (Capital Components).

Breakdown of RWA in the various categories of risk-weights:

	<i>Bank</i>	
	31 Mar 2020	31 Dec 2019
	RM'000	RM'000
Total RWA for credit risk	40,998,577 ⁽¹⁾	39,554,516 ⁽¹⁾
Total RWA for market risk	1,235,515	1,414,415
Total RWA for operational risk	5,137,124	5,119,212
	47,371,216	46,088,143

⁽¹⁾ The risk weighted amount for credit risk relating to the SIAF/IAA (refer Note 14 for more details) are as follows:

	<i>Bank</i>	
	31 Mar 2020	31 Dec 2019
	RM'000	RM'000
Under SIAF/IAA arrangement	2,466,020	2,991,025

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 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>	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
Principal amount	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	1,415,522	2,096,249	1,004,189	1,607,366
Transaction-related contingent items	9,061,695	8,502,326	7,677,405	7,221,124
Short-term self-liquidating trade-related contingencies	448,769	360,628	385,236	324,718
Formal standby facilities and credit lines				
- Maturity not exceeding one year	6,245,504	4,894,040	5,606,715	4,223,566
- Maturity exceeding one year	13,299,030	12,704,811	10,901,628	10,374,147
Other unconditionally cancellable	15,424,713	15,637,826	13,918,149	13,997,344
Unutilised credit card lines	13,876,507	13,419,320	9,967,143	9,676,249
Foreign exchange related contracts:				
- Less than one year	94,256,605	92,637,058	95,249,080	95,234,573
- Over one year to less than five years	4,923,630	5,313,386	4,923,630	5,313,386
- Over five years	1,180,153	1,270,378	1,180,153	1,270,378
Interest/profit rate related contracts:				
- Less than one year	11,482,223	9,908,087	11,830,506	11,126,606
- Over one year to less than five years	27,172,912	27,577,699	28,175,830	28,496,681
- Over five years	2,180,808	2,123,874	2,180,808	2,123,874
Gold and other precious metals contracts:				
- Less than one year	10,763	6,593	10,763	6,593
Equity related contracts:				
- Less than one year	965,810	1,113,308	1,381,082	1,579,752
- Over one year to less than five years	1,048,139	778,815	1,560,163	1,175,112
	202,992,783	198,344,398	195,952,480	193,751,469

of which the amount related to SIAF/IAA arrangement (refer Note 14 for more detail) are as below:

Formal standby facilities and credit lines:

- Maturity not exceeding one year	65,977	35,000	65,977	35,000
- Maturity exceeding one year	437,750	437,750	437,750	437,750
	503,727	472,750	503,727	472,750

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 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 31 Mar 2020	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	87,367,988	761,665	-	88,129,653	1,131,960	15,852	-	1,147,812	1,075,672	7,594	-	1,083,266
- Swaps	6,266,992	4,161,965	1,180,153	11,609,110	217,824	229,143	101,659	548,626	239,742	162,637	41,708	444,087
- Options	621,625	-	-	621,625	6,821	-	-	6,821	711	-	-	711
Interest/profit rate related contracts												
- Options	1,048,930	466,109	-	1,515,039	9,450	4,745	-	14,195	169	4,716	-	4,885
- Swaps	10,263,293	25,186,803	2,180,808	37,630,904	37,018	441,276	94,888	573,182	47,214	403,900	95,030	546,144
Equity related contracts												
- Options	965,810	1,048,139	-	2,013,949	12,305	7,150	-	19,455	58,532	119,510	-	178,042
Precious metal contracts												
- Options	10,763	-	-	10,763	9	-	-	9	40	-	-	40
Sub- total	106,545,401	31,624,681	3,360,961	141,531,043	1,415,387	698,166	196,547	2,310,100	1,422,080	698,357	136,738	2,257,175
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	170,000	1,520,000	-	1,690,000	-	-	-	-	747	51,008	-	51,755
Sub- total	170,000	1,520,000	-	1,690,000	-	-	-	-	747	51,008	-	51,755
Total	106,715,401	33,144,681	3,360,961	143,221,043	1,415,387	698,166	196,547	2,310,100	1,422,827	749,365	136,738	2,308,930

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 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 2019	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	87,634,546	749,151	-	88,383,697	663,508	4,505	-	668,013	732,752	14,184	-	746,936
- Swaps	4,396,472	4,564,235	1,270,378	10,231,085	153,659	233,307	102,544	489,510	100,570	138,570	29,875	269,015
- Options	606,040	-	-	606,040	670	-	-	670	1,997	-	-	1,997
Interest/profit rate related contracts												
- Options	647,149	884,883	-	1,532,032	5,143	5,263	-	10,406	284	4,937	-	5,221
- Swaps	9,010,938	25,172,816	2,123,874	36,307,628	18,657	166,956	38,144	223,757	26,650	153,817	40,147	220,614
Equity related contracts												
- Options	1,113,308	778,815	-	1,892,123	25,194	22,627	-	47,821	-	124	12,299	12,423
Precious metal contracts												
- Options	6,593	-	-	6,593	20	-	-	20	30	-	-	30
Sub- total	103,415,046	32,149,900	3,394,252	138,959,198	866,851	432,658	140,688	1,440,197	862,283	311,632	82,321	1,256,236
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	250,000	1,520,000	-	1,770,000	-	-	-	-	901	25,132	-	26,033
Sub- total	250,000	1,520,000	-	1,770,000	-	-	-	-	901	25,132	-	26,033
Total	103,665,046	33,669,900	3,394,252	140,729,198	866,851	432,658	140,688	1,440,197	863,184	336,764	82,321	1,282,269

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Derivative Financial Instruments (Cont'd)

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

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

Bank At 31 Mar 2020	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	88,360,463	761,665	-	89,122,128	1,132,377	15,852	-	1,148,229	1,078,302	7,594	-	1,085,896
- Swaps	6,266,992	4,161,965	1,180,153	11,609,110	217,860	229,143	101,659	548,662	239,743	162,637	41,708	444,088
- Options	621,625	-	-	621,625	6,821	-	-	6,821	711	-	-	711
Interest rate related contracts												
- Options	1,241,213	689,527	-	1,930,740	9,450	4,745	-	14,195	4,056	9,250	-	13,306
- Swaps	10,419,293	25,966,303	2,180,808	38,566,404	37,018	441,101	94,888	573,007	48,350	432,948	95,030	576,328
Equity related contracts												
- Options	1,381,082	1,560,163	-	2,941,245	12,447	7,128	-	19,575	69,512	125,970	-	195,482
Precious metal contracts												
- Options	10,763	-	-	10,763	9	-	-	9	40	-	-	40
Sub- total	108,301,431	33,139,623	3,360,961	144,802,015	1,415,982	697,969	196,547	2,310,498	1,440,714	738,399	136,738	2,315,851
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	170,000	1,520,000	-	1,690,000	-	-	-	-	747	51,008	-	51,755
Sub- total	170,000	1,520,000	-	1,690,000	-	-	-	-	747	51,008	-	51,755
Total	108,471,431	34,659,623	3,360,961	146,492,015	1,415,982	697,969	196,547	2,310,498	1,441,461	789,407	136,738	2,367,606

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Derivative Financial Instruments (Cont'd)

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

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

Bank At 31 Dec 2019	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	90,232,061	749,151	-	90,981,212	663,134	4,505	-	667,639	732,115	14,184	-	746,299
- Swaps	4,396,472	4,564,235	1,270,378	10,231,085	153,491	233,307	102,544	489,342	100,570	138,570	29,875	269,015
- Options	606,040	-	-	606,040	670	-	-	670	1,997	-	-	1,997
Interest rate related contracts												
- Options	817,668	1,130,865	-	1,948,533	5,143	5,263	-	10,406	2,904	6,897	-	9,801
- Swaps	10,058,938	25,845,816	2,123,874	38,028,628	18,657	167,038	38,144	223,839	27,747	163,863	40,147	231,757
Equity related contracts												
- Options	1,579,752	1,175,112	-	2,754,864	25,390	22,751	-	48,141	16,084	14,767	12,299	43,150
Precious metal contracts												
- Options	6,593	-	-	6,593	20	-	-	20	30	-	-	30
Sub- total	107,697,524	33,465,179	3,394,252	144,556,955	866,505	432,864	140,688	1,440,057	881,447	338,281	82,321	1,302,049
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	250,000	1,520,000	-	1,770,000	-	-	-	-	901	25,132	-	26,033
Sub- total	250,000	1,520,000	-	1,770,000	-	-	-	-	901	25,132	-	26,033
Total	107,947,524	34,985,179	3,394,252	146,326,955	866,505	432,864	140,688	1,440,057	882,348	363,413	82,321	1,328,082

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

	Group		Bank	
	31 Mar 2020 RM'000	31 Mar 2019 RM'000	31 Mar 2020 RM'000	31 Mar 2019 RM'000
Loss on hedging instruments	(27,251)	(16,017)	(27,251)	(16,017)
Gain on the hedged items attributable to the hedged risk	27,579	16,168	27,579	16,168
Net gain from fair value hedges	328	151	328	151

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Performance Review, Economy and Prospects

Performance Review

The Group recorded a profit before tax of RM238.6 million for the financial period ended 31 March 2020, a decrease of RM157.2 million compared to the corresponding period in 2019. The decrease was mainly due to higher impairment allowance/provisions by RM113.7 million, coupled with higher operating expenses by RM38.1 million.

For the period ended 31 March 2020, impairment allowance/provisions increased as impact of the Covid-19 outbreak were factored into the estimation of Expected Credit Loss (ECL). The increase in operating expenses is due to the Group's continued investment in IT and digital spend while placing high emphasis in managing its operating expenses to ensure that the resources are spent in a sustainable manner.

Total balance sheet size at 31 March 2020 have increased by 1.9% or RM1.6 billion to RM86.5 billion (31 December 2019: RM85.0 billion). The Group's capital and liquidity coverage ratios continue to remain strong and well above regulatory requirements.

Economy and Prospects

Since early January 2020, the COVID-19 outbreak has spread across the globe. It has been classified by the World Health Organisation as pandemic in March 2020. This is causing ongoing disruption to business and economic activity world-wide, and is resulting in government and central banks rolling out relief actions and support measures in many countries to protect the economy.

Malaysia alike, is also impacted by the COVID-19 outbreak. The economic impact is already being felt across by households and businesses arising from the spill over effect of global supply chain disruptions and domestic containment actions. The Government of Malaysia has implemented Movement Control Order (MCO) as a containment measure where everyone is required to stay at home during the MCO period and public movement is restricted to purchasing necessities and seeking, and performing, essential services only. In addition, only providers of essential services and certain approved industries or companies are allowed to operate their business during the MCO period. This will have a chain effect on the state of our economy. In fact, Bank Negara Malaysia (BNM) has projected the Malaysia's GDP to contract between -2.0% and +0.5% for 2020, compared to a growth of 4.3% in 2019.

To cushion this impact, the Government and BNM have responded swiftly through a combination of monetary, financial and fiscal measures. The Government has introduced two major economic stimulus packages to support household income and safeguard jobs. For the business community, measures such as a dedicated loan guarantee facility, lower utility costs and income tax deferrals were undertaken to help reduce expenses and ease the cash flow of affected small and medium enterprises (SMEs) and corporations.

These were further complemented by measures rolled out by BNM, namely i) reduction in Overnight Policy Rate (OPR) by a total of 50 basis points in January and March this year, ii) reduction in Statutory Reserve Requirement (SRR) ratio by 100 basis points, with allowance for Government securities to be recognised for SRR compliance, and iii) 6-month moratorium relief programme for loan and financing repayment from individuals and SMEs. Alongside this, banks are also given temporary supervisory and regulatory flexibilities to support the effort in assisting individuals, SMEs and corporations through this period. HSBC Malaysia fully supports BNM's moratorium relief measures and has rolled out the various relief initiatives to our customers.

The COVID-19 pandemic, if prolonged, is expected to cause more serious disruptions to the economic activity globally throughout 2020 and will impact the performance and operation of most businesses, including that of our customers and suppliers. To date, HSBC Malaysia has proven our ability to continue to operate and support our customers during the MCO period, with our resources supporting from home via well-established and connected system infrastructure. Our capital and funding position remains well above the regulatory requirement level and we will continue to monitor and manage our positions actively.

We remain positive that the Malaysian economy will remain resilient and will gradually improve when the risks from the pandemic subside. According to BNM, production in the mining and agriculture sectors are projected to improve in the second half of the year amid the expected recovery from the supply disruptions. Continuation of large-scale public infrastructure projects will also provide additional lift to the local economy. Malaysia's domestic prospects are therefore, projected to improve towards the end of the year and subsequently in 2021.

HSBC Malaysia will continue to support our customers in this difficult time. We will also continue with our plans to further improve our digital capabilities for mobile and internet banking for better customer service and experience. In addition, we will continue to deepen the relationship with existing customers along with new customer segments. We will also continue to leverage on our international network and capabilities to capture cross-border opportunities in the ASEAN and Belt and Road Initiative (BRI) corridors. On the Islamic Banking front, we will continue to grow the HSBC Amanah franchise by leveraging on government schemes, providing customers with structured banking solutions and sustainable financing, and continue our commitment towards the VBI agenda.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 Comparative Figures

Presentation and classification of items in the financial statements are consistent with those in previous financial period except for the reclassification below. The Group and the Bank's prior year profit and loss and retained profits brought forward are not affected by this reclassification.

Comparatives for interest expense, other operating expenses and income from Islamic banking operations were restated to reclassify deposit protection insurance costs from interest expense/ finance expense to other operating expenses. This cost represents an annual holding cost for deposits to customers as opposed to an initial transaction cost incurred in accepting the deposit.

Statement of Profit or Loss	Group		Bank	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
31 March 2019				
a) Net interest income	403,818	401,192	414,274	411,648
<i>(of which the affected components are disclosed below) :</i>				
<u>Interest expense</u>				
Others	(149)	(2,775)	(149)	(2,775)
b) Other operating expenses	(375,845)	(371,636)	(349,585)	(346,959)
<i>(of which the affected components are disclosed below) :</i>				
General administrative expenses	35,715	31,506	27,291	24,665
c) Income from Islamic banking operations	116,311	114,729	-	-
<i>(of which the affected components are disclosed below) :</i>				
Income attributable to the depositors	(112,860)	(114,442)	-	-