

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 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 30 SEPTEMBER 2020

	Note	<i>Group</i>		<i>Bank</i>	
		30 Sep 2020 RM'000	31 Dec 2019 RM'000	30 Sep 2020 RM'000	31 Dec 2019 RM'000
Assets					
Cash and short-term funds	12	11,681,591	9,623,962	8,011,959	4,847,237
Securities purchased under resale agreements		5,820,825	6,645,298	5,820,825	6,645,298
Deposits and placements with banks and other financial institutions	13	349,920	139,153	1,518,539	1,011,570
Financial assets at fair value through profit and loss (FVTPL)	14	1,254,661	1,391,978	1,254,661	1,391,978
Financial investments at fair value through other comprehensive income (FVOCI)	15	11,972,073	11,907,954	10,553,967	9,187,979
Financial investments at amortised cost	16	200,000	-	200,000	-
Loans, advances and financing	17	51,317,019	51,289,860	37,702,509	38,246,907
Derivative financial assets	37	1,566,656	1,440,197	1,567,937	1,440,057
Other assets	20	1,583,373	432,253	1,702,936	424,659
Statutory deposits with Bank Negara Malaysia	21	56,641	992,351	30,079	662,689
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		985,621	834,156	975,743	827,055
Intangible assets		32,834	38,854	32,834	38,854
Tax recoverable		180,758	89,458	180,758	89,458
Deferred tax assets		79,753	125,695	58,313	101,787
Total assets		87,081,725	84,951,169	70,271,081	65,575,549
Liabilities					
Deposits from customers	22	63,508,640	59,407,190	50,630,971	46,086,878
Deposits and placements from banks and other financial institutions	23	2,326,749	3,683,684	1,574,487	1,770,927
Bills payable		200,323	176,652	178,624	154,616
Derivative financial liabilities	37	1,579,903	1,282,269	1,641,935	1,328,082
Structured liabilities designated at fair value through profit and loss	24	4,112,429	4,860,845	2,966,422	3,565,487
Other liabilities	25	2,733,972	2,478,076	2,545,053	2,195,727
Provision for taxation		3,917	12,007	-	-
Multi-Currency Sukuk Programme	26	525,092	1,265,929	-	-
Subordinated liabilities	27	1,099,301	1,089,612	1,099,301	1,089,612
Total liabilities		76,090,326	74,256,264	60,636,793	56,191,329
Equity					
Share capital		1,045,875	1,045,875	1,045,875	1,045,875
Other equity and reserves		9,945,524	9,649,030	8,588,413	8,338,345
Total equity attributable to owner of the Bank		10,991,399	10,694,905	9,634,288	9,384,220
Total liabilities and equity		87,081,725	84,951,169	70,271,081	65,575,549
Commitments and contingencies	36	183,992,658	198,344,398	175,629,363	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 13 to 47 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 28 October 2020.

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
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UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	<i>Note</i>	<i>Group</i>			
		Third Quarter		Nine Months Ended	
		30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
		RM'000	RM'000	RM'000	RM'000
Interest income	28	431,709	577,463	1,486,752	1,780,477
Interest expense	28	(128,244)	(192,582)	(457,973)	(602,525)
Net interest income	28	303,465	384,881	1,028,779	1,177,952
Fee and commission income	29	99,987	117,377	298,027	338,210
Fee and commission expense	29	(17,560)	(8,762)	(47,951)	(39,905)
Net fee and commission income	29	82,427	108,615	250,076	298,305
Net trading income	30	211,783	146,648	535,483	513,905
Income from Islamic banking operations	31	78,578	145,459	386,363	407,136
Net expenses from Financial Liabilities Designated at Fair Value		(12,668)	(27,907)	(64,391)	(95,346)
Other operating income	32	15,285	10,770	59,101	39,726
Operating income before impairment losses		678,870	768,466	2,195,411	2,341,678
Impairment allowance/provisions	33	(70,504)	(25,381)	(407,542)	(95,587)
Net operating income		608,366	743,085	1,787,869	2,246,091
Other operating expenses	34	(398,433)	(417,295)	(1,215,986)	(1,215,042)
Profit before tax		209,933	325,790	571,883	1,031,049
Tax expense		(61,389)	(59,541)	(152,576)	(230,214)
Profit for the period		148,544	266,249	419,307	800,835
Basic earnings per RM0.50 ordinary share		64.9 sen	116.3 sen	183.1 sen	349.7 sen
Dividends per RM0.50 ordinary share (net)					
- interim dividend paid in respect of the period		-	106.6 sen	-	106.6 sen
- final dividend paid in respect of prior period		-	-	79.9 sen	115.7 sen
- special dividend paid in respect of current period		-	-	-	218.3 sen

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UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020 (Cont'd)

	<i>Note</i>	<i>Bank</i>			
		Third Quarter		Nine Months Ended	
		30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
		RM'000	RM'000	RM'000	RM'000
Interest income	28	436,189	586,289	1,507,899	1,809,514
Interest expense	28	(128,244)	(192,582)	(457,973)	(602,525)
Net interest income	28	307,945	393,707	1,049,926	1,206,989
Fee and commission income	29	99,638	115,290	297,080	336,123
Fee and commission expense	29	(17,560)	(8,762)	(47,951)	(39,905)
Net fee and commission income	29	82,078	106,528	249,129	296,218
Net trading income	30	149,687	146,095	498,622	482,817
Net expenses from Financial Liabilities Designated at Fair Value		(12,668)	(27,907)	(64,391)	(95,346)
Other operating income	32	48,520	44,063	205,363	177,524
Operating income before impairment losses		575,562	662,486	1,938,649	2,068,202
Impairment allowance/provisions	33	(81,658)	(16,272)	(286,458)	(45,783)
Net operating income		493,904	646,214	1,652,191	2,022,419
Other operating expenses	34	(370,911)	(387,796)	(1,132,387)	(1,129,810)
Profit before tax		122,993	258,418	519,804	892,609
Tax expense		(42,686)	(54,988)	(130,735)	(201,032)
Profit for the period		80,307	203,430	389,069	691,577
Basic earnings per RM0.50 ordinary share		35.1 sen	88.8 sen	169.9 sen	302 sen
Dividends per RM0.50 ordinary share (net)					
- interim dividend paid in respect of the period		-	106.6 sen	-	106.6 sen
- final dividend paid in respect of prior period		-	-	79.9 sen	115.7 sen
- special dividend paid in respect of current period		-	-	-	218.3 sen

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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 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	(10,718)	(16,356)	15,602	(20,828)
Income tax effect	2,572	3,926	(3,745)	4,999
<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	18,856	15,963	150,332	103,030
Amount transferred to profit or loss	(12,920)	(12,573)	(100,600)	(58,287)
Impairment	(2,787)	(85)	1,831	261
Income tax effect	(1,424)	(813)	(16,011)	(13,032)
Financial assets designated as fair value through other comprehensive income				
Change in fair value	-	-	16,982	9,557
Other comprehensive income for the financial period, net of income tax	(6,421)	(9,938)	64,391	25,700
Total comprehensive income for the period	142,123	256,311	483,698	826,535
Profit attributable to owner of the Bank	148,544	266,249	419,307	800,835
Total comprehensive income attributable to owner of the Bank	142,123	256,311	483,698	826,535

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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020 (Cont'd)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 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	(4,288)	(5,234)	5,345	(11,218)
Income tax effect	1,029	1,256	(1,283)	2,692
<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	12,894	14,303	127,750	87,288
Amount transferred to profit or loss	(6,759)	(10,433)	(88,330)	(49,637)
Impairment	(2,061)	(49)	1,596	173
Income tax effect	(1,473)	(929)	(13,537)	(11,330)
Financial assets designated as fair value through other comprehensive income				
Change in fair value	-	-	16,982	9,557
Other comprehensive income for the financial period, net of income tax	(658)	(1,086)	48,523	27,525
Total comprehensive income for the period	79,649	202,344	437,592	719,102
Profit attributable to owner of the Bank	80,307	203,430	389,069	691,577
Total comprehensive income attributable to owner of the Bank	79,649	202,344	437,592	719,102

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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	-	-	-	-	-	-	-	419,307	419,307
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(1,795)	-	-	-	-	1,795	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	127,159	11,857	-	-	-	139,016
Net amount transferred to profit or loss	-	-	-	(76,456)	-	-	-	-	(76,456)
Impairment charges	-	-	-	1,831	-	-	-	-	1,831
<i>Total other comprehensive income</i>	-	-	(1,795)	52,534	11,857	-	-	1,795	64,391
Total comprehensive income for the financial period	-	-	(1,795)	52,534	11,857	-	-	421,102	483,698
Net change in regulatory reserves	-	-	-	-	-	-	(185,800)	185,800	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	4,844	-	1,411	6,255
Dividends paid to owner - 2019 final	-	-	-	-	-	-	-	(183,000)	(183,000)
Discretionary coupon on other equity instrument issued	-	-	-	-	-	-	-	(10,459)	(10,459)
Balance at 30 September	1,045,875	500,000	203,568	226,207	(6,322)	104,854	300,400	8,616,817	10,991,399

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020 (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>	
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	-	-	-	-	-	-	-	800,835	800,835
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(1,761)	-	-	-	-	1,761	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	85,566	(15,829)	-	-	-	69,737
Net amount transferred to profit or loss	-	-	-	(44,298)	-	-	-	-	(44,298)
Transfer to retained profits upon realisation of unquoted investments	-	-	-	(57)	-	-	-	57	-
Impairment charges	-	-	-	261	-	-	-	-	261
<i>Total other comprehensive income</i>	-	-	(1,761)	41,472	(15,829)	-	-	1,818	25,700
Total comprehensive income for the financial period	-	-	(1,761)	41,472	(15,829)	-	-	802,653	826,535
Net change in regulatory reserves	-	-	-	-	-	-	(14,000)	14,000	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	1,419	-	(3,314)	(1,895)
Other equity instrument issued	-	500,000	-	-	-	-	-	-	500,000
Dividends paid to owner - 2018 final	-	-	-	-	-	-	-	(265,000)	(265,000)
Dividends paid to owner - 2019 special	-	-	-	-	-	-	-	(500,000)	(500,000)
Dividends paid to owner - 2019 interim	-	-	-	-	-	-	-	(244,000)	(244,000)
Balance at 30 September	1,045,875	500,000	203,129	167,441	(22,692)	101,005	545,200	7,953,155	10,493,113

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020 (Cont'd)

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

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020 (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>	
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	-	-	-	-	-	-	-	691,577	691,577
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(1,761)	-	-	-	-	1,761	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	73,602	(8,526)	-	-	-	65,076
Net amount transferred to profit or loss	-	-	-	(37,724)	-	-	-	-	(37,724)
Transfer to retained profits upon realisation of unquoted investments	-	-	-	(57)	-	-	-	57	-
Impairment charges	-	-	-	173	-	-	-	-	173
<i>Total other comprehensive income</i>	-	-	(1,761)	35,994	(8,526)	-	-	1,818	27,525
Total comprehensive income for the financial period	-	-	(1,761)	35,994	(8,526)	-	-	693,395	719,102
Net change in regulatory reserves	-	-	-	-	-	-	(7,000)	7,000	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	1,376	-	(3,334)	(1,958)
Other equity instrument issued	-	500,000	-	-	-	-	-	-	500,000
Dividends paid to owner - 2018 final	-	-	-	-	-	-	-	(265,000)	(265,000)
Dividends paid to owner - 2019 special	-	-	-	-	-	-	-	(500,000)	(500,000)
Dividends paid to owner - 2019 interim	-	-	-	-	-	-	-	(244,000)	(244,000)
Balance at 30 September	1,045,875	500,000	203,129	161,484	(12,402)	100,463	461,100	6,763,703	9,223,352

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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax	571,883	1,031,049	519,804	892,609
Adjustments for non-operating and non-cash items	454,635	(15,412)	283,183	(34,051)
Operating profit before working capital changes	1,026,518	1,015,637	802,987	858,558
Changes in working capital:				
Net changes in operating assets	(72,395)	286,924	(163,158)	18,349
Net changes in operating liabilities	2,664,245	165,647	4,529,346	(138,034)
Income tax paid	(225,779)	(361,626)	(193,379)	(311,413)
Net cash generated from operations	3,392,589	1,106,582	4,975,796	427,460
Net cash used in investing activities	(341,812)	(533,122)	(1,589,959)	(501,206)
Net cash used in financing activities	(993,148)	(575,482)	(221,115)	(542,503)
	(1,334,960)	(1,108,604)	(1,811,074)	(1,043,709)
Net changes in cash and cash equivalents	2,057,629	(2,022)	3,164,722	(616,249)
Cash and cash equivalents at 1 January	9,623,962	7,908,159	4,847,237	5,137,240
Cash and cash equivalents at 30 September	11,681,591	7,906,137	8,011,959	4,520,991
Analysis of cash and cash equivalents				
Cash and short-term funds	11,681,591	7,906,137	8,011,959	4,520,991

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(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020 (Cont'd)

Change in liabilities arising from financing activities

Group (RM'000)

2020	At 1 Jan	Cash inflow/ (outflow)	Foreign exchange adjustment	Fair value movement	Interest/ Profit accrual	At 30 Sep
Multi-Currency Sukuk Programme	1,265,929	(750,000)	-	9,163	-	525,092
Subordinated liabilities	1,089,612	-	9,689	-	-	1,099,301
Other liabilities of which:						
Profit paid on Multi-Currency Sukuk	13,724	(22,033)	-	-	19,030	10,721
Interest paid on Subordinated liabilities	4,292	(27,656)	-	-	33,890	10,526
Other equity instrument	500,000	-	-	-	-	500,000
Dividend paid	-	(183,000)	-	-	-	-
Discretionary coupon paid on other equity instrument issued	-	(10,459)	-	-	-	-
	2,873,557	(993,148)	9,689	9,163	52,920	2,145,640
2019						
Multi-Currency Sukuk Programme	1,755,281	-	-	15,752	-	1,771,033
Subordinated liabilities	1,095,987	-	7,275	-	-	1,103,262
Other liabilities of which:						
Profit paid on Multi-Currency Sukuk	18,175	(32,979)	-	-	35,585	20,781
Interest paid on Subordinated liabilities	4,458	(33,503)	-	-	39,827	10,782
Other equity instrument	-	500,000	-	-	-	500,000
Dividend paid	-	(1,009,000)	-	-	-	(1,009,000)
	2,873,901	(575,482)	7,275	15,752	75,412	2,396,858

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 13 to 47 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 28 October 2020.

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

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020 (Cont'd)

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

Bank (RM'000)

2020	At 1 Jan	Cash inflow/ (outflow)	Foreign exchange adjustment	Fair value movement	Interest accrual	At 30 Sep
Subordinated liabilities	1,089,612	-	9,689	-	-	1,099,301
Other liabilities of which:						
Interest paid on Subordinated liabilities	4,292	(27,656)	-	-	33,890	10,526
Other equity instrument	500,000	-	-	-	-	500,000
Dividend paid	-	(183,000)	-	-	-	-
Discretionary coupon paid on other equity instrument issued	-	(10,459)	-	-	-	-
	<u>1,593,904</u>	<u>(221,115)</u>	<u>9,689</u>	<u>-</u>	<u>33,890</u>	<u>1,609,827</u>
2019						
Subordinated liabilities	1,095,987	-	7,275	-	-	1,103,262
Other liabilities of which:						
Interest paid on Subordinated liabilities	4,458	(33,503)	-	-	39,827	10,782
Other equity instrument	-	500,000	-	-	-	500,000
Dividend paid	-	(1,009,000)	-	-	-	(1,009,000)
	<u>1,100,445</u>	<u>(542,503)</u>	<u>7,275</u>	<u>-</u>	<u>39,827</u>	<u>605,044</u>

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 13 to 47 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 28 October 2020.

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, 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 28 October 2020.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 30 June September 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

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

The accounting policies and presentation 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 2019, except for the adoption of the following Amendments to MFRSs which are effective during the current financial period:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 "Definition of Material"
- Amendments to MFRS 3 "Definition of a Business"
- Amendments to MFRS 16 "COVID-19-Related Rent Concessions"

The adoption of the above Amendments to MFRSs does not give rise to any material financial impact to the Group and the Bank.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2 Basis of Preparation (Cont'd)

(ii) Impact of Covid-19 pandemic

The spread of COVID-19 since 1Q2020 vastly impacted both global and domestic economies and is expected to continue to affect all businesses, including HSBC Malaysia, for the remaining part of 2020.

In response to this unprecedented situation, the Group and the Bank have actively participated in moratorium relief programme initiated by Bank Negara Malaysia, aimed at providing support to our eligible customers that are affected by the economic disruption. As the moratorium itself should not automatically result in stage transfer under MFRS 9 in the absence of other factors relevant to the assessment, judgement is exercised and adapted based on current information on-hand in the determination of expected credit losses.

The Group and the Bank will continue to monitor the situation closely and take appropriate and timely actions to minimise the impact.

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 30 September 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 30 September 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 30 September 2020.

9 Dividend

Since the end of the previous financial year, the Bank paid final dividend for the financial year ended 31 December 2019 of RM0.80 per ordinary share amounting to RM183 million.

No interim dividend was declared nor paid for the financial period ended 30 September 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 30 September 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>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	901,487	956,880	727,616	740,937
Money at call and interbank placements maturing within one month	10,780,104	8,667,082	7,284,343	4,106,300
	11,681,591	9,623,962	8,011,959	4,847,237

Money at call and interbank placements maturing within one month is within Stage 1 allocation (12 -months ECL) with impairment allowance of RM110,000 for the Group and RM88,000 for the Bank as at 30 September 2020 (31 December 2019: RM69,000 for the Group and RM63,000 for the Bank).

13 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Licensed banks	-	-	1,318,539	1,011,570
Bank Negara Malaysia	349,920	139,153	200,000	-
	349,920	139,153	1,518,539	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 RM1,318.5 million (31 December 2019: RM1,011.6 million).

The balance is within Stage 1 allocation (12 -months ECL) with nil impairment allowance for the Group and the Bank as at 30 September 2020 (31 December 2019: nil for the Group and the Bank).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government treasury bills	13,976	48,736	13,976	48,736
Islamic treasury bills	25,685	19,668	25,685	19,668
Malaysian Government securities	882,373	397,683	882,373	397,683
Malaysian Government Islamic Sukuk	263,893	198,991	263,893	198,991
Cagamas bonds and notes	18,451	13,458	18,451	13,458
	1,204,378	678,536	1,204,378	678,536
Unquoted:				
Corporate bonds and Sukuk	50,283	113,388	50,283	113,388
Loans, advances and financing ^[1]	-	600,054	-	600,054
	1,254,661	1,391,978	1,254,661	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 30 September 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>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Debt instruments				
Money market instruments:				
Bank Negara Malaysia bills and notes	4,545,839	840,066	4,545,839	840,066
Islamic Bank Negara bills	-	499,459	-	499,459
Malaysian Government securities	4,737,234	4,685,666	4,737,234	4,685,666
Malaysian Government Islamic Sukuk	2,474,997	4,323,458	1,056,891	1,603,483
Cagamas bonds and notes	-	135,065	-	135,065
US treasury bond	-	1,221,297	-	1,221,297
	11,758,070	11,705,011	10,339,964	8,985,036
Unquoted:				
Corporate bonds and Sukuk	-	5,922	-	5,922
Financial Investments Designated as FVOCI				
Equity instruments				
Unquoted:				
Shares	214,003	197,021	214,003	197,021
<i>of which</i>				
<i>Cagamas Holdings Berhad</i>	172,994	159,741	172,994	159,741
<i>Credit Guarantee Corporation Malaysia Berhad</i>	33,619	31,196	33,619	31,196
<i>Others</i>	7,390	6,084	7,390	6,084
	11,972,073	11,907,954	10,553,967	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>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	5,040,048	4,837,044	4,974,563	3,136,455
More than one year to three years	5,580,486	5,667,297	4,471,419	4,647,911
More than three years to five years	1,137,536	1,200,670	893,982	1,200,670
	11,758,070	11,705,011	10,339,964	8,985,036

There are no FVOCI balances that are pledged against Repurchase Agreement as at 30 September 2020 (31 December 2019: nil).

Financial investments at FVOCI are within Stage 1 allocation (12 -months ECL) with RM2,521,000 impairment allowance for the Group and RM2,120,000 for the Bank as at 30 September 2020 (31 December 2019: RM690,000 for the Group and RM524,000 for the Bank). The carrying amount of financial investments at FVOCI is equivalent to their fair value. The impairment allowance is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16 Financial Investments at Amortised Cost

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Debt instruments				
Unquoted:				
Corporate Sukuk	200,000	-	200,000	-

Financial investments at amortised cost are within Stage 1 allocation (12 -months ECL) with nil impairment allowance for the Group and the Bank as at 30 September 2020 (31 December 2019: nil for the Group and the Bank).

17 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts/cash line	559,148	811,630	490,662	738,499
Term loans/financing:				
Housing loans/financing	17,471,626	17,790,451	13,374,553	13,626,079
Syndicated term loans/financing	4,216,522	3,432,114	3,007,412	2,703,816
Factoring receivables	677,077	613,197	677,077	613,197
Hire purchase receivables	215,337	194,049	-	-
Other term loans/financing	10,266,290	10,089,398	6,636,568	6,250,324
Bills receivable	3,412,676	2,066,044	2,565,730	1,595,124
Trust receipts	2,442,480	2,511,619	1,987,108	1,985,793
Claims on customers under acceptance credits	848,266	1,404,798	600,070	1,081,526
Staff loans/financing	66,291	75,179	64,191	72,935
Credit/charge cards	3,407,790	4,009,507	2,311,073	2,750,943
Revolving financing	8,553,744	8,811,969	6,498,813	7,095,804
Other loans/financing	14,566	15,694	10,994	11,391
Gross loans, advances and financing ^[1]	52,151,813	51,825,649	38,224,251	38,525,431
Less: - Impairment allowances	(834,794)	(535,789)	(521,742)	(278,524)
Total net loans, advances and financing	51,317,019	51,289,860	37,702,509	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 unaudited financial statements of HBMS (refer to Note 14 for more details). These comprise of the following types of financing:

	<i>Bank</i>	
	30 Sep 2020	31 Dec 2019
	RM'000	RM'000
Syndicated term financing	2,120,645	1,910,351
Other term financing	117,282	15,087
Revolving financing	1,274,169	839,000
	3,512,097	2,764,438

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Loans, Advances and Financing (Cont'd)

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	1,328,547	1,312,978	928,479	818,092
Domestic business enterprises:				
Small medium enterprises	2,977,740	2,316,481	1,930,573	1,379,084
Others	20,235,335	21,248,961	15,887,171	17,027,935
Individuals	20,749,499	21,675,316	14,621,908	15,412,214
Other domestic entities	4,329	6,307	3,216	3,253
Foreign entities/individuals	6,856,363	5,265,606	4,852,904	3,884,853
	52,151,813	51,825,649	38,224,251	38,525,431

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	21,318,252	21,320,575	16,138,059	16,778,704
More than one year to three years	5,821,548	5,208,744	3,993,894	3,453,335
More than three years to five years	3,773,727	3,638,797	2,739,476	2,625,964
More than five years	21,238,286	21,657,533	15,352,822	15,667,428
	52,151,813	51,825,649	38,224,251	38,525,431

(iv) By interest/profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Housing loans/financing	226	7,677	226	7,677
Hire purchase receivables	215,337	194,049	-	-
Other fixed rate loans/financing	11,141,515	11,129,738	7,531,436	7,686,187
Variable rate:				
Base Rate/Base Lending/Financing Rate plus	20,628,093	21,179,066	15,503,396	15,981,634
Cost-plus	20,166,642	19,315,119	15,189,193	14,849,933
	52,151,813	51,825,649	38,224,251	38,525,431

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Loans, Advances and Financing (Cont'd)

(v) By sector	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020 RM'000	31 Dec 2019 RM'000	30 Sep 2020 RM'000	31 Dec 2019 RM'000
Agricultural, hunting, forestry and fishing	127,333	183,220	110,305	166,505
Mining and quarrying	284,108	361,643	132,580	177,453
Manufacturing	6,767,397	7,693,137	5,229,538	6,489,904
Electricity, gas and water	44,129	278,428	27,508	79,117
Construction	3,753,659	3,747,741	2,690,731	2,696,662
Real estate	4,720,309	4,039,836	3,846,379	3,280,067
Wholesale & retail trade and restaurants & hotels	4,152,875	3,860,439	3,292,186	3,036,125
Transport, storage and communication	611,499	547,990	429,069	370,418
Finance, insurance and business services	3,265,062	3,376,985	2,437,190	2,508,676
Household-retail	23,675,510	24,673,823	17,037,162	17,888,637
Others	4,749,932	3,062,407	2,991,603	1,831,867
	52,151,813	51,825,649	38,224,251	38,525,431

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020 RM'000	31 Dec 2019 RM'000	30 Sep 2020 RM'000	31 Dec 2019 RM'000
Purchase of property:				
Residential	17,411,244	17,838,858	13,313,182	13,673,312
Non residential	1,431,113	1,427,087	629,107	627,338
Purchase of securities	3,201	3,177	3,201	3,177
Purchase of transport vehicles	16,186	17,103	15,467	16,332
Consumption credit	5,864,652	6,420,319	3,557,124	4,037,542
Construction	3,406,384	2,906,066	2,391,320	2,088,817
Working capital	20,082,364	20,935,035	15,870,883	16,661,495
Other purpose	3,936,669	2,278,004	2,443,967	1,417,418
	52,151,813	51,825,649	38,224,251	38,525,431

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020 RM'000	31 Dec 2019 RM'000	30 Sep 2020 RM'000	31 Dec 2019 RM'000
Northern Region	6,004,093	6,568,954	4,746,372	5,011,671
Southern Region	6,089,055	6,046,981	4,419,310	4,476,077
Central Region	38,044,968	37,011,516	27,401,547	27,218,490
Eastern Region	2,013,697	2,198,198	1,657,022	1,819,193
	52,151,813	51,825,649	38,224,251	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)

18 Impaired Loans, Advances and Financing

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

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 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	238,511	140,107	194,132	80,658
Net remeasurement due to changes in credit risk	138,076	96,662	78,614	26,021
Written-off	(170,509)	(206,609)	(73,157)	(105,510)
Gross carrying amount as at 30 September	1,209,525	1,003,447	817,733	618,144

(ii) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	338	-	-	-
Mining and quarrying	-	1,611	-	1,611
Manufacturing	109,310	79,934	92,180	63,687
Electricity, gas and water	577	600	577	600
Construction	35,547	34,177	29,632	29,978
Real estate	12,119	12,151	12,119	12,116
Wholesale & retail trade, restaurants & hotels	66,161	36,021	55,593	18,017
Transport, storage and communication	122,155	18,223	121,939	17,854
Finance, insurance and business services	9,311	29,614	793	893
Household-retail	822,641	757,974	497,189	465,409
Others	31,366	33,142	7,711	7,979
1,209,525	1,003,447	817,733	618,144	

(iii) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Purchase of property:				
Residential	325,797	379,762	230,075	273,771
Non residential	44,837	50,238	30,610	31,931
Purchase of transport vehicles	32	109	-	77
Consumption credit	488,940	368,637	259,471	183,578
Construction	32,769	29,622	26,914	26,898
Working capital	295,767	152,212	270,589	101,831
Other purpose	21,383	22,867	74	58
1,209,525	1,003,447	817,733	618,144	

(iv) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Northern Region	108,421	120,756	80,529	87,578
Southern Region	124,939	112,952	80,211	73,391
Central Region	913,244	712,067	602,753	406,430
Eastern Region	62,921	57,672	54,240	50,745
1,209,525	1,003,447	817,733	618,144	

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:

	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	41,331	(35,558)	(5,773)	-
- Transferred to Stage 2	(6,209)	13,834	(7,625)	-
- Transferred to Stage 3	(1,712)	(8,491)	10,203	-
New financial assets originated or purchased	32,536	-	-	32,536
Net remeasurement due to changes in credit risk	17,258	106,529	313,787	437,574
Asset written-off	-	-	(170,509)	(170,509)
Others	(596)	-	-	(596)
Balance at 30 September 2020	174,296	205,738	454,760	834,794
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 RM299.0 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 (RM437.6 million) and new financial assets originated or purchased (RM32.5 million), partially offset by asset written-off (RM170.5 million).

- 12-months ECL not credit impaired (Stage 1) – increased by RM82.6 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 RM76.3 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 RM140.0 million for the Group, primarily from remeasurement due to changes in credit risk and 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 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	23,883	(19,472)	(4,411)	-
- Transferred to Stage 2	(2,822)	8,027	(5,205)	-
- Transferred to Stage 3	(1,007)	(4,706)	5,713	-
New financial assets originated or purchased	17,098	-	-	17,098
Net remeasurement due to changes in credit risk	1,146	92,870	205,859	299,875
Asset written-off	-	-	(73,157)	(73,157)
Others	(598)	-	-	(598)
Balance at 30 September 2020	82,885	138,140	300,717	521,742
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 RM243.2 million for the Bank compared to the balance at the beginning of the year. This net increase was mainly contributed by remeasurement due to changes in credit risk (RM299.9 million) and new financial assets originated or purchased (RM17.1 million), partially offset by asset written-off (RM73.2 million).

- 12-months ECL not credit impaired (Stage 1) – increased by RM37.7 million for the Bank, contributed by remeasurement due to loans migrated to Stage 1 due to improved credit quality and new financial assets.
- Lifetime ECL not credit-impaired (Stage 2) – increased by RM76.7 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 RM128.8 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)

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 2020	4,830	3,105	649	8,584
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	551	(551)	-	-
- Transferred to Stage 2	(108)	108	-	-
- Transferred to Stage 3	-	(6)	6	-
New financial assets originated or purchased	1,666	-	-	1,666
Net remeasurement due to changes in credit risk	479	911	(190)	1,200
Others	(265)	-	-	(265)
Balance at 30 September 2020	7,153	3,567	465	11,185
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)

19 ECL allowances movement (Cont'd)

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

	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
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	411	(411)	-	-
- Transferred to Stage 2	(92)	92	-	-
- Transferred to Stage 3	-	(5)	5	-
New financial assets originated or purchased	1,393	-	-	1,393
Net remeasurement due to changes in credit risk	307	677	213	1,197
Others	(243)	-	-	(243)
Balance at 30 September 2020	5,330	2,584	465	8,379
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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20 Other Assets

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Settlements	1,137,728	2,417	1,137,728	2,417
Interest/profit receivable	67,562	143,547	52,493	119,776
Income receivable	29,434	35,255	39,377	29,021
Deposits and prepayments	4,151	1,451	4,151	1,451
Amount due from subsidiary company	-	-	159,131	57,735
Rights of Use (ROU) assets	70,789	82,620	49,763	58,116
Cash collateral	159,110	40,143	159,110	40,143
Other receivables	114,599	126,820	101,183	116,000
	1,583,373	432,253	1,702,936	424,659

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22 Deposits from Customers

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
(i) By type of deposit	RM'000	RM'000	RM'000	RM'000
Demand deposits	21,501,756	21,252,995	19,006,437	17,801,805
Savings deposits	15,108,105	12,647,639	12,776,838	10,774,990
Fixed deposits	26,898,779	25,506,556	18,847,696	17,510,083
	63,508,640	59,407,190	50,630,971	46,086,878

The maturity structure of fixed deposits is as follows:

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Due within six months	21,144,274	20,111,102	14,433,079	13,521,017
More than six months to one year	4,643,983	4,560,534	3,676,300	3,460,754
More than one year to three years	733,698	493,239	485,056	319,059
More than three years to five years	376,824	340,941	253,261	208,513
Over five years	-	740	-	740
	26,898,779	25,506,556	18,847,696	17,510,083

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
(ii) By type of customer	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	24,766	29,979	9,310	16,993
Business enterprises	25,019,332	21,235,228	21,206,522	18,481,598
Individuals	25,089,407	24,079,749	19,138,847	17,857,275
Foreign entities/individuals	12,258,726	13,014,439	9,541,574	9,068,476
Others	1,116,409	1,047,795	734,718	662,536
	63,508,640	59,407,190	50,630,971	46,086,878

23 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Licensed banks	104,545	822	104,545	822
Bank Negara Malaysia	135,166	22,262	127,555	1,850
Other financial institutions	2,087,038	3,660,600	1,342,387	1,768,255
	2,326,749	3,683,684	1,574,487	1,770,927

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24 Structured Liabilities Designated at Fair Value through Profit or Loss

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Structured liabilities	4,112,429	4,860,845	2,966,422	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.

25 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Settlements	784,398	194	784,398	98
Interest/profit payable	207,281	250,172	141,482	165,739
Deferred income	75,582	115,485	64,668	76,725
Marginal deposit	66,488	90,086	60,238	86,321
Amount due to subsidiary company	-	-	4,926	2,093
Accrued expenses	556,095	707,423	530,396	680,452
Lease liabilities	76,039	87,923	53,414	62,869
Cash collateral	373,966	439,106	373,966	439,106
Other creditors	582,938	779,103	523,186	676,292
Provisions on loan and credit related commitments; and financial guarantees	11,185	8,584	8,379	6,032
	2,733,972	2,478,076	2,545,053	2,195,727

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26 Multi-Currency Sukuk Programme

	<i>Group</i>	
	30 Sep 2020	31 Dec 2019
	RM'000	RM'000
Multi-Currency Sukuk Programme (MCSP)	525,092	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)	
				30 Sep 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	525,092	514,197
Total	<u>1,250,000</u>			525,092	<u>1,265,929</u>

Movement in MCSP

	3rd series	4th series
	RM'000	RM'000
<u>2020</u>		
Balance at 1 January	751,732	514,197
Change in fair value other than from own credit risk	(847)	2,158
Change in fair value from own credit risk	(885)	8,737
Redemption of Multi-Currency Sukuk	(750,000)	-
Balance at 30 September	-	525,092

2019

	2nd series	3rd series	4th series
	RM'000	RM'000	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>	
	30 Sep 2020	31 Dec 2019
	RM'000	RM'000
The cumulative change in fair value due to changes in own credit risk	7,852	4,574

^[1] Redeemed on 27 March 2020.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27 Subordinated Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Subordinated Liabilities	1,099,301	1,089,612	1,099,301	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>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
(ii) Subordinated term loan				
- First tranche issued on 25 June 2014	323,182	317,957	323,182	317,957
- Second tranche issued on 30 June 2015	276,119	271,655	276,119	271,655
	599,301	589,612	599,301	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. Under the Capital Adequacy Framework (Capital Components), the par value of Tranche 1 of the subordinated term loans are amortised on a straight line basis, with 20% of the par value phased out each year, with effect from 2020 for regulatory capital base purposes.

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)

28 Net Interest Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	328,614	433,475	1,129,014	1,327,381
- Interest income recognised from impaired loans	5,159	8,486	17,633	26,830
Money at call and deposit placements with financial institutions	57,125	46,738	170,555	139,796
Financial investments at FVOCI	40,568	88,764	169,307	286,470
Financial investments at amortised costs	243	-	243	-
	431,709	577,463	1,486,752	1,780,477
Interest expense				
Deposits and placements of banks and other financial institutions	(3,602)	(14,045)	(13,507)	(38,167)
Deposits from customers	(113,201)	(164,334)	(407,139)	(521,538)
Subordinated liabilities	(10,024)	(13,096)	(33,890)	(39,827)
Lease liabilities	(1,333)	(937)	(2,839)	(2,484)
Others	(84)	(170)	(598)	(509)
	(128,244)	(192,582)	(457,973)	(602,525)
Net interest income	303,465	384,881	1,028,779	1,177,952

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	328,614	433,475	1,129,014	1,327,381
- Interest income recognised from impaired loans	5,159	8,486	17,633	26,830
Money at call and deposit placements with financial institutions	61,605	55,564	191,702	168,833
Financial investments at FVOCI	40,568	88,764	169,307	286,470
Financial investments at amortised cost	243	-	243	-
	436,189	586,289	1,507,899	1,809,514
Interest expense				
Deposits and placements of banks and other financial institutions	(3,602)	(14,045)	(13,507)	(38,167)
Deposits from customers	(113,201)	(164,334)	(407,139)	(521,538)
Subordinated liabilities	(10,024)	(13,096)	(33,890)	(39,827)
Lease liabilities	(1,333)	(937)	(2,839)	(2,484)
Others	(84)	(170)	(598)	(509)
	(128,244)	(192,582)	(457,973)	(602,525)
Net interest income	307,945	393,707	1,049,926	1,206,989

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29 Net Fee and Commission Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Credit cards	22,451	33,787	70,694	97,027
Service charges and fees	25,646	27,977	80,560	91,536
Fees on credit facilities	13,504	15,213	43,091	44,353
Agency fee	31,163	32,030	82,191	80,422
Others	7,223	8,370	21,491	24,872
	99,987	117,377	298,027	338,210
Fee and commission expense				
Debit/credit cards	(13,141)	(2,713)	(34,189)	(20,693)
Interbank and clearing fees	(120)	(277)	(633)	(997)
Brokerage	(868)	(506)	(1,817)	(1,442)
Cash management	(156)	(497)	(1,010)	(700)
Others	(3,275)	(4,769)	(10,302)	(16,073)
	(17,560)	(8,762)	(47,951)	(39,905)
Net fee and commission income	82,427	108,615	250,076	298,305

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Credit cards	22,451	33,787	70,694	97,027
Service charges and fees	25,646	27,977	80,560	91,536
Fees on credit facilities	13,504	15,213	43,091	44,353
Agency fee	31,163	32,030	82,191	80,422
Others	6,874	6,283	20,544	22,785
	99,638	115,290	297,080	336,123
Fee and commission expense				
Debit/credit cards	(13,141)	(2,713)	(34,189)	(20,693)
Interbank and clearing fees	(120)	(277)	(633)	(997)
Brokerage	(868)	(506)	(1,817)	(1,442)
Cash management	(156)	(497)	(1,010)	(700)
Others	(3,275)	(4,769)	(10,302)	(16,073)
	(17,560)	(8,762)	(47,951)	(39,905)
Net fee and commission income	82,078	106,528	249,129	296,218

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Net Trading Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
Realised gain on financial assets/liabilities at FVTPL and other financial instruments	25,180	15,397	54,329	32,939
Net interest income from financial assets at FVTPL	13,241	27,187	47,866	82,801
Net unrealised (loss)/gain on revaluation of financial assets at FVTPL	(10,251)	(1,439)	2,206	15,231
Net realised gain arising from dealing in foreign currency	228,924	26,179	370,205	249,194
Net unrealised (loss)/gain from dealing in foreign currency	(60,698)	69,772	2,004	105,593
Net realised gain/(loss) arising from dealing in derivatives	31,787	2,351	(3,360)	(39,295)
Net unrealised (loss)/gain on revaluation of derivatives	(16,238)	7,182	62,133	67,316
(Loss)/gain arising from fair value hedges	(162)	19	100	126
	211,783	146,648	535,483	513,905

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
Realised gains on financial assets/liabilities at FVTPL and other financial instruments	22,567	14,102	50,324	31,303
Net interest income from financial assets at FVTPL	13,241	27,187	47,866	82,801
Net unrealised (loss)/gain on revaluation of financial assets at FVTPL	(8,006)	(831)	1,569	13,392
Net realised gain arising from dealing in foreign currency	228,510	26,301	365,650	249,420
Net unrealised (loss)/gain from dealing in foreign currency	(121,930)	70,601	(20,224)	75,244
Net realised gain/(loss) arising from dealing in derivatives	24,330	(7,721)	52,204	73,736
Net unrealised (loss)/gain on revaluation of derivatives	(8,863)	16,437	1,133	(43,205)
(Loss)/gain arising from fair value hedges	(162)	19	100	126
	149,687	146,095	498,622	482,817

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

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
Total net trading income (net of elimination with subsidiary) of which:	160,377	154,141	536,082	507,514
- is disclosed in Note 30	211,783	146,648	535,483	513,905
- is included under Income from Islamic Banking operations of the Group (Note 31)	(51,406)	7,493	599	(6,391)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Income from Islamic Banking operations

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

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositor funds and others ^[1]	156,156	210,244	505,959	631,996
Income derived from investment of shareholders funds	38,139	40,283	123,192	119,811
Total income before allowance for impairment losses on financing and advances	194,295	250,527	629,151	751,807
Income attributable to the depositors	(57,433)	(110,645)	(224,927)	(338,719)
Income from Islamic Banking operations before elimination	136,862	139,882	404,224	413,088
Elimination of intercompany income and expenses	(58,284)	5,577	(17,861)	(5,952)
Income from Islamic Banking operations reported in statement of profit or loss of the Group ^[2]	78,578	145,459	386,363	407,136

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

	(8,083)	(10,037)	(43,684)	(31,553)
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^[2] Included in income from Islamic Banking operations reported in statement of profit or loss of the Group is net trading (loss)/ income for the period ended 30 September:

	(51,406)	7,493	599	(6,391)
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32 Other Operating Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
Gain from disposal of financial investments at FVOCI	8,244	3,673	38,807	18,585
Dividend income from financial investments at FVOCI - Unquoted in Malaysia	661	433	1,591	1,363
Rental income	1,998	2,119	5,670	5,969
Net gain on disposal of property and equipment	10	40	6	45
Other operating income	4,372	4,505	13,027	13,764
	15,285	10,770	59,101	39,726

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
Gain from disposal of financial investments at FVOCI	8,244	3,673	38,807	18,585
Dividend income from financial investments at FVOCI - Unquoted in Malaysia	661	433	1,591	1,363
Dividend income from subsidiary	-	-	50,000	40,000
Rental income	1,998	2,119	5,670	5,969
Net gain on disposal of property and equipment	10	40	6	45
Income recharges from subsidiary	33,235	33,293	96,262	97,798
Other operating income	4,372	4,505	13,027	13,764
	48,520	44,063	205,363	177,524

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Impairment Allowance/Provisions

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	97,053	55,030	474,888	180,696
Recoveries	(26,559)	(29,649)	(67,972)	(85,343)
Written off	10	-	626	234
Total charge to the statements of profit or loss	70,504	25,381	407,542	95,587

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	96,179	32,580	321,223	95,257
Recoveries	(14,528)	(16,308)	(35,250)	(49,665)
Written off	7	-	485	191
Total charge to the statements of profit or loss	81,658	16,272	286,458	45,783

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

(i) Loan, advances and financing

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	114,314	53,864	470,110	179,740
Recoveries	(26,559)	(29,649)	(67,972)	(85,343)
Written off	10	-	626	234
Total charge to the statements of profit or loss	87,765	24,215	402,764	94,631

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	110,305	31,877	316,973	94,343
Recoveries	(14,528)	(16,308)	(35,250)	(49,665)
Written off	7	-	485	191
Total charge to the statements of profit or loss	95,784	15,569	282,208	44,869

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

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	(358)	(1)	74	(8)
Total (writeback from)/charge to the statements of profit or loss	(358)	(1)	74	(8)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Impairment Allowance/Provisions (Cont'd)

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

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	(319)	(6)	57	(13)
Total (writeback from)/charge to the statements of profit or loss	(319)	(6)	57	(13)

(iii) Debt securities - FVOCI

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	(2,778)	(85)	1,838	260
Total (writeback from)/charge to the statements of profit or loss	(2,778)	(85)	1,838	260

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	(2,052)	(49)	1,603	172
Total (writeback from)/charge to the statements of profit or loss	(2,052)	(49)	1,603	172

(iv) Loan Commitments and Contingencies

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
New and increased provisions (net of releases)	(14,125)	1,252	2,866	704
Total (writeback from)/charge to the statements of profit or loss	(14,125)	1,252	2,866	704

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
New and increased provisions (net of releases)	(11,755)	758	2,590	755
Total (writeback from)/charge to the statements of profit or loss	(11,755)	758	2,590	755

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Other Operating Expenses

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	165,880	195,818	517,732	585,135
Promotion and marketing related expenses	7,227	14,148	26,751	48,966
Establishment related expenses	38,868	32,014	109,970	93,572
General administrative expenses	37,673	45,215	110,822	118,910
Related company charges	148,785	130,100	450,711	368,459
	398,433	417,295	1,215,986	1,215,042
Personnel expenses				
Salaries, allowances and bonuses	131,237	150,496	397,117	447,387
Employees Provident Fund contributions	22,220	25,435	66,746	75,430
Share based payment	2,644	2,489	7,604	8,897
Others	9,779	17,398	46,265	53,421
	165,880	195,818	517,732	585,135
Promotion and marketing related expenses	7,227	14,148	26,751	48,966
Establishment related expenses				
Depreciation of property and equipment	6,336	5,707	19,011	16,930
Depreciation of RoU assets	5,733	7,212	20,505	19,773
Amortisation of intangible assets	2,636	2,452	7,797	8,439
Impairment for intangible asset	727	-	810	
Information technology costs	6,648	3,375	18,941	10,883
Property and equipment written off	15	12	2,352	36
General repairs and maintenance	6,735	5,386	15,611	13,740
Utilities	3,182	3,375	10,347	10,613
Others	6,856	4,495	14,596	13,158
	38,868	32,014	109,970	93,572
General administrative expenses	37,673	45,215	110,822	118,910
Related company charges	148,785	130,100	450,711	368,459
Of which by:				
Type of service				
- Information technology related cost	59,327	57,256	205,768	160,456
- Non information technology related cost	89,458	72,844	244,943	208,003
Geographical distribution				
Countries/territories				
- Hong Kong	84,365	80,247	275,973	231,971
- United Kingdom	46,048	35,722	124,722	96,809
- Malaysia	17,791	13,426	48,046	37,294
- Others	581	705	1,970	2,385

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Other Operating Expenses (Cont'd)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2020 RM'000	30 Sep 2019 RM'000	30 Sep 2020 RM'000	30 Sep 2019 RM'000
Personnel expenses	154,197	183,789	483,540	548,618
Promotion and marketing related expenses	5,728	11,614	20,044	43,201
Establishment related expenses	35,007	28,346	98,137	81,990
General administrative expenses	29,594	35,866	85,683	92,515
Related company charges	146,385	128,181	444,983	363,486
	370,911	387,796	1,132,387	1,129,810
Personnel expenses				
Salaries, allowances and bonuses	122,001	140,419	370,061	418,076
Employees Provident Fund contributions	20,589	23,656	61,966	70,239
Share based payment	2,481	2,714	7,165	8,733
Others	9,126	17,000	44,348	51,570
	154,197	183,789	483,540	548,618
Promotion and marketing related expenses	5,728	11,614	20,044	43,201
Establishment related expenses				
Depreciation of property and equipment	5,792	5,242	17,473	15,452
Depreciation of RoU assets	4,033	5,941	14,660	14,669
Amortisation of intangible assets	2,636	2,452	7,797	8,439
Impairment for intangible asset	727	-	810	-
Information technology costs	6,003	2,732	17,319	8,938
Property and equipment written off	10	12	2,347	36
General repairs and maintenance	6,515	4,915	14,743	12,897
Utilities	2,666	2,812	8,838	9,055
Others	6,625	4,240	14,150	12,504
	35,007	28,346	98,137	81,990
General administrative expenses	29,594	35,866	85,683	92,515
Related company charges	146,385	128,181	444,983	363,486
Of which by:				
Type of service				
- Information technology related cost	59,327	57,255	205,768	160,455
- Non information technology related cost	87,058	70,926	239,215	203,031
Geographical distribution				
Countries/territories				
- Hong Kong	84,351	80,247	275,959	231,970
- United Kingdom	45,703	35,304	124,086	95,984
- Malaysia	15,750	11,925	42,968	33,147
- Others	581	705	1,970	2,385

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Capital Adequacy

	<i>Group</i>	
	30 Sep 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	8,197,511	8,201,963
Other reserves	935,181	1,034,352
Regulatory adjustments	(1,013,119)	(1,147,716)
Total CET1 capital	9,165,448	9,134,474
Tier 1 capital		
Additional Tier 1 capital	500,000	500,000
Total Tier 1 capital	9,665,448	9,634,474
Tier 2 capital		
Subordinated liabilities	200,000	300,000
Subordinated term loan	534,664	589,613
Impairment allowance (unimpaired portion) & regulatory reserves	632,899	636,923
Regulatory adjustments	108,630	109,693
Total Tier 2 capital	1,476,193	1,636,229
Capital base	11,141,641	11,270,703
<u>Inclusive of proposed dividend</u>		
CET 1 Capital ratio	15.939%	15.682%
Tier 1 Capital ratio	16.809%	16.540%
Total Capital ratio	19.376%	19.350%
<u>Net of proposed dividend</u>		
CET 1 Capital ratio	15.939%	15.368%
Tier 1 Capital ratio	16.809%	16.226%
Total Capital ratio	19.376%	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>	
	30 Sep 2020	31 Dec 2019
	RM'000	RM'000
Total RWA for credit risk	50,631,917 ⁽¹⁾	50,953,924 ⁽¹⁾
Total RWA for market risk	1,114,192	1,496,214
Total RWA for operational risk	5,756,392	5,797,822
	57,502,501	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>	
	30 Sep 2020	31 Dec 2019
	RM'000	RM'000
Under SIAF/IAA arrangement	2,762,438	2,991,025

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	30 Sep 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	6,897,157	6,942,952
Other reserves	904,398	983,351
Regulatory adjustments	(1,624,439)	(1,736,309)
Total CET1 capital	7,222,991	7,235,869
Tier 1 capital		
Additional Tier 1 capital	500,000	500,000
Total Tier 1 capital	7,722,991	7,735,869
Tier 2 capital		
Subordinated liabilities	200,000	300,000
Subordinated term loan	534,664	589,613
Impairment allowance (unimpaired portion) & regulatory reserves	489,402	494,431
Regulatory adjustments	(426,034)	(479,920)
Total Tier 2 capital	798,032	904,124
Capital base	8,521,023	8,639,993
<u>Inclusive of proposed dividend</u>		
CET 1 Capital ratio	15.939%	15.700%
Tier 1 Capital ratio	17.043%	16.785%
Total Capital ratio	18.804%	18.747%
<u>Net of proposed dividend</u>		
CET 1 Capital ratio	15.939%	15.303%
Tier 1 Capital ratio	17.043%	16.388%
Total Capital ratio	18.804%	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>	
	30 Sep 2020	31 Dec 2019
	RM'000	RM'000
Total RWA for credit risk	39,152,174 ⁽¹⁾	39,554,516 ⁽¹⁾
Total RWA for market risk	1,075,429	1,414,415
Total RWA for operational risk	5,087,727	5,119,212
	45,315,330	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>	
	30 Sep 2020	31 Dec 2019
	RM'000	RM'000
Under SIAF/IAA arrangement	2,762,438	2,991,025

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Commitments and Contingencies

The table below shows the contracts or underlying principal amounts, credit equivalent amounts and risk weighted amounts of unmatured off-balance sheet transactions at the statement of financial position date. The underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

These commitments and contingencies are not secured over the assets of the Group and of the Bank.

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
Principal amount	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	1,041,509	2,096,249	725,850	1,607,366
Transaction-related contingent items	8,486,162	8,502,326	7,237,339	7,221,124
Short-term self-liquidating trade-related contingencies	482,961	360,628	413,350	324,718
Formal standby facilities and credit lines				
- Maturity not exceeding one year	6,775,653	4,894,040	5,596,100	4,223,566
- Maturity exceeding one year	13,940,712	12,704,811	11,681,626	10,374,147
Other unconditionally cancellable	16,445,734	15,637,826	14,503,699	13,997,344
Unutilised credit card lines	13,571,092	13,419,320	9,790,924	9,676,249
Foreign exchange related contracts:				
- Less than one year	79,249,505	92,637,058	79,435,579	95,234,573
- Over one year to less than five years	4,198,310	5,313,386	4,244,583	5,313,386
- Over five years	1,065,545	1,270,378	1,065,545	1,270,378
Interest/profit rate related contracts:				
- Less than one year	10,165,076	9,908,087	10,540,692	11,126,606
- Over one year to less than five years	24,464,697	27,577,699	25,452,159	28,496,681
- Over five years	2,261,637	2,123,874	2,261,637	2,123,874
Gold and other precious metals contracts:				
- Less than one year	26,628	6,593	26,628	6,593
Equity related contracts:				
- Less than one year	712,096	1,113,308	1,058,226	1,579,752
- Over one year to less than five years	1,105,341	778,815	1,595,426	1,175,112
	183,992,658	198,344,398	175,629,363	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	62,823	35,000	62,823	35,000
- Maturity exceeding one year	-	437,750	-	437,750
	62,823	472,750	62,823	472,750

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Derivative Financial Instruments

Details of derivative financial instruments outstanding are as follows:

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

Group At 30 Sep 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	73,398,604	461,652	-	73,860,256	414,198	3,073	-	417,271	514,900	713	-	515,613
- Swaps	5,148,029	3,736,658	1,065,545	9,950,232	175,467	217,204	91,196	483,867	130,824	103,981	34,561	269,366
- Options	702,872	-	-	702,872	1,351	-	-	1,351	1,751	-	-	1,751
Interest/profit rate related contracts												
- Options	1,057,095	281,861	-	1,338,956	7,255	3,349	-	10,604	6,101	-	-	6,101
- Swaps	8,707,981	23,062,836	2,261,637	34,032,454	41,413	477,831	107,721	626,965	35,168	439,106	104,236	578,510
Equity related contracts												
- Options	712,096	1,105,341	-	1,817,437	14,190	12,371	-	26,561	44,352	109,730	-	154,082
Precious metal contracts												
- Options	26,628	-	-	26,628	37	-	-	37	76	-	-	76
Sub- total	89,753,305	28,648,348	3,327,182	121,728,835	653,911	713,828	198,917	1,566,656	733,172	653,530	138,797	1,525,499
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	400,000	1,120,000	-	1,520,000	-	-	-	-	5,636	48,768	-	54,404
Sub- total	400,000	1,120,000	-	1,520,000	-	-	-	-	5,636	48,768	-	54,404
Total	90,153,305	29,768,348	3,327,182	123,248,835	653,911	713,828	198,917	1,566,656	738,808	702,298	138,797	1,579,903

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Derivative Financial Instruments (Cont'd)

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

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

Group	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)

37 Derivative Financial Instruments (Cont'd)

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

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

Bank At 30 Sep 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	73,584,678	461,652	-	74,046,330	413,365	3,073	-	416,438	515,541	713	-	516,254
- Swaps	5,148,029	3,782,931	1,065,545	9,996,505	175,578	219,347	91,196	486,121	130,824	103,981	34,561	269,366
- Options	702,872	-	-	702,872	1,351	-	-	1,351	1,751	-	-	1,751
Interest rate related contracts												
- Options	1,221,711	409,823	-	1,631,534	7,255	3,349	-	10,604	8,430	2,888	-	11,318
- Swaps	8,918,981	23,922,336	2,261,637	35,102,954	41,413	477,692	107,720	626,825	36,683	474,031	104,235	614,949
Equity related contracts												
- Options	1,058,226	1,595,426	-	2,653,652	14,190	12,371	-	26,561	54,311	119,506	-	173,817
Precious metal contracts												
- Options	26,628	-	-	26,628	37	-	-	37	76	-	-	76
Sub- total	90,661,125	30,172,168	3,327,182	124,160,475	653,189	715,832	198,916	1,567,937	747,616	701,119	138,796	1,587,531
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	400,000	1,120,000	-	1,520,000	-	-	-	-	5,636	48,768	-	54,404
Sub- total	400,000	1,120,000	-	1,520,000	-	-	-	-	5,636	48,768	-	54,404
Total	91,061,125	31,292,168	3,327,182	125,680,475	653,189	715,832	198,916	1,567,937	753,252	749,887	138,796	1,641,935

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Derivative Financial Instruments (Cont'd)

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

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

Bank At 31 Dec 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	
	30 Sep 2020 RM'000	30 Sep 2019 RM'000	30 Sep 2020 RM'000	30 Sep 2019 RM'000
Loss on hedging instruments	(28,223)	(19,011)	(28,223)	(19,011)
Gain on the hedged items attributable to the hedged risk	28,323	19,137	28,323	19,137
Net gain from fair value hedges	100	126	100	126

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 Performance Review, Economy and Prospects

Performance Review

The Group recorded a profit before tax of RM571.9 million for the financial period ended 30 September 2020, a decrease of RM459.2 million compared to the corresponding period in 2019. The decrease was mainly due to higher impairment allowance/provisions by RM312.0 million and lower operating income by RM146.3 million.

For the period ended 30 September 2020, impairment allowance/provisions increased as the impact of COVID-19 outbreak has been considered in deriving the Expected Credit Loss (ECL) for loans and advances and other financial assets. The increase was reflected mainly in stages 1 and 2. Operating income were impacted by lower net interest income as a result of reductions in Bank Negara Malaysia (BNM)'s Overnight Policy Rate (OPR) by 125 basis points to 1.75% between January 2020 to September 2020 and lower non-interest income from the generally weak market sentiment impacting business and consumer spending activities.

Total balance sheet size as at 30 September 2020 have increased by 2.5% or RM2.1 billion to RM87.1 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

As the COVID-19 pandemic continued into 3Q 2020, there were much uncertainties and concerns over the speed of recovery of the global economy.

In Malaysia, there was sharp contraction in domestic demand in 2Q 2020, by 18.7% (1Q 2020: 3.7%), due to weaker private sector expenditure as spending was impacted by lower income, movement restrictions and subdued consumer and business sentiments. As a result, gross domestic product growth (GDP) for 2Q 2020 contracted 17.1% y-o-y (1Q: +0.7% y-o-y).

Since 1Q 2020, the Government of Malaysia has rolled out various economic stimulus packages to support household income, safeguard jobs, and to spur the economy. Bank Negara Malaysia (BNM) has also introduced various measures, namely i) reduction in Overnight Policy Rate (OPR) by a cumulative 125 basis points to-date this year, to 1.75%, ii) reduction in Statutory Reserve Requirement (SRR) ratio by 100 basis points to 2.0%, with allowance for Government securities to be recognised for SRR compliance, iii) working alongside banks to introduce industry-wide 6-month moratorium relief programme, which allows qualified individuals and small-and medium enterprises (SMEs) to temporarily defer their loans and financing instalments, and iv) granting special rate financing to qualified SMEs under a special relief fund programmes.

These are expected to create enabling conditions for a sustainable economy recovery. In addition, post expiry of the 6-month moratorium programme on 30 September 2020, banks are expected to continue offering targeted extension moratorium and repayment flexibilities to selected customers based on customers' specific financial situation.

Although BNM has projected the Malaysia's GDP to be between -2.0% and +0.5% for 2020 (2019: growth of 4.3%), with the various fiscal stimulus packages and measures in place, Malaysia's domestic economy is expected to gradually improve towards the end of the year and subsequently in 2021.

Since the commencement of the movement control (MCO) restriction period, HSBC Malaysia (HSBC) has been continuously operating and serving its customers committedly, with its resources supporting mainly virtually via well-established and connected system infrastructure. The Group and the Bank are fully supporting BNM's moratorium relief measures and we were the first to announce that interest will not be compounded during the moratorium period to our qualified customers. Our capital, liquidity and funding positions have also remained well above the regulatory requirement level, and are being monitored and managed actively.

We have continued to invest in digital innovation for better customer service. In 2Q and 3Q 2020, we successfully launched three digital offerings that are first of their kind in the Malaysia's banking industry, i.e i) Remote Engagement Service (via Zoom, Live Connect and Live Sign), an electronic solution which allows a full suite of investment to be completed electronically and remotely. This has recently garnered an award from the Malaysian Technology Excellence Award 2020; ii) Voice-ID Biometrics solution for telebanking which enables authentication using voice capabilities in place of password or PIN code, and iii) 24/7 Digital Account Opening Service with enables account opening to be done anytime via self-service machines that are capable of performing identification and verification function.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

Economy and Prospects (Cont'd)

HSBC has also garnered a few prominent accolades this year, namely - Best International Bank in Malaysia (Asiamoney Best Bank Awards 2020 and The Finance Asia Country Awards 2020); Best Service Provider, Cash Management in Malaysia (The Asset Triple A Treasury, Trade, Supply Chain and Risk Management Awards 2020); and Best RMB Bank in Malaysia (The Asset Triple A Treasury, Trade, Supply Chain and Risk Management Awards 2020).

In terms of business prospects, HSBC Malaysia will continue to leverage on HSBC Group's 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 endeavour to grow the HSBC Amanah (HBMS) franchise by leveraging on government schemes, providing customers with structured banking solutions and sustainable financing, and continue our commitment towards BNM's Value-Based Intermediation (VBI) agenda.

In fact, HBMS was the sole sustainability structuring bank for Malaysia's first Sustainability-Linked Financing (SLF) for a leading energy solutions provider. We also marked another milestone as the first international bank in Malaysia to become a member of the United Nations Global Compact (UNGC) via the Global Compact Malaysia (GCMY). The UNGC membership goes hand-in-hand with BNM's VBI initiative which aims for Islamic financial institutions to create greater value and impact by focusing on the Triple Bottom Line, which takes into consideration Prosperity, People and Planet instead of traditional bottom lines.

HBMS also recently won the Islamic ESG (Environmental, Social and Governance) Bank of the Year award as part of The Asset Triple A Islamic Finance Awards 2020.

As part of the society, we believe we have a role to help address the challenges of COVID-19. We have donated RM1 million to MERCY Malaysia in support of its COVID-19 Strategic Preparedness and Response Plan through The Association of Banks Malaysia (ABM), and have participated in a few other initiatives to support rural communities whose income were impacted by the MCO. In Q3 2020, we launched a 'We Can We Do' initiative to cultivate the Can-Do spirit amongst Malaysians by encouraging and facilitating financial empowerment for individuals, entrepreneurs, and business owners. We will continue to support our customers and the society in these challenging times.