

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2019

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

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

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	<i>Note</i>	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Assets			
Cash and short-term funds	12	3,373,306	2,804,494
Financial investments at fair value through other comprehensive income (FVOCI)	13	2,953,516	2,725,683
Financing and advances	14	13,633,903	14,137,337
Derivative financial assets	17	124,792	242,284
Other assets	18	129,653	50,664
Statutory deposits with Bank Negara Malaysia	19	350,662	364,662
Equipment		7,240	6,868
Deferred tax assets		23,410	17,363
Total assets		<u>20,596,482</u>	<u>20,349,355</u>
Liabilities			
Deposits from customers	20	12,492,525	11,444,577
Deposits and placements from banks and other financial institutions	21	2,163,203	3,299,964
Structured liabilities designated at fair value through profit or loss (FVTPL)	22	1,143,119	884,877
Bills payable		18,580	18,594
Derivative financial liabilities	17	82,095	227,330
Other liabilities	23	437,360	270,960
Provision for taxation		27,265	29,520
Multi-Currency Sukuk Programme	24	1,760,275	1,755,281
Subordinated Commodity Murabahah Financing	25	595,987	595,987
Total liabilities		<u>18,720,409</u>	<u>18,527,090</u>
Equity			
Share capital		660,000	660,000
Reserves		1,216,073	1,162,265
Total equity attributable to owner of the Bank		<u>1,876,073</u>	<u>1,822,265</u>
Total liabilities and equity		<u>20,596,482</u>	<u>20,349,355</u>
Restricted investment accounts ^[1]		4,078,828	4,175,818
Total Islamic Banking asset ^[1]		<u>24,675,310</u>	<u>24,525,173</u>
Commitments and contingencies	33	<u>20,764,320</u>	<u>23,162,908</u>

^[1] The disclosure is in accordance with the requirements of Bank Negara Malaysia's Guideline on Financial Reporting for Islamic Banking Institutions dated 2 February 2018.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2018 and the accompanying explanatory notes on pages 7 to 41 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 16 July 2019.

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

**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	<i>Note</i>	Second Quarter		Six Months Ended	
		30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
		RM'000	RM'000	RM'000	RM'000
			(Restated)		(Restated)
Income derived from investment of depositors' funds and others	26	212,206	208,627	419,689	400,930
Income derived from investment of shareholder's funds	27	41,876	35,762	81,591	72,947
Impairment allowance/provision	28	(22,259)	(16,464)	(40,695)	(42,183)
Total distributable income		231,823	227,925	460,585	431,694
Income attributable to depositors	29	(115,214)	(110,238)	(228,074)	(206,681)
Total net income		116,609	117,687	232,511	225,013
Operating expenses	30	(64,124)	(63,401)	(121,443)	(127,577)
Profit before tax		52,485	54,286	111,068	97,436
Tax expense		(13,948)	(11,060)	(24,629)	(19,972)
Profit for the financial period		38,537	43,226	86,439	77,464
Other comprehensive income/(expense)					
<i>Items that will not be reclassified to profit or loss</i>					
Own credit reserves:					
Change in fair value		483	3,226	1,512	1,271
Income tax effect		(116)	(774)	(363)	(305)
<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		9,577	(2,060)	14,082	(5,189)
Net amount transferred from profit or loss		(6,549)	70	(6,511)	370
Impairment charges		32	19	124	(13)
Income tax effect		(727)	477	(1,817)	1,156
Other comprehensive income/(expense) for the financial period, net of tax		2,700	958	7,027	(2,710)
Total comprehensive income for the financial period		41,237	44,184	93,466	74,754
Profit attributable to the owner of the Bank		38,537	43,226	86,439	77,464
Total comprehensive income attributable to the owner of the Bank		41,237	44,184	93,466	74,754
Basic earnings per RM0.50 ordinary share		38.5 sen	43.2 sen	86.4 sen	77.5 sen

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2018 and the accompanying explanatory notes on pages 7 to 41 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 16 July 2019.

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

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	<i>Non-distributable</i>				<i>Distributable</i>		<i>Total</i>
	<i>Share capital</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019							
Balance at 1 January	660,000	479	(2,987)	499	91,100	1,073,174	1,822,265
Total comprehensive income for the financial period							
Profit for the financial period	-	-	-	-	-	86,439	86,439
Other comprehensive income, net of tax							
Financial investments at FVOCI/Own Credit reserve							
Net change in fair value	-	10,702	1,149	-	-	-	11,851
Net amount transferred from profit or loss	-	(4,948)	-	-	-	-	(4,948)
Impairment charges	-	124	-	-	-	-	124
<i>Total other comprehensive income</i>	-	5,878	1,149	-	-	-	7,027
Total comprehensive income for the financial period	-	5,878	1,149	-	-	86,439	93,466
Net change in regulatory reserves	-	-	-	-	(11,000)	11,000	-
Transactions with the owner, recorded directly in equity							
Share based payment transactions	-	-	-	317	-	25	342
Dividends paid to owner - 2018 final	-	-	-	-	-	(40,000)	(40,000)
Balance at 30 June	660,000	6,357	(1,838)	816	80,100	1,130,638	1,876,073

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2018 and the accompanying explanatory notes on pages 7 to 41 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 16 July 2019.

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

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (Cont'd)

	<i>Non-distributable</i>				<i>Distributable</i>		<i>Total</i>
	<i>Share capital</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2018							
Balance at 1 January	660,000	305	706	408	34,000	965,535	1,660,954
Total comprehensive income for the financial period							
Profit for the financial period	-	-	-	-	-	77,464	77,464
Other comprehensive income, net of tax							
Financial investments at FVOCI/Own Credit reserve							
Net change in fair value	-	(3,944)	966	-	-	-	(2,978)
Net amount transferred from profit or loss	-	281	-	-	-	-	281
Impairment charges	-	(13)	-	-	-	-	(13)
<i>Total other comprehensive income</i>	-	(3,676)	966	-	-	-	(2,710)
Total comprehensive income for the financial period	-	(3,676)	966	-	-	77,464	74,754
Net change in regulatory reserves	-	-	-	-	16,000	(16,000)	-
Transactions with the owner, recorded directly in equity							
Share based payment transactions	-	-	-	103	-	9	112
Dividends paid to owner - 2017 final	-	-	-	-	-	(10,000)	(10,000)
Balance at 30 June	660,000	(3,371)	1,672	511	50,000	1,017,008	1,725,820

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2018 and the accompanying explanatory notes on pages 7 to 41 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 16 July 2019.

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

UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	30 Jun 2019	30 Jun 2018
	RM'000	RM'000
Profit before tax	111,068	97,436
Adjustments for non-operating and non-cash items	87,043	61,946
Operating profit before working capital changes	198,111	159,382
Changes in working capital:		
Net changes in operating assets	492,968	(219,421)
Net changes in operating liabilities	222,951	1,349,894
Income tax paid	(35,111)	(6,788)
Net cash generated from operating activities	878,919	1,283,067
Net cash used in investing activities	(223,225)	(120,627)
Net cash used in financing activities	(86,882)	(45,523)
	(310,107)	(166,150)
Net changes in cash and cash equivalents	568,812	1,116,917
Cash and cash equivalents at 1 January	2,804,494	1,465,919
Cash and cash equivalents at 30 June	3,373,306	2,582,836
Analysis of cash and cash equivalents		
Cash and short-term funds	3,373,306	2,582,836

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2018 and the accompanying explanatory notes on pages 7 to 41 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 16 July 2019.

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

UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

Changes in liabilities arising from financing activities

	At 1 January RM'000	Cash inflow/ (outflow) RM'000	Foreign exchange adjustment RM'000	Fair value movement RM'000	Profit accrual RM'000	At 30 June RM'000
2019						
Multi-Currency Sukuk Programme	1,755,281	-	-	4,994	-	1,760,275
Subordinated Commodity Murabahah Financing	595,987	-	-	-	-	595,987
Other Liabilities of which:						
Profits paid on Multi-Currency Sukuk Programme	18,175	(35,701)	-	-	35,585	18,059
Profits paid on Subordinated Commodity Murabahah Financing	307	(11,181)	-	-	14,203	3,329
Dividend paid	-	(40,000)	-	-	-	-
	2,369,750	(86,882)	-	4,994	49,788	2,377,650
2018						
Multi-Currency Sukuk Programme	1,252,829	-	-	(1,230)	-	1,251,599
Subordinated Commodity Murabahah Financing	583,598	-	(1,945)	-	-	581,653
Other Liabilities of which:						
Profits paid on Multi-Currency Sukuk Programme	12,815	(24,656)	-	-	24,598	12,757
Profits paid on Subordinated Commodity Murabahah Financing	2,371	(10,867)	-	-	11,614	3,118
Dividend paid	-	(10,000)	-	-	-	-
	1,851,613	(45,523)	(1,945)	(1,230)	36,212	1,849,127

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2018 and the accompanying explanatory notes on pages 7 to 41 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 16 July 2019.

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

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

HSBC Amanah Malaysia Berhad (the Bank) is a licensed Islamic Bank under the Islamic Financial Services Act, 2013. The principal activities of the Bank are Islamic banking and related financial services.

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

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 ultimate holding company during the financial period are HSBC Bank Malaysia Berhad (HBMY) and HSBC Holdings Plc, respectively.

The unaudited condensed interim financial statements were approved and authorised for issue by the Board of Directors on 16 July 2019.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 30 June 2019 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial investments at fair value through other comprehensive income, derivative financial instruments and financial liabilities designated at fair valued through profit and loss.

The unaudited condensed interim financial statements for the financial period ended 30 June 2019 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Bank Negara Malaysia (BNM) requirements on Shariah related disclosures.

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2018. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2018.

All significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2018.

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

- MFRS 16 'Leases' supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2 Basis of Preparation (Cont'd)

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

- MFRS 16 'Leases' supersedes MFRS 117 'Leases' and the related interpretations.

Transitional impact

MFRS 16 has an effective date for reporting beginning on or after 1 January 2019. MFRS 16 results in lessees accounting for most lease within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under MFRS 117 'Leases'. Lessees will recognise a right of use (ROU) assets and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease, and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as under MFRS 117. The implementation is expected to increase assets (ROU assets) and increase financial liabilities with no other impact on net assets or retained earnings. The detailed impact of changes in accounting policies for MFRS 9 are set out in Note 3.

The financial statement of the Bank has been prepared on the historical cost basis, except for the following assets and liabilities as explained in their respective accounting policy notes:

- Financial investments
- Derivatives and hedge accounting
- Financial liabilities designated at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Changes in accounting policies (Cont'd)

(i) Reconciliation of statement of financial position balances from MFRS 117 to MFRS 16

The following table is a reconciliation of the carrying amount in the Bank's statement of financial position from MFRS 117 to MFRS 16 as at 1 January 2019:

	MFRS 117		MFRS 16		Retained profits impact as at 1 January 2019
	carrying amount as at 31 December 2018	MFRS 16 adjustments		carrying amount as at 1 January 2019	
	RM'000	Reclassification RM'000	Remeasurement RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	2,804,494	-	-	2,804,494	-
Financial investments at fair value through other comprehensive income (FVOCI)	2,725,683	-	-	2,725,683	-
Financing and advances	14,137,337	-	-	14,137,337	-
Derivative financial assets	242,284	-	-	242,284	-
Other assets	50,664	-	31,733	82,397	-
Statutory deposits with Bank Negara Malaysia	364,662	-	-	364,662	-
Deferred tax assets	17,363	-	-	17,363	-
Total change to financial asset balances, reclassification and remeasurement at 1 January 2019	20,342,487	-	31,733	20,374,220	-
Liabilities					
Deposits from customers	11,444,577	-	-	11,444,577	-
Deposits and placements from banks and other financial institutions	3,299,964	-	-	3,299,964	-
Structured liabilities designated at fair value through profit or loss	884,877	-	-	884,877	-
Bills payable	18,594	-	-	18,594	-
Derivative financial liabilities	227,330	-	-	227,330	-
Other liabilities	270,960	-	31,733	302,693	-
Provision for taxation	29,520	-	-	29,520	-
Multi-Currency Sukuk Programme	1,755,281	-	-	1,755,281	-
Subordinated Commodity Murabahah Financing	595,987	-	-	595,987	-
Total change to financial liabilities balances, reclassification and remeasurement at 1 January 2019	18,527,090	-	31,733	18,558,823	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Changes in accounting policies (Cont'd)

(ii) The total impacts of the changes in accounting policies on the Bank's reserve as at 1 January 2019 are as follow:

Retained profits

There is no impact on retained profits arising from the adoption of MFRS 16.

Reconciliation between MFRS 117 operating lease commitments to MFRS 16

RM'000

Operating lease commitments disclosed as at 31 December 2018	13,404
Discounted using incremental borrowing rate	(610)
Less: short-term leases recognised on a straight-line basis as expense	(203)
Add: adjustments as a result of a different treatment on extension and termination options	18,893
Add: others	249
Lease liability recognised as at 1 January 2019	<u>31,733</u>
Of which:	
- Current lease liability	6,020
- Non-current lease liability	<u>25,713</u>
	<u>31,733</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Functional and Presentation of 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.

5 Auditors' Report On Preceding Annual Financial Statements

The audit report on the audited financial statements for the financial year ended 31 December 2018 was not subject to any qualification.

6 Seasonality or Cyclical Factors

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

7 Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Bank for the financial period ended 30 June 2019.

8 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 Bank for the financial period ended 30 June 2019.

9 Debt and Equity Securities

There were no other issuances, cancellations, repurchases, resale or repayment of other debt or equity securities during the financial period ended 30 June 2019.

10 Dividend

Since the end of the previous financial year, the Bank paid a final dividend of RM0.40 per ordinary share amounting to RM40.0 million. The dividend was paid on 26 April 2019.

No interim dividend was declared nor paid during the financial period ended 30 June 2019.

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

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Cash and balances with banks and other financial institutions	183,308	165,396
Money at call and interbank placements maturing within one month	3,189,998	2,639,098
	<u>3,373,306</u>	<u>2,804,494</u>

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

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Money market instruments:		
Malaysian Government Islamic Sukuk	2,953,516	2,526,369
Islamic Treasury Bill	-	199,314
	<u>2,953,516</u>	<u>2,725,683</u>

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

Maturing within one year	1,452,852	940,445
More than one year to three years	1,500,664	1,554,002
More than three years to five years	-	231,236
	<u>2,953,516</u>	<u>2,725,683</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Financing and Advances

(i) By type and Shariah contracts

At amortised cost	Sale-based contracts		Lease-based contracts		Equity-based contracts	Ujrah	Total
	Commodity Murabahah	Bai Al-Inah	Ijarah	Ijarah Thumma Al-Bai	Diminishing Musharakah		
30 Jun 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	88,413	-	-	-	-	-	88,413
Term financing:							
House financing	-	-	-	-	4,243,662	-	4,243,662
Hire purchase receivables	-	-	-	196,154	-	-	196,154
Lease receivables	-	-	150	-	-	-	150
Syndicated term financing	1,352,865	-	-	-	-	-	1,352,865
Other term financing	2,949,043	41	-	-	979,319	-	3,928,403
Trust receipts	640,653	-	-	-	-	-	640,653
Claims on customers under acceptance credits	360,346	-	-	-	-	-	360,346
Bills receivables	310,198	-	-	-	-	-	310,198
Staff financing-i	1,117	41	-	-	1,530	-	2,688
Credit cards-i	-	-	-	-	-	1,108,155	1,108,155
Revolving financing	1,642,153	-	-	-	-	-	1,642,153
Other financing	-	-	-	-	3,554	-	3,554
Gross financing and advances	7,344,788	82	150	196,154	5,228,065	1,108,155	13,877,394
Less: Impairment allowance							(243,491)
Total net financing and advances							13,633,903

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Financing and Advances (Cont'd)

(i) By type and Shariah contracts (Cont'd)

	Sale-based contracts		Lease-based contracts		Equity-based contracts	Ujrah	Total
	Commodity Murabahah	Bai Al-Inah	Ijarah	Ijarah Thumma Al-Bai	Diminishing Musharakah		
31 Dec 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000 (Restated)
Cash line-i	75,334	-	-	-	-	-	75,334
Term financing:							
House financing	-	-	-	-	4,329,220	-	4,329,220
Hire purchase receivables	-	-	-	195,636	-	-	195,636
Lease receivables	-	-	539	-	-	-	539
Syndicated term financing	1,334,656	-	-	-	-	-	1,334,656
Other term financing	3,307,216	62	-	-	1,010,142	-	4,317,420
Trust receipts	523,625	-	-	-	-	-	523,625
Claims on customers under acceptance credits	422,293	-	-	-	-	-	422,293
Bills receivables	456,578	-	-	-	-	-	456,578
Staff financing-i	1,520	52	-	-	1,572	-	3,144
Credit cards-i	-	-	-	-	-	1,075,634	1,075,634
Revolving financing	1,634,365	-	-	-	-	-	1,634,365
Other financing	-	-	-	-	3,426	-	3,426
Gross financing and advances	<u>7,755,587</u>	<u>114</u>	<u>539</u>	<u>195,636</u>	<u>5,344,360</u>	<u>1,075,634</u>	<u>14,371,870</u>
Less: Impairment allowance							<u>(234,533)</u>
Total net financing and advances							<u>14,137,337</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Financing and Advances (Cont'd)

(ii) By type of customer

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
		(Restated)
Domestic non-bank financial institutions	616,116	619,421
Domestic business enterprises:		
Small medium enterprises	1,997,657	1,983,223
Others	3,592,788	3,781,656
Government and statutory bodies	3,222	4,527
Individuals	6,094,790	6,142,634
Other domestic entities	1,183	1,258
Foreign entities	1,571,638	1,839,151
	<u>13,877,394</u>	<u>14,371,870</u>

(iii) By profit rate sensitivity

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
		(Restated)
Fixed rate:		
Hire purchase receivables	196,154	195,636
Other financing	3,234,340	3,300,541
Variable rate:		
Base Rate/Base Financing Rate plus	5,296,883	5,392,670
Cost-plus	5,150,017	5,483,023
	<u>13,877,394</u>	<u>14,371,870</u>

(iv) By residual contractual maturity

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
		(Restated)
Maturing within one year	5,833,550	5,895,827
More than one year to three years	981,878	1,166,130
More than three years to five years	1,232,212	1,289,364
Over five years	5,829,754	6,020,549
	<u>13,877,394</u>	<u>14,371,870</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Financing and Advances (Cont'd)

(v) **By sector**

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
		(Restated)
Agriculture, hunting, forestry & fishing	18,964	18,986
Mining and quarrying	209,820	231,674
Manufacturing	1,417,712	1,495,092
Electricity, gas and water	160,374	128,262
Construction	874,745	783,688
Real estate	994,151	1,135,507
Wholesale & retail trade, restaurants & hotels	1,005,934	995,569
Transport, storage and communication	153,608	214,291
Finance, takaful and business services	1,002,898	1,040,672
Household - Retail	6,635,542	6,706,145
Others	1,403,646	1,621,984
	13,877,394	14,371,870

(vi) **By purpose**

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
		(Restated)
Purchase of landed property:		
Residential	4,245,192	4,330,789
Non-residential	804,950	835,867
Purchase of transport vehicles	967	1,255
Consumption credit	2,153,174	2,127,277
Construction	644,488	567,385
Working capital	4,994,515	5,229,130
Other purpose	1,034,108	1,280,167
	13,877,394	14,371,870

(vii) **By geographical distribution**

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
		(Restated)
Northern Region	1,431,750	1,497,309
Southern Region	1,515,535	1,464,169
Central Region	10,546,531	11,010,829
Eastern Region	383,578	399,563
	13,877,394	14,371,870

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

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

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

The Central region consists of the states of Selangor, Federal Territory of Kuala Lumpur and 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)

14 Financing and Advances (Cont'd)

(viii) Assets under Management

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

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Total gross financing and advances	3,426,892	3,381,964
Less: Impairment allowance	(814)	(896)
Total net financing and advances	3,426,078	3,381,068
<i>Maturity not exceeding one year</i>	652,750	794,750
Total commitments and contingencies	652,750	794,750
Risk weighted assets (RWA)	2,956,604	2,939,702

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

The recognition and derecognition treatments of the above are in accordance to Note 4(f) on financial instruments in the audited financial statements of the Bank for the financial year ended 31 December 2018.

15 Impaired Financing

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

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
		(Restated)
Gross carrying amount as at 1 January	356,312	282,049
Transfer within stages	37,363	71,690
Net remeasurement due to changes in credit risk	21,613	115,711
Written-off	(54,266)	(113,156)
Others	-	18
Gross carrying amount as at 30 June/31 December	361,022	356,312

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Impaired Financing (Cont'd)

(ii) By contract

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
		(Restated)
Ijarah Thumma Al-Bai (AITAB) (<i>hire purchase</i>)	3,336	6,368
Commodity Murabahah (<i>cost-plus</i>)	214,222	201,946
Diminishing Musharakah (<i>profit and loss sharing</i>)	136,793	140,036
Bai Al-Inah (<i>sell and buy back</i>)	32	32
Ujrah (<i>fee-based</i>)	6,639	7,930
	361,022	356,312

(iii) By sector

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
		(Restated)
Mining and quarrying	81	704
Manufacturing	16,281	17,354
Construction	3,341	3,142
Real estate	807	-
Wholesale & retail trade, restaurants & hotels	17,168	11,139
Transport, storage and communication	967	4,153
Finance, takaful and business services	26,654	28,661
Household - Retail	269,663	265,333
Others	26,060	25,826
	361,022	356,312

(iv) By purpose

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
		(Restated)
Purchase of landed property:		
Residential	115,146	124,989
Non-residential	18,952	11,824
Purchase of transport vehicles	195	146
Consumption credit	153,271	138,227
Construction	2,752	2,402
Working capital	47,072	53,902
Others	23,634	24,822
	361,022	356,312

(v) By geographical distribution

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
		(Restated)
Northern Region	34,103	37,748
Southern Region	41,546	39,453
Central Region	277,785	273,061
Eastern Region	7,588	6,050
	361,022	356,312

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16 Expected credit losses allowance charges (ECL)

(i) Movements in ECL allowances for financing and advances

The following table shows reconciliation from the opening to the closing balance of the ECL allowance for financing 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	Lifetime ECL credit impaired provision RM'000	Collective provision RM'000	Total RM'000
Balance at 1 January 2019	43,988	64,464	126,081	-	-	234,533
Changes due to financial assets recognised in the opening balance that have:						
- Transferred to Stage 1	17,019	(14,869)	(2,150)	-	-	-
- Transferred to Stage 2	(3,917)	7,796	(3,879)	-	-	-
- Transferred to Stage 3	(305)	(5,915)	6,220	-	-	-
New financial assets originated or purchased	8,909	-	-	-	-	8,909
Net remeasurement due to changes in credit risk	(13,182)	10,760	56,912	-	-	54,490
Asset written-off	-	-	(54,266)	-	-	(54,266)
Others	(175)	-	-	-	-	(175)
Balance at 30 June 2019	52,337	62,236	128,918	-	-	243,491
Balance at 1 January 2018 ^[1]	-	-	-	74,265	240,908	315,173
- adoption of MFRS 9 ^[1]	61,134	65,520	110,136	(74,265)	(240,908)	(78,383)
Balance restated ^[1]	61,134	65,520	110,136	-	-	236,790
Changes due to financial assets recognised in the opening balance that have:						
- Transferred to Stage 1	14,039	(12,550)	(1,489)	-	-	-
- Transferred to Stage 2	(4,667)	10,011	(5,344)	-	-	-
- Transferred to Stage 3	(638)	(3,821)	4,459	-	-	-
Changes due to modification not derecognised	-	-	-	-	-	-
New financial assets originated or purchased	19,140	-	-	-	-	19,140
Net remeasurement due to changes in credit risk	(44,424)	5,304	131,234	-	-	92,114
Asset written-off	-	-	(113,156)	-	-	(113,156)
Others ^[1]	(596)	-	241	-	-	(355)
Balance at 31 December 2018 ^[1]	43,988	64,464	126,081	-	-	234,533

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 financing and advances 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 RM9.0 million compared to the balance at the beginning of the year. This net increase was mainly contributed by remeasurement due to change in credit risk (RM54.5m) and new financial assets originated or purchased (RM8.9m) partially offset by asset written-off (-RM54.3m).

- 12-months ECL not credit impaired (Stage 1) – increased by RM8.3 million, primarily due to migration of financings from/to Stage 1, Stage 2 and Stage 3 and new financial assets originated or purchased, and partially offset by remeasurement due to changes in credit risk.
- Lifetime ECL not credit-impaired (Stage 2) – decreased by RM2.2 million, primarily due to migration of financings from/to Stage 1, Stage 2 and Stage 3, and partially offset by remeasurement due to change in credit risk.
- Lifetime ECL credit-impaired (Stage 3) – increased by RM2.8 million, primarily due to increase in remeasurement due to change in credit risk and partially offset by asset written-off.

^[1] Balances have been restated as disclosed in Note 37.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16 Expected credit losses allowance charges (ECL) (Cont'd)

(ii) Movements in ECL allowances for financing commitments

The following table shows reconciliation from the opening to the closing balance of the ECL allowance for financing 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
Balance at 1 January 2019	1,109	925	825	2,859
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	161	(161)	-	-
- Transferred to Stage 2	(51)	51	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	169	-	-	169
Net remeasurement due to changes in credit risk	(337)	94	(471)	(714)
Others	1	-	-	1
Balance at 30 June 2019	1,052	909	354	2,315
Balance at 1 January 2018	-	-	-	-
- adoption of MFRS 9	946	1,880	997	3,823
Balance restated	946	1,880	997	3,823
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	152	(152)	-	-
- Transferred to Stage 2	(56)	56	-	-
- Transferred to Stage 3	(1)	(2)	3	-
New financial assets originated or purchased	240	-	-	240
Net remeasurement due to changes in credit risk	(99)	(857)	(175)	(1,131)
Others	(73)	-	-	(73)
Balance at 31 December 2018	1,109	925	825	2,859

Allowance for drawn amount and provisions for the undrawn commitments are not able to be split for retail portfolio, and in accordance to MFRS 7 Financial Instruments disclosure, the provisions for the financing and other credit related commitments for retail portfolio are presented together with the allowance for the drawn financing and advances.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Derivative Financial Instruments

Details of derivative financial instruments outstanding are as follows:

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

	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
30 Jun 2019												
Trading derivatives:												
Foreign exchange contracts												
- Forwards	5,097,633	-	-	5,097,633	17,222	-	-	17,222	16,379	-	-	16,379
- Swaps	1,414,777	-	-	1,414,777	64,463	-	-	64,463	64,288	-	-	64,288
Profit rate related contracts												
- Swaps	1,455,000	867,587	-	2,322,587	3,259	9,444	-	12,703	-	1,299	-	1,299
- Options	36,306	382,600	-	418,906	298	4,647	-	4,945	-	-	-	-
Equity related contracts												
- Options purchased	451,009	273,642	-	724,651	10,938	14,521	-	25,459	129	-	-	129
Sub- total	8,454,725	1,523,829	-	9,978,554	96,180	28,612	-	124,792	80,796	1,299	-	82,095
Total	8,454,725	1,523,829	-	9,978,554	96,180	28,612	-	124,792	80,796	1,299	-	82,095

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Derivative Financial Instruments (Cont'd)

	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
31 Dec 2018												
Trading derivatives:												
Foreign exchange contracts												
- Forwards	6,141,764	-	-	6,141,764	43,589	-	-	43,589	44,382	-	-	44,382
- Swaps	1,695,255	646,019	-	2,341,274	134,476	42,693	-	177,169	135,262	42,095	-	177,357
Profit rate related contracts												
- Swaps	1,997,822	1,250,000	232,745	3,480,567	3,387	1,846	281	5,514	2,848	-	-	2,848
- Options	-	421,166	-	421,166	-	3,441	-	3,441	-	942	-	942
Equity related contracts												
- Options purchased	116,883	362,229	-	479,112	2,033	10,538	-	12,571	-	1,745	-	1,745
Sub- total	9,951,724	2,679,414	232,745	12,863,883	183,485	58,518	281	242,284	182,492	44,782	-	227,274
Hedging Derivatives:												
Fair Value Hedge												
Profit rate related contracts												
- Swaps	80,000	-	-	80,000	-	-	-	-	56	-	-	56
Sub- total	80,000	-	-	80,000	-	-	-	-	56	-	-	56
Total	10,031,724	2,679,414	232,745	12,943,883	183,485	58,518	281	242,284	182,548	44,782	-	227,330

Included in the net non-profit income is the net gain/(loss) arising from fair value hedges during the financial period as follows:

	30 Jun 2019 RM'000	30 Jun 2018 RM'000
Gain on hedging instruments	13	199
Loss on the hedged items attributable to the hedged risk	(28)	(228)
Net loss from fair value hedges	(15)	(29)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18 Other Assets

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Settlements	26,018	3,431
Income receivable	8,755	7,733
Profit receivable	28,084	21,383
Prepayments	3,733	190
Amount due from holding company	1,718	360
ROU assets	29,873	-
Other receivables	31,472	17,567
	<u>129,653</u>	<u>50,664</u>

19 Statutory Deposits with Bank Negara Malaysia

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20 Deposits From Customers

(i) By type of deposit

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
At amortised cost		
Non-Mudharabah Fund		
Demand deposits		
- Qard	2,273,903	1,770,373
Savings deposits		
- Qard	1,772,977	1,689,423
Term deposits		
- Commodity Murabahah	8,256,298	7,789,088
- Qard	189,347	195,693
	12,492,525	11,444,577

The maturity structure of term deposits is as follows:

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Due within six months	7,093,999	6,602,418
More than six months to one year	1,084,878	1,042,883
More than one year to three years	162,534	264,450
More than three years to five years	104,234	75,030
	8,445,645	7,984,781

(ii) By type of customer

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Government and statutory bodies	10,331	3,780
Business enterprises	2,931,273	2,349,937
Individuals	6,280,663	6,284,101
Others	3,270,258	2,806,759
	12,492,525	11,444,577

21 Deposits and Placements from Banks and Other Financial Institutions

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Non-Mudharabah Fund		
Licensed banks	434,755	579,301
Bank Negara Malaysia	24,374	27,971
Other financial institutions	1,704,074	2,692,692
	2,163,203	3,299,964

Included in deposits and placements from banks and other financial institutions are placements from the Bank's parent company, HSBC Bank Malaysia Berhad, of RM0.4 billion (31 Dec 2018: RM0.6 billion).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22 Structured Liabilities Designated as Fair Value through profit or loss (FVTPL)

At fair value	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Structured liabilities ^[1]		
- Wakalah with Commodity Wa'ad	207,284	228,954
- Tawarruq	935,835	655,923
	1,143,119	884,877

^[1] Structured liabilities are measured at fair value over the life of the instruments. Structured liabilities are deposits with embedded derivatives, of which both profit paid and fair valuation on the structured liabilities are recorded as net income/expense from financial instruments designated at fair value.

23 Other Liabilities

At amortised cost	Note	30 Jun 2019	31 Dec 2018
		RM'000	RM'000
Settlements		20,685	-
Amounts due to holding company		161,511	73,163
Profit payable		95,679	87,846
Deferred income		12,498	11,824
Marginal deposit		11,618	4,245
Accrued expenses		31,612	32,928
Leased liabilities		30,708	-
Other creditors	(a)	70,734	58,095
Provision on financing and credit related commitments		2,315	2,859
		437,360	270,960

(a) Other creditors and accruals

Included in other creditors and accruals is excess compensation balance and profit earned from inadvertent Shariah non-compliant activities. The contribution was distributed to the non-governmental organisations approved by the Shariah Committee during the financial period/year. One (1) actual Shariah non-compliant event has been identified during the financial period (2018: Nil). The event will be rectified in accordance with the Shariah governance framework.

Source and use of charity funds

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Balance at 1 January	14	1
Shariah non-compliant income for the financial period/year ^[2]	2	16
- Tax expense on Shariah non-compliant income	-	(3)
Balance at 30 June/31 December	16	14

^[2] Income received from transactions via Nostro Accounts.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24 Multi-Currency Sukuk Programme

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Multi-Currency Sukuk Programme (MCSP)	1,760,275	1,755,281

The Bank issued the following series of 5-year unsecured Sukuk under its RM3.0 billion MCSP.

	Nominal Value	Issue Date	Maturity Date	Carrying Value	
				30 Jun 2019	31 Dec 2018
<u>Issuance under MCSP</u>	RM'000			RM'000	RM'000
At fair value					
2nd series	500,000	16 Oct 2014	16 Oct 2019	500,969	501,173
3rd series	750,000	27 Mar 2015	27 Mar 2020	752,699	751,993
4th series	500,000	2 Oct 2018	2 Oct 2023	506,607	502,115
	1,750,000			1,760,275	1,755,281

Movement in MCSP

	2nd series	3rd series	4th series
	30 Jun 2019	30 Jun 2019	30 Jun 2019
	RM'000	RM'000	RM'000
<u>2019</u>			
Balance at 1 January	501,173	751,993	502,115
Change in fair value other than from own credit risk	(674)	1,423	7,360
Change in fair value from own credit risk	470	(717)	(2,868)
Balance at 30 June	500,969	752,699	506,607
	2nd series	3rd series	4th series
	31 Dec 2018	31 Dec 2018	31 Dec 2018
	RM'000	RM'000	RM'000
<u>2018</u>			
Balance at 1 January	501,201	751,628	-
New issuance during the financial period	-	-	500,000
Change in fair value other than from own credit risk	(1,811)	445	1,054
Change in fair value from own credit risk	1,783	(80)	1,061
Balance at 31 December	501,173	751,993	502,115
	30 Jun 2019	30 Jun 2019	31 Dec 2018
	RM'000	RM'000	RM'000
The cumulative change in fair value due to changes in own credit risk	(3,115)	(3,115)	2,764

25 Subordinated Commodity Murabahah Financing

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Subordinated Commodity Murabahah Financing, at amortised costs		
- First tranche issued on 25 June 2014	321,395	321,395
- Second tranche issued on 30 June 2015	274,592	274,592
	595,987	595,987

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26 Income Derived from Investment of Depositors' Funds and Others

	Second Quarter		Six Months Ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000	30 Jun 2019 RM'000	30 Jun 2018 RM'000
Income derived from investment of:				
(i) general investment deposits	120,894	132,519	253,782	258,789
(ii) specific investment deposits	35,125	26,544	54,061	43,429
(iii) others	56,187	49,564	111,846	98,712
	212,206	208,627	419,689	400,930
(i) Income derived from investment of general investment deposits				
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	89,119	100,885	191,720	199,211
- Recoveries from impaired financing	3,683	4,409	8,472	8,931
Financial investments at FVOCI	18,727	12,754	37,319	25,285
Money at call and deposit with financial institutions	10,755	12,773	18,833	19,927
	122,284	130,821	256,344	253,354
<u>Other operating income</u>				
Realised gains from dealing in foreign currency	4,066	6,013	8,630	6,400
Unrealised (loss)/gain from dealing in foreign currency	(58)	(2,606)	(964)	905
Gain from sale of financial assets designated as FVTPL and other financial instruments	617	710	212	446
Unrealised (loss)/gain from revaluation of financial assets designated as FVTPL	(17)	(450)	1,525	(145)
Realised gain from trading in derivatives	846	1,014	898	1,142
Unrealised (loss)/gain from trading in derivatives	(242)	(1,104)	577	(242)
Net expenses from financial liabilities designated at FVTPL	(6,602)	(1,878)	(13,430)	(3,051)
Other expenses	-	(1)	(10)	(20)
	(1,390)	1,698	(2,562)	5,435
	120,894	132,519	253,782	258,789

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	Second Quarter		Six Months Ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000	30 Jun 2019 RM'000	30 Jun 2018 RM'000
(ii) Income derived from investment of specific investment deposits				
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	30,543	22,912	47,686	39,571
Money at call and deposit with financial institutions	4,536	2,889	6,832	3,075
	35,079	25,801	54,518	42,646
<u>Other operating income</u>				
Fees and commission	232	203	339	363
Realised gain/(loss) from dealing in foreign currency	898	540	(707)	421
Unrealised loss from dealing in foreign currency	(1,084)	-	(89)	(1)
	46	743	(457)	783
	35,125	26,544	54,061	43,429
The above fees and commissions were derived from the following major contributors:				
Service charges and fees	231	148	339	282
(iii) Income derived from investment of others				
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	41,521	37,716	84,494	75,987
- Recoveries from impaired financing	1,728	1,646	3,734	3,406
Financial investments at FVOCI	8,660	4,767	16,447	9,645
Money at call and deposit with financial institutions	4,917	4,817	8,300	7,601
	56,826	48,946	112,975	96,639
<u>Other operating income</u>				
Realised gain from dealing in foreign currency	1,891	2,290	3,803	2,441
Unrealised (loss)/gain from dealing in foreign currency	(45)	(1,021)	(425)	345
Gain from sale of financial assets designated as FVTPL and other financial instruments	263	273	94	170
Unrealised gain/(loss) from revaluation of financial assets at FVTPL	26	(174)	672	(55)
Realised gain from trading in derivatives	374	386	396	436
Unrealised (loss)/gain from trading in derivatives	(89)	(428)	254	(92)
Net expenses from financial liabilities designated at FVTPL	(3,059)	(707)	(5,919)	(1,164)
Other expenses	-	(1)	(4)	(8)
	(639)	618	(1,129)	2,073
	56,187	49,564	111,846	98,712

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27 Income Derived from Investment of Shareholder's Funds

	Second Quarter		Six Months Ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000	30 Jun 2019 RM'000	30 Jun 2018 RM'000
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	14,295	15,404	31,284	32,089
- Recoveries from impaired financing	589	672	1,382	1,439
Financial investments at FVOCI	3,012	1,947	6,090	4,073
Money at call and deposit with financial institutions	1,736	1,996	3,073	3,210
	19,632	20,019	41,829	40,811
<u>Other operating income</u>				
Fees and commission	16,990	14,679	33,867	29,882
Realised gains from dealing in foreign currency	652	965	1,408	1,031
Unrealised (loss)/gain from dealing in foreign currency	(7)	(450)	(157)	146
Gain from sale of financial assets designated as FVTPL and other financial instruments	102	117	35	72
Unrealised (loss)/gain from revaluation of financial assets FVTPL	(6)	(75)	249	(23)
Realised gains from trading in derivatives	138	162	147	184
Unrealised (loss)/gain from trading in derivatives	(42)	(185)	94	(39)
Shared-service fees from holding company	556	602	1,205	1,255
Net expenses from financial liabilities designated at FVTPL	(1,120)	(79)	(2,166)	(376)
Gain on disposal of financial investments at FVOCI	4,977	-	4,977	-
Other income	4	7	103	4
	22,244	15,743	39,762	32,136
	41,876	35,762	81,591	72,947
The above fees and commissions were derived from the following major contributors:				
Service charges and fees	8,718	3,960	12,882	8,022
Credit cards	5,014	6,820	14,557	13,595
Agency fees	2,462	2,596	4,540	5,439

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28 Impairment Allowance/Provisions

	Second Quarter		Six Months Ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000	30 Jun 2019 RM'000	30 Jun 2018 RM'000
New and increased allowance/provisions (net of releases)	33,385	26,287	62,979	62,993
Recoveries	(10,140)	(9,853)	(21,335)	(20,840)
Written off	(986)	30	(949)	30
Total charge to statement of profit or loss	22,259	16,464	40,695	42,183

Breakdown of the impairment allowance/provisions is disclosed by financial instruments type are as follow:

(i) Financing and advances

New and increased allowance (net of releases)	33,500	25,236	63,399	63,623
Recoveries	(10,139)	(9,853)	(21,334)	(20,840)
Written off	(986)	30	(949)	30
Total charge to statement of profit or loss	23,361	15,413	41,116	42,813

(ii) Money at call and interbank placements maturing within one month

New and increased allowance (net of releases)	2	-	-	-
Total charge to statement of profit or loss	2	-	-	-

(iii) Financing commitments

New and increased allowance (net of releases)	(150)	1,032	(545)	(617)
Total charge to statement of profit or loss	(150)	1,032	(545)	(617)

(iv) Financial investment at FVOCI

New and increased allowance (net of releases)	32	19	124	(13)
Total charge to statement of profit or loss	32	19	124	(13)

29 Income Attributable to Depositors

	Second Quarter		Six Months Ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000 (Restated)	30 Jun 2019 RM'000	30 Jun 2018 RM'000 (Restated)
<u>Non-Mudharabah Fund</u>				
- Deposits from customers	75,806	76,016	146,625	134,692
- Deposits and placements of banks and other financial institutions	14,035	15,178	30,704	35,729
- Lease liabilities	383	-	789	-
- Others	24,990	19,044	49,956	36,260
	115,214	110,238	228,074	206,681

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Operating Expenses

	Second Quarter		Six Months Ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000 (Restated)	30 Jun 2019 RM'000	30 Jun 2018 RM'000 (Restated)
Personnel expenses	13,132	12,310	24,489	23,849
Promotion and marketing related expenses	2,032	2,206	3,231	7,039
Establishment related expenses	3,860	4,235	7,913	8,277
General administrative expenses	8,623	10,008	17,046	20,701
Related company expenses	36,477	34,642	68,764	67,711
	64,124	63,401	121,443	127,577
Personnel expenses				
Salaries, allowances and bonuses	10,242	9,491	19,234	18,828
Employees Provident Fund contributions	1,813	1,687	3,412	3,353
Share based payment	341	35	389	65
Other staff related costs	736	1,097	1,454	1,603
	13,132	12,310	24,489	23,849
Promotion and marketing related expenses	2,032	2,206	3,231	7,039
Establishment related expenses				
Depreciation of equipment	517	560	1,013	1,226
Depreciation of ROU assets	1,807	-	3,833	-
Information technology costs	613	595	1,302	1,364
Rental of premises	56	2,217	162	4,085
Utilities	495	515	995	1,035
Others	372	348	608	567
	3,860	4,235	7,913	8,277
General administrative expenses	8,623	10,008	17,046	20,701
Related company charges	36,477	34,642	68,764	67,711
Of which by:				
Type of service				
- Information technology related cost	4,580	1,799	7,139	3,315
- Non information technology related cost	31,897	32,843	61,625	64,396
Countries				
- Malaysia	36,232	34,539	68,356	67,503
- United Kingdom	245	103	408	208

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Credit exposure to connected parties

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

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Aggregate value of outstanding credit exposures to connected parties	1,080,707	945,354
As a percentage of total credit exposures	6.2%	5.5%
Aggregate value of outstanding credit exposures to connected parties which is non-performing or in default	-	-
As a percentage of total credit exposures	-	-

32 Capital Adequacy

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Tier 1 capital		
Paid-up ordinary share capital	660,000	660,000
Retained profits	1,130,638	1,073,174
Other reserves	86,775	88,251
Regulatory adjustments	(107,948)	(94,783)
Total Common Equity Tier 1 (CET1) and Tier 1 capital	1,769,465	1,726,642
Tier 2 capital		
Subordinated Commodity Murabahah financing	595,987	595,987
Impairment allowance (unimpaired portion) & regulatory reserves	147,747	152,771
Total Tier 2 capital	743,734	748,758
Capital base	2,513,199	2,475,400
<u>Inclusive of proposed dividend</u>		
CET1 and Tier 1 Capital ratio	13.781%	13.025%
Total Capital ratio	19.574%	18.673%
<u>Net of proposed dividend</u>		
CET1 and Tier 1 Capital ratio	13.781%	13.025%
Total Capital ratio	19.574%	18.371%

The total capital and capital adequacy ratios have been computed based on the Standardised Approach in accordance with the Capital Adequacy Framework for Islamic Banks (CAFIB). The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

Breakdown of RWA in the various categories of risk weights:

	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Total RWA for credit risk	11,819,742	12,221,665
Total RWA for market risk	59,455	91,851
Total RWA for operational risk	960,344	943,049
	12,839,541	13,256,565

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Commitments and Contingencies

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

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

Principal amount	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Direct credit substitutes	480,776	491,803
Transaction-related contingent items	1,239,250	1,138,590
Short-term self-liquidating trade-related contingencies	78,990	63,111
Formal standby facilities and credit lines		
- Maturity not exceeding one year	1,407,088	1,374,867
- Maturity exceeding one year	2,020,477	2,156,256
Other unconditionally cancellable	1,830,693	1,541,548
Unutilised credit card lines	3,728,492	3,452,850
Equity related contracts		
- Less than one year	451,009	116,883
- One year to less than five years	273,642	362,229
Profit rate related contracts		
- Less than one year	1,491,306	2,077,822
- One year to less than five years	1,250,187	1,671,166
- Over five years	-	232,745
Foreign exchange related contracts		
- Less than one year	6,512,410	7,837,019
- One year to less than five years	-	646,019
	20,764,320	23,162,908

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Profit Rate Risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. The following table summarises the Bank's exposure to the profit rates risk. The assets and liabilities at carrying amount are allocated to time bands by reference to the earlier of the next contractual repricing dates and maturity dates.

30 June 2019	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
ASSETS									
Cash and short-term funds	3,266,110	-	-	-	-	107,199	-	3,373,309	3.46
- impairment allowances	-	-	-	-	-	(3)	-	(3)	-
Financial investments at FVOCI	-	150,135	1,302,717	1,500,664	-	-	-	2,953,516	3.54
Financing and advances									
- performing	4,191,397	8,213,801	194,793	569,190	347,191	-	-	13,516,372	5.42
- impaired ^[1]	-	-	-	-	-	361,022	-	361,022	-
- impairment allowances	-	-	-	-	-	(243,491)	-	(243,491)	-
Derivative financial assets	-	-	-	-	-	-	124,792	124,792	-
Other assets	-	-	-	-	-	42,290	26,018	68,308	-
Total Financial Assets	7,457,507	8,363,936	1,497,510	2,069,854	347,191	267,017	150,810	20,153,825	
LIABILITIES									
Deposits from customers	6,985,351	2,082,544	2,451,676	268,370	196	704,388	-	12,492,525	2.64
Deposits and placements from banks and other financial institutions									
Structured liabilities designated as FVTPL	617,848	146,471	1,108,004	269,939	-	20,941	-	2,163,203	2.40
Bills payable	18,009	39,158	467,017	595,740	23,195	-	-	1,143,119	3.81
Multi-Currency Sukuk Programme	-	-	1,253,668	506,607	-	-	-	1,760,275	4.08
Subordinated Commodity Murabahah									
Financing	-	-	-	321,395	274,592	-	-	595,987	4.82
Derivative financial liabilities	-	-	-	-	-	-	82,095	82,095	-
Other liabilities	-	-	-	-	-	266,772	-	266,772	-
- provision for credit commitments	-	-	-	-	-	2,315	-	2,315	-
Total Financial Liabilities	7,621,208	2,268,173	5,280,365	1,962,051	297,983	1,012,996	82,095	18,524,871	
Total profit sensitivity gap	(163,701)	6,095,763	(3,782,855)	107,803	49,208	(745,979)	68,715	1,628,954	

^[1] This is arrived at after deducting Stage 3 credit impaired allowances from impaired financing.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Profit Rate Risk (Cont'd)

31 December 2018	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
ASSETS									
Cash and short-term funds	2,705,038	-	-	-	-	99,458	-	2,804,496	3.45
- impairment allowances	-	-	-	-	-	(2)	-	(2)	-
Financial investments at FVOCI	-	199,314	741,131	1,785,238	-	-	-	2,725,683	3.50
Financing and advances									
- performing	5,145,794	7,755,853	186,969	578,739	348,203	-	-	14,015,558	5.44
- impaired ^[1]	-	-	-	-	-	356,312	-	356,312	-
- impairment allowances	-	-	-	-	-	(234,533)	-	(234,533)	-
Derivative financial assets	-	-	-	-	-	-	242,284	242,284	-
Other assets	-	-	-	-	-	29,666	3,431	33,097	-
Total Financial Assets	7,850,832	7,955,167	928,100	2,363,977	348,203	250,901	245,715	19,942,895	
LIABILITIES									
Deposits from customers	5,737,514	2,251,387	2,409,787	339,898	30	705,961	-	11,444,577	2.66
Deposits and placements from banks and other financial institutions	963,798	275,195	630,865	1,405,666	-	24,440	-	3,299,964	2.24
Structured liabilities designated as FVTPL	-	-	129,938	747,422	7,517	-	-	884,877	3.78
Bills payable	-	-	-	-	-	18,594	-	18,594	-
Multi-Currency Sukuk Programme	-	-	501,173	1,254,108	-	-	-	1,755,281	4.02
Subordinated Commodity Murabahah Financing	-	-	-	-	595,987	-	-	595,987	4.32
Derivative financial liabilities	56	-	-	-	-	-	227,274	227,330	-
Other liabilities	-	-	-	-	-	208,460	-	208,460	-
- provision for credit commitments	-	-	-	-	-	2,859	-	2,859	-
Total Financial Liabilities	6,701,368	2,526,582	3,671,763	3,747,094	603,534	960,314	227,274	18,437,929	
Total profit sensitivity gap	1,149,464	5,428,585	(2,743,663)	(1,383,117)	(255,331)	(709,413)	18,441	1,504,966	

^[1] This is arrived at after deducting Stage 3 credit impaired allowances from impaired financing.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Liquidity Risk

The following tables summarise the Bank's exposure to liquidity risk. The asset and liabilities at carrying amount are allocated to time bands by reference to the remaining contractual maturity and/or their behavioural profile.

30 June 2019	Non-trading book					Non-specific maturity RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000			
ASSETS								
Cash and short-term funds	3,373,306	-	-	-	-	-	-	3,373,306
Financial investments at FVOCI	-	150,135	1,302,717	1,500,664	-	-	-	2,953,516
Financing and advances	2,960,419	1,836,621	950,517	2,183,792	5,702,554	-	-	13,633,903
Derivative financial assets	-	-	-	-	-	-	124,792	124,792
Others	2,479	2,236	7,588	37,876	9,496	425,272	26,018	510,965
Total Assets	6,336,204	1,988,992	2,260,822	3,722,332	5,712,050	425,272	150,810	20,596,482
LIABILITIES AND EQUITY								
Deposits from customers	7,689,739	2,082,544	2,451,676	268,370	196	-	-	12,492,525
Deposits and placements from banks and other financial institutions	638,789	146,471	1,108,004	269,939	-	-	-	2,163,203
Structured liabilities designated as FVTPL	18,009	39,158	467,017	595,740	23,195	-	-	1,143,119
Bills payable	18,580	-	-	-	-	-	-	18,580
Multi-Currency Sukuk Programme	-	-	1,253,668	506,607	-	-	-	1,760,275
Subordinated Commodity Murabahah Financing	-	-	-	321,395	274,592	-	-	595,987
Derivative financial liabilities	-	-	-	-	-	-	82,095	82,095
Others	216,058	18,132	42,317	14,017	3,083	171,018	-	464,625
Total Liabilities	8,581,175	2,286,305	5,322,682	1,976,068	301,066	171,018	82,095	18,720,409
Equity	-	-	-	-	-	1,876,073	-	1,876,073
Total Liabilities and Equity	8,581,175	2,286,305	5,322,682	1,976,068	301,066	2,047,091	82,095	20,596,482
Net maturity mismatches	(2,244,971)	(297,313)	(3,061,860)	1,746,264	5,410,984	(1,621,819)	68,715	-
Off balance sheet liabilities	10,121,662	2,353,655	6,037,147	2,228,446	23,410	-	-	20,764,320

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Liquidity Risk (Cont'd)

31 December 2018	Non-trading book						Trading book	Total
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
ASSETS								
Cash and short-term funds	2,804,494	-	-	-	-	-	-	2,804,494
Deposits from customers	-	199,314	741,131	1,785,238	-	-	-	2,725,683
Financing and advances	3,013,962	1,502,192	1,287,475	2,421,226	5,912,482	-	-	14,137,337
Derivative financial assets	-	-	-	-	-	-	242,284	242,284
Others	587	-	6,314	14,842	-	414,383	3,431	439,557
Total Assets	5,819,043	1,701,506	2,034,920	4,221,306	5,912,482	414,383	245,715	20,349,355
LIABILITIES AND EQUITY								
Deposits from customers	6,443,475	2,251,387	2,409,787	339,898	30	-	-	11,444,577
Deposits and placements from banks and other financial institutions	988,238	275,195	630,865	1,405,666	-	-	-	3,299,964
Structured liabilities designated as FVTPL	-	-	129,938	747,422	7,517	-	-	884,877
Bills payable	18,594	-	-	-	-	-	-	18,594
Multi-Currency Sukuk Programme	-	-	501,173	1,254,108	-	-	-	1,755,281
Subordinated Commodity Murabahah								
Financing	-	-	-	-	595,987	-	-	595,987
Derivative financial liabilities	56	-	-	-	-	-	227,274	227,330
Others	98,088	19,887	27,227	22,765	307	132,206	-	300,480
Total Liabilities	7,548,451	2,546,469	3,698,990	3,769,859	603,841	132,206	227,274	18,527,090
Equity	-	-	-	-	-	1,822,265	-	1,822,265
Total Liabilities and Equity	7,548,451	2,546,469	3,698,990	3,769,859	603,841	1,954,471	227,274	20,349,355
Net maturity mismatches	(1,729,408)	(844,963)	(1,664,070)	451,447	5,308,641	(1,540,088)	18,441	-
Off balance sheet liabilities	10,622,773	1,702,398	7,166,015	3,420,467	251,255	-	-	23,162,908

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Performance Review and Business Prospects

Performance review

Profit before tax (PBT) of RM111.1 million increased by RM13.6 million or 14.0% against history due to higher income derived from investment of shareholder's funds, depositors' funds and others (RM27.4 million), and lower operating expenses (RM6.1m), partially offset by higher income attribute to depositors (RM21.4 million).

Income derived from investment of shareholder's funds, depositor's funds and others increased by RM27.4 million, mainly due to higher finance income (up RM 32.2 million) and offset with higher expenses on financial liabilities designated at fair value through profit or losses (up RM 16.9 million).

Operating expenses decreased from RM127.6 million to RM121.4 million or by 4.8% mainly due to lower promotion and marketing related expenses (down RM3.8 million) and general administrative expenses (down RM3.7 million). The Bank continues to leverage on its holding company to provide certain services under an embedded model to ensure costs efficiency with cost income ratio stood at 44.5% compared to 47.8% in prior corresponding period.

Total balance sheet at 30 June 2019 stood at RM20.6 billion, RM0.3 billion higher compared against 31 December 2018 (RM20.3 billion). The Bank's capital and liquidity ratios continues to remain strong and well above the regulatory requirements.

Business Prospects

The Malaysian economy grew moderately by 4.5% in 1Q 2019 (4Q 2018: 4.7%), driven mainly by the expansion in domestic demand. This is in line with BNM's earlier GDP growth rate projection of 4.3% to 4.8% in 2019.

The trajectory of headline inflation will continue to be primarily dependent on the global crude oil prices. Nevertheless, the overall headline inflation for 2019 is forecasted to be broadly stable with projected annual average of between 0.7% to 1.7%, supported by continued gradual expansion in the economic activity.

The Ringgit remained relatively flat against the USD dollar as at end of 2Q 2019. It will continue to be influenced by external uncertainties, especially the heightened trade tariff tension between the US and the China, which has sparked renewed fears of a slowdown.

Against the backdrop of a challenging global environment, the growth in the Malaysian economy is expected to remain broadly sustained for the year. Although consumer sentiments have moderated from its recent peak, household spending will be underpinned by continued income and employment growth. Bank Negara Malaysia (BNM) reduced the Overnight Policy Rate (OPR) by 25 basis points in May 2019, a first revision since January 2018, with the intention to support a steady growth path amid price stability and to further spur the economy.

From funding perspective, the banking system liquidity is expected to remain robust and sufficient to facilitate financial intermediation. However, competition among banks for deposits will remain as the requirement of complying with Basel III's Net Stable Funding Ratio is by 1 Jan 2020.

Separately, industry players are eagerly awaiting the release of the virtual banking licence requirement from BNM, which is expected to be issued by end of the year. Many local players are already eyeing the licence following from the recent issuance of digital banking licence in Singapore and Hong Kong, along with the successful set-up of a few digital banks in China, Australia and South Korea. Non-bank players from the FinTech sector are expected to join the crowd, leveraging on their well-established e-payment and e-wallet platforms. In time to come, the local banking industry will face an unprecedented, new breed of competitors.

Within HSBC Group, Malaysia is identified as a scalable market and an important footprint within ASEAN. The Bank will continue to capture opportunities along the entire supply chain of foreign investment into Malaysia and outbound business of our customers. Leveraging on HSBC connectivity, we will explore business opportunity through both inbound and outbound business for customers of HSBC residing in other countries who are major trade partners with Malaysia including intra ASEAN corridors.

In attune to the rapid technology development, the Bank is also currently gearing up its technology frontier, by enhancing digital capabilities for mobile and internet banking to improve customer service and experience. In addition, the Bank will continue to deepen the relationship with existing customers and also to penetrate new customer segments including the tech-savvy group. In the spirit of putting customer's interest first and doing the right things, the Bank will also continue its journey in building the right culture for the organisation.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Comparative Figures

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

(i) Comparatives for financing and advances, impaired financing, and ECL allowances were restated to align the presentation for certain portfolio of financing and advances with industry practice.

Notes to the Financial Statements

31 December 2018

(a) Financing and Advances

	31 Dec 2018	
	RM'000 As restated	RM'000 As previously stated
Gross financing and advances	14,371,870	14,445,871
Less: Impairment allowance	(234,533)	(308,534)
Total net financing and advances	14,137,337	14,137,337

(of which the affected components are disclosed below)

By type and Shariah contracts

	Sale-based Contracts	
	RM'000 As restated	RM'000 As previously stated
Term financing:		
Other term financing	3,307,216	3,381,217

By type of customer

	RM'000	RM'000
	As restated	As previously stated
Individuals	6,142,634	6,216,584
Foreign entities	1,839,151	1,839,202

By profit rate sensitivity

Fixed rate:		
Other financing	3,300,541	3,341,460
Variable rate:		
Cost-plus	5,483,023	5,516,105

By residual contractual maturity

Maturing within one year	5,895,827	5,895,995
More than one year to three years	1,166,130	1,167,759
More than three years to five years	1,289,364	1,298,607
Over five years	6,020,549	6,083,510

By sector

Household - Retail	6,706,145	6,780,146
--------------------	-----------	-----------

By purpose

Consumption credit	2,127,277	2,201,278
--------------------	-----------	-----------

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Comparative Figures (Cont'd)

(a) Financing and Advances (Cont'd)

	31 Dec 2018	
	RM'000 As restated	RM'000 As previously stated
By geographical distribution		
Northern Region	1,497,309	1,499,020
Southern Region	1,464,169	1,464,999
Central Region	11,010,829	11,081,704
Eastern Region	399,563	400,148

(b) Impaired Financing

(of which the affected components are disclosed below)

	31 Dec 2018	
	RM'000 As restated	RM'000 As previously stated
Gross carrying amount movement of financing and advances classified as credit impaired:		
Gross carrying amount as at 1 January	282,049	322,683
Others	18	33,385
Gross carrying amount as at 31 December	356,312	430,313
By contract		
Commodity Murabahah (<i>cost-plus</i>)	201,946	275,947
By sector		
Household - Retail	265,333	339,334
By purpose		
Consumption credit	138,227	212,228
By geographical distribution		
Northern Region	37,748	39,459
Southern Region	39,453	40,283
Central Region	273,061	343,936
Eastern Region	6,050	6,635

(c) ECL allowances

(of which the affected components are disclosed below)

Movements in ECL allowances for financing and advances

	Stage 3		Stage 3	
	Lifetime ECL credit impaired			
	Specific provision	Specific provision	Specific provision	Specific provision
	RM'000	RM'000	RM'000	RM'000
	As restated	As restated	As previously restated	As previously restated
Balance at 1 January 2018	-	74,260	-	114,899
- adoption of MFRS 9	110,136	(74,260)	150,770	(114,899)
Balance restated	110,136	-	150,770	-
Others	241	-	33,608	-
Balance 31 December 2018	126,081	-	200,082	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Comparative Figures (Cont'd)

(ii) Comparatives for income attributable to depositors and other operating expenses were restated to conform to the current financial year's presentation.

Statement of Profit or Loss and Other Comprehensive Income

30 June 2018

	RM'000 As restated	RM'000 As previously stated
a) Income attributable to depositors <i>(of which the affected components are disclosed below)</i>	<u>206,681</u>	<u>209,846</u>
<u>Non-Mudharabah Fund</u>		
- Others	36,260	39,425
b) Operating Expenses <i>(of which the affected components are disclosed below)</i>	<u>127,577</u>	<u>124,412</u>
General administrative expenses	20,701	17,536