

HSBC AMANAH MALAYSIA BERHAD
(Company No. 200801006421 (807705-X))
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2020

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

HSBC AMANAH MALAYSIA BERHAD
(Company No. 200801006421 (807705-X))
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	<i>Note</i>	30 Jun 2020	31 Dec 2019
		RM'000	RM'000
Assets			
Cash and short-term funds	11	2,569,058	4,781,964
Deposits and placements with banks and other financial institutions	12	381,763	139,153
Financial investments at fair value through other comprehensive income (FVOCI)	13	2,096,502	2,719,975
Financing and advances	14	14,321,177	13,042,953
Derivative financial assets	17	121,880	125,674
Other assets	18	243,437	68,641
Statutory deposits with Bank Negara Malaysia	19	34,562	329,662
Equipment		6,721	7,101
Tax recoverable		4,586	-
Deferred tax assets		19,850	23,908
Total assets		19,799,536	21,239,031
Liabilities			
Deposits from customers	20	13,680,178	13,320,333
Deposits and placements from banks and other financial institutions	21	1,569,404	2,339,954
Structured liabilities designated at fair value through profit or loss (FVTPL)	22	1,170,483	1,295,358
Bills payable		14,947	22,036
Derivative financial liabilities	17	56,827	79,721
Other liabilities	23	214,840	343,396
Provision for taxation		-	12,007
Multi-Currency Sukuk Programme	24	521,337	1,265,929
Subordinated Commodity Murabahah Financing	25	616,948	589,612
Total liabilities		17,844,964	19,268,346
Equity			
Share capital		660,000	660,000
Reserves		1,294,572	1,310,685
Total equity attributable to owner of the Bank		1,954,572	1,970,685
Total liabilities and equity		19,799,536	21,239,031
Restricted investment accounts ^[1]		4,058,122	4,144,225
Total Islamic Banking asset ^[1]		23,857,658	25,383,256
Commitments and contingencies	33	18,377,200	20,854,027

^[1] The disclosure is in accordance with the requirements of Bank Negara Malaysia's Guideline on Financial Reporting for Islamic Banking Institutions dated 27 September 2019.

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 2019 and the accompanying explanatory notes on pages 8 to 33 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 23 July 2020.

HSBC AMANAH MALAYSIA BERHAD
(Company No. 200801006421 (807705-X))
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	<i>Note</i>	Second Quarter		Six Months Ended	
		30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	26	158,777	217,390	349,803	421,752
Income derived from investment of shareholder's funds	27	37,903	36,692	85,053	79,528
Impairment allowance/provision	28	(68,327)	(22,259)	(132,238)	(40,695)
Total distributable income		128,353	231,823	302,618	460,585
Income attributable to depositors	29	(75,076)	(115,214)	(167,494)	(228,074)
Total net income		53,277	116,609	135,124	232,511
Operating expenses	30	(58,398)	(64,124)	(119,985)	(121,443)
(Loss)/Profit before tax		(5,121)	52,485	15,139	111,068
Tax writeback/(expense)		914	(13,948)	(3,138)	(24,629)
(Loss)/Profit for the financial period		(4,207)	38,537	12,001	86,439
Basic (loss)/earnings per RM0.50 ordinary share		(4.2 sen)	38.5 sen	12.0 sen	86.4 sen
Dividends per RM0.50 ordinary share (net) - final dividend paid in respect of prior period		50.0 sen	40.0 sen	50.0 sen	40.0 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 2019 and the accompanying explanatory notes on pages 8 to 33 attached to the unaudited condensed interim financial statements.

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HSBC AMANAH MALAYSIA BERHAD
(Company No. 200801006421 (807705-X))
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Second Quarter		Six Months Ended	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 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 reserves:				
Change in fair value	(1,142)	483	16,687	1,512
Income tax effect	274	(116)	(4,005)	(363)
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met:</i>				
Fair value through other comprehensive income/ (expense) reserve:				
Change in fair value	12,028	9,577	16,620	14,082
Net amount transferred from profit or loss	-	(6,549)	(6,109)	(6,511)
Impairment charges	963	32	961	124
Income tax effect	(2,887)	(727)	(2,523)	(1,817)
Other comprehensive income for the financial period, net of income tax	9,236	2,700	21,631	7,027
Total comprehensive income for the financial period	5,029	41,237	33,632	93,466
(Loss)/Profit attributable to the owner of the Bank	(4,207)	38,537	12,001	86,439
Total comprehensive income attributable to the owner of the Bank	5,029	41,237	33,632	93,466

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 2019 and the accompanying explanatory notes on pages 8 to 33 attached to the unaudited condensed interim financial statements.

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HSBC AMANAH MALAYSIA BERHAD
(Company No. 200801006421 (807705-X))
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	<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
2020							
Balance at 1 January	660,000	6,294	(8,257)	537	53,100	1,259,011	1,970,685
Profit for the financial period	-	-	-	-	-	12,001	12,001
Other comprehensive income, net of tax							
FVOCI reserve/Own Credit reserve							
Net change in fair value	-	12,631	12,682	-	-	-	25,313
Net amount transferred to profit or loss	-	(4,643)	-	-	-	-	(4,643)
Impairment charges	-	961	-	-	-	-	961
<i>Total other comprehensive income</i>	-	8,949	12,682	-	-	-	21,631
Total comprehensive income for the financial period	-	8,949	12,682	-	-	12,001	33,632
Net change in regulatory reserves	-	-	-	-	(48,100)	48,100	-
Transactions with the owner, recorded directly in equity							
Share based payment transactions	-	-	-	198	-	57	255
Dividends paid to owner - 2019 final	-	-	-	-	-	(50,000)	(50,000)
Balance at 30 June	660,000	15,243	4,425	735	5,000	1,269,169	1,954,572

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 2019 and the accompanying explanatory notes on pages 8 to 33 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 23 July 2020.

HSBC AMANAH MALAYSIA BERHAD
(Company No. 200801006421 (807705-X))
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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020 (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
2019							
Balance at 1 January	660,000	479	(2,987)	499	91,100	1,073,174	1,822,265
Profit for the financial period	-	-	-	-	-	86,439	86,439
Other comprehensive income, net of tax							
FVOCI reserve/Own Credit reserve							
Net change in fair value	-	10,702	1,149	-	-	-	11,851
Net amount transferred to 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

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HSBC AMANAH MALAYSIA BERHAD
(Company No. 200801006421 (807705-X))
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UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	30 Jun 2020	30 Jun 2019
	RM'000	RM'000
Profit before tax	15,139	111,068
Adjustments for non-operating and non-cash items	212,590	87,043
Operating profit before working capital changes	227,729	198,111
Changes in working capital:		
Net changes in operating assets	(1,540,287)	492,968
Net changes in operating liabilities	(673,773)	222,951
Income tax paid	(17,614)	(35,111)
Net cash (used in)/generated from operating activities	(2,003,945)	878,919
Net cash generated from/(used in) investing activities	627,558	(223,225)
Net cash used in financing activities	(836,519)	(86,882)
	(208,961)	(310,107)
Net changes in cash and cash equivalents	(2,212,906)	568,812
Cash and cash equivalents at 1 January	4,781,964	2,804,494
Cash and cash equivalents at 30 June	2,569,058	3,373,306
Analysis of cash and cash equivalents		
Cash and short-term funds	2,569,058	3,373,306

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 2019 and the accompanying explanatory notes on pages 8 to 33 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 23 July 2020.

HSBC AMANAH MALAYSIA BERHAD
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UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020 (Cont'd)

Changes in liabilities arising from financing activities

	At 1 January RM'000	Cash (outflow)/ inflow RM'000	Foreign exchange adjustment RM'000	Fair value movement RM'000	Profit accrual RM'000	At 30 June RM'000
2020						
Multi-Currency Sukuk Programme	1,265,929	(750,000)	-	5,408	-	521,337
Subordinated Commodity Murabahah Financing	589,612	-	27,336	-	-	616,948
Other Liabilities of which:						
Profits paid on Multi-Currency Sukuk Programme	13,724	(23,996)	-	-	15,573	5,301
Profits paid on Subordinated Commodity Murabahah Financing	281	(12,523)	-	-	12,400	158
Dividend paid	-	(50,000)	-	-	-	-
	1,869,546	(836,519)	27,336	5,408	27,973	1,143,744
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

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 2019 and the accompanying explanatory notes on pages 8 to 33 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 23 July 2020.

HSBC AMANAH MALAYSIA BERHAD
(Company No. 200801006421 (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 (HBMV) and HSBC Holdings Plc, respectively.

The unaudited condensed interim financial statements were approved and authorised for issue by the Board of Directors on 23 July 2020.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 30 June 2020 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 value through profit and loss.

The unaudited condensed interim financial statements for the financial period ended 30 June 2020 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) 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 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 Bank since the financial year ended 31 December 2019.

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

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

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

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business.

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

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

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)

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. (Cont'd)

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

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

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

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

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

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

3 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.

4 Auditors' Report On Preceding Annual Financial Statements

The audit report on the audited 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 Bank are not subject to material seasonal or cyclical fluctuations.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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 Bank for the financial period ended 30 June 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 Bank for the financial period ended 30 June 2020.

8 Debt and Equity Securities

The third series of Multi-Currency Sukuk Programme (MCSP) of RM 750 million was redeemed upon maturity on 27 March 2020. There were no other issuances, cancellations, repurchases, resale or repayment of other debt or equity securities during the financial period ended 30 June 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 RM0.50 per ordinary share amounting to RM50 million.

No interim dividend was declared nor paid for the financial period ended 30 June 2020.

10 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)

11 Cash and Short-Term Funds

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Cash and balances with banks and other financial institutions	190,802	215,943
Money at call and interbank placements maturing within one month	2,378,256	4,566,021
	2,569,058	4,781,964

Money at call and interbank placements maturing within one month is within Stage 1 allocation (12-months ECL) with RM55,000 impairment allowance as at 30 June 2020 (31 December 2019: RM6,000).

12 Deposits and Placements with Banks and Other Financial Institutions

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Central bank	381,763	139,153

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

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Money market instruments:		
Malaysian Government Islamic Sukuk	2,096,502	2,719,975
	2,096,502	2,719,975

Financial investments at FVOCI are within Stage 1 allocation (12 -months ECL) with RM1,126,000 impairment allowance as at 30 June 2020 (31 December 2019: RM166,000). 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.

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

Maturing within one year	562,690	1,700,589
More than one year to three years	1,069,413	1,019,386
More than three years to five years	464,399	-
	2,096,502	2,719,975

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 Thumma Al-Bai	Diminishing Musharakah		
30 Jun 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	73,307	-	-	-	-	73,307
Term financing:						
House financing	-	-	-	4,101,483	-	4,101,483
Hire purchase receivables	-	-	201,778	-	-	201,778
Syndicated term financing	1,345,929	-	-	-	-	1,345,929
Other term financing	2,878,927	38	-	956,363	-	3,835,328
Trust receipts	452,403	-	-	-	-	452,403
Claims on customers under acceptance credits	455,359	-	-	-	-	455,359
Bills receivables	996,876	-	-	-	-	996,876
Staff financing-i	968	19	-	1,157	-	2,144
Credit cards-i	-	-	-	-	1,114,230	1,114,230
Revolving financing	2,068,059	-	-	-	-	2,068,059
Other financing	-	-	-	3,636	-	3,636
Gross financing and advances	8,271,828	57	201,778	5,062,639	1,114,230	14,650,532
Less: Impairment allowance						(329,355)
Total net financing and advances						14,321,177

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 Thumma Al-Bai	Diminishing Musharakah		
31 Dec 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	73,131	-	-	-	-	73,131
Term financing:						
House financing	-	-	-	4,164,372	-	4,164,372
Hire purchase receivables	-	-	194,049	-	-	194,049
Syndicated term financing	728,298	-	-	-	-	728,298
Other term financing	2,867,908	39	-	971,127	-	3,839,074
Trust receipts	525,826	-	-	-	-	525,826
Claims on customers under acceptance credits	323,272	-	-	-	-	323,272
Bills receivables	470,920	-	-	-	-	470,920
Staff financing-i	1,041	30	-	1,173	-	2,244
Credit cards-i	-	-	-	-	1,258,564	1,258,564
Revolving financing	1,716,165	-	-	-	-	1,716,165
Other financing	-	-	-	4,303	-	4,303
Gross financing and advances	<u>6,706,561</u>	<u>69</u>	<u>194,049</u>	<u>5,140,975</u>	<u>1,258,564</u>	<u>13,300,218</u>
Less: Impairment allowance						<u>(257,265)</u>
Total net financing and advances						<u>13,042,953</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Financing and Advances (Cont'd)

(ii) By type of customer

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Domestic non-bank financial institutions	530,362	494,886
Domestic business enterprises:		
Small medium enterprises	1,074,447	937,397
Others	4,784,075	4,221,026
Government and statutory bodies	612	1,917
Individuals	6,128,016	6,263,102
Other domestic entities	1,103	1,137
Foreign entities/individuals	2,131,917	1,380,753
	<u>14,650,532</u>	<u>13,300,218</u>

(iii) By profit rate sensitivity

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Fixed rate:		
Hire purchase receivables	201,778	194,049
Other financing	3,950,545	3,443,551
Variable rate:		
Base Rate/Base Financing Rate plus	5,120,435	5,197,432
Cost-plus	5,377,774	4,465,186
	<u>14,650,532</u>	<u>13,300,218</u>

(iv) By residual contractual maturity

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Maturing within one year	5,592,133	4,541,871
More than one year to three years	1,837,867	1,755,409
More than three years to five years	1,118,336	1,012,833
Over five years	6,102,196	5,990,105
	<u>14,650,532</u>	<u>13,300,218</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Financing and Advances (Cont'd)

(v) By sector

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Agriculture, hunting, forestry & fishing	18,174	16,715
Mining and quarrying	167,592	184,190
Manufacturing	1,566,043	1,203,233
Electricity, gas and water	414,172	199,311
Construction	1,007,125	1,051,079
Real estate	850,262	759,769
Wholesale & retail trade, restaurants & hotels	918,555	824,314
Transport, storage and communication	180,475	177,572
Finance, takaful and business services	893,241	868,309
Household - Retail	6,629,605	6,785,186
Others	2,005,288	1,230,540
	<u>14,650,532</u>	<u>13,300,218</u>

(vi) By purpose

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Purchase of landed property:		
Residential	4,102,642	4,165,546
Non-residential	789,346	799,749
Purchase of transport vehicles	631	771
Consumption credit	2,294,936	2,382,777
Construction	897,190	817,249
Working capital	4,934,847	4,273,540
Other purpose	1,630,940	860,586
	<u>14,650,532</u>	<u>13,300,218</u>

(vii) By geographical distribution

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Northern Region	1,530,844	1,557,283
Southern Region	1,611,216	1,570,904
Central Region	11,149,864	9,793,026
Eastern Region	358,608	379,005
	<u>14,650,532</u>	<u>13,300,218</u>

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 2020	31 Dec 2019
	RM'000	RM'000
Financial assets at fair value through profit or loss ^[1]	-	600,054
Total gross financing and advances	3,654,722	3,071,768
Less: Impairment allowance	(2,565)	(347)
Total net financing and advances	3,652,157	3,071,421
<i>Maturity not exceeding one year</i>	95,715	35,000
<i>Maturity exceeding one year</i>	310,250	437,750
Total commitments and contingencies	405,965	472,750
Total restricted investment accounts	4,058,122	4,144,225
Risk weighted assets (RWA) of restricted investment accounts	3,058,570	3,298,355

The SIAF/IAA arrangement is based on the Wakalah principle where HBMY, 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 HBMY 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 HBMY and the other financial institutions. Hence, the underlying assets and allowance for impairment arising thereon, if any, are proportionately recognised and accounted for by HBMY 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 2019.

^[1] These are held for the purpose for sale in the near term.

15 Impaired Financing

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

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Gross carrying amount as at 1 January	385,303	356,312
Transfer within stages	30,975	59,449
Net remeasurement due to changes in credit risk	37,803	70,641
Written-off	(77,311)	(101,099)
Gross carrying amount as at 30 June/31 December	376,770	385,303

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Impaired Financing (Cont'd)

(ii) By contract

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Ijarah Thumma Al-Bai (AITAB) (<i>hire purchase</i>)	331	1,117
Commodity Murabahah (<i>cost-plus</i>)	241,874	248,763
Diminishing Musharakah (<i>profit and loss sharing</i>)	125,402	128,582
Bai Al-Inah (<i>sell and buy back</i>)	32	32
Ujrah (<i>fee-based</i>)	9,131	6,809
	376,770	385,303

(iii) By sector

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Manufacturing	17,069	16,247
Construction	2,611	4,199
Real estate	-	35
Wholesale & retail trade, restaurants & hotels	11,554	18,004
Transport, storage and communication	282	369
Finance, takaful and business services	12,089	28,721
Household - Retail	307,485	292,565
Others	25,680	25,163
	376,770	385,303

(iv) By purpose

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Purchase of landed property:		
Residential	108,311	105,991
Non-residential	14,610	18,307
Purchase of transport vehicles	32	32
Consumption credit	198,908	185,059
Construction	2,551	2,724
Working capital	29,024	50,381
Others	23,334	22,809
	376,770	385,303

(v) By geographical distribution

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Northern Region	27,320	33,178
Southern Region	38,583	39,561
Central Region	302,614	305,637
Eastern Region	8,253	6,927
	376,770	385,303

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	Total RM'000
Balance at 1 January 2020	46,503	68,003	142,759	257,265
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	19,650	(18,953)	(697)	-
- Transferred to Stage 2	(3,307)	6,387	(3,080)	-
- Transferred to Stage 3	(290)	(4,702)	4,992	-
New financial assets originated or purchased	11,140	-	-	11,140
Net remeasurement due to changes in credit risk	7,469	66,309	64,210	137,988
Asset written-off	-	-	(77,311)	(77,311)
Others	273	-	-	273
Balance at 30 June 2020	81,438	117,044	130,873	329,355
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	21,747	(18,175)	(3,572)	-
- Transferred to Stage 2	(4,295)	8,351	(4,056)	-
- Transferred to Stage 3	(443)	(3,831)	4,274	-
New financial assets originated or purchased	17,655	-	-	17,655
Net remeasurement due to changes in credit risk	(31,931)	17,194	121,131	106,394
Asset written-off	-	-	(101,099)	(101,099)
Others	(218)	-	-	(218)
Balance at 31 December 2019	46,503	68,003	142,759	257,265

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 period have contributed to the changes in the ECL allowances for the Bank under the expected credit loss model.

The total ECL allowances increased by RM 72.1 million compared to the balance at the beginning of the year. This net increase was mainly contributed by net remeasurement due to changes in credit risk (RM 138.0 million) and new financial assets originated or purchased (RM 11.1 million), partly offset by asset written-off (RM 77.3 million).

- 12-months ECL not credit impaired (Stage 1) - increased by RM34.9 million, primarily due to increase in migration of financings from Stage 1, new financial assets originated or purchased, increase in remeasurement driven by changes in credit risk, and partially offset by migration of financings to Stage 2 and Stage 3.
- Lifetime ECL not credit-impaired (Stage 2) - increased by RM49.0 million, primarily due to increase in remeasurement driven by changes in credit risk and migration of financing to Stage 2, and partially offset by migration of financings to Stage 1 and Stage 3.
- Lifetime ECL credit-impaired (Stage 3) - decreased by RM11.9 million, primarily due to asset written-off, migration of financing to Stage 1 and Stage 2, and partially offset by increase in remeasurement driven by changes in credit risk and migration of financing to Stage 3.

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 2020	1,276	874	402	2,552
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	155	(155)	-	-
- Transferred to Stage 2	(77)	77	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	186	-	-	186
Net remeasurement due to changes in credit risk	1,253	1,207	-	2,460
Others	19	-	-	19
Balance at 30 June 2020	2,812	2,003	402	5,217
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	81	(81)	-	-
- Transferred to Stage 2	(88)	88	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	653	-	-	653
Net remeasurement due to changes in credit risk	(471)	(58)	(423)	(952)
Others	(8)	-	-	(8)
Balance at 31 December 2019	1,276	874	402	2,552

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 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 2020												
Trading derivatives:												
Foreign exchange contracts												
- Forwards	5,477,373	-	-	5,477,373	47,396	-	-	47,396	46,472	-	-	46,472
- Swaps	321,808	8,381	-	330,189	6,711	-	-	6,711	6,827	229	-	7,056
Profit rate related contracts												
- Swaps	156,000	948,769	-	1,104,769	953	38,192	-	39,145	-	3,299	-	3,299
- Options	155,477	222,958	-	378,435	2,537	4,925	-	7,462	-	-	-	-
Equity related contracts												
- Options purchased	313,441	471,074	-	784,515	12,483	8,683	-	21,166	-	-	-	-
Sub- total	6,424,099	1,651,182	-	8,075,281	70,080	51,800	-	121,880	53,299	3,528	-	56,827
Total	6,424,099	1,651,182	-	8,075,281	70,080	51,800	-	121,880	53,299	3,528	-	56,827

The Bank does not have any hedging instrument as at 30 June 2020.

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 2019												
Trading derivatives:												
Foreign exchange contracts												
- Forwards	6,829,354	-	-	6,829,354	35,968	-	-	35,968	36,232	-	-	36,232
- Swaps	642,318	-	-	642,318	41,737	-	-	41,737	41,568	-	-	41,568
Profit rate related contracts												
- Swaps	1,048,000	863,428	-	1,911,428	1,097	11,565	-	12,662	-	1,601	-	1,601
- Options	170,519	245,982	-	416,501	2,620	1,960	-	4,580	-	-	-	-
Equity related contracts												
- Options purchased	466,444	396,199	-	862,643	16,084	14,643	-	30,727	196	124	-	320
Sub- total	9,156,635	1,505,609	-	10,662,244	97,506	28,168	-	125,674	77,996	1,725	-	79,721
Total	9,156,635	1,505,609	-	10,662,244	97,506	28,168	-	125,674	77,996	1,725	-	79,721

The Bank does not have any hedging instrument as at 31 December 2019.

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

	30 Jun 2020	30 Jun 2019
	RM'000	RM'000
Gain on hedging instruments	-	13
Loss on the hedged items attributable to the hedged risk	-	(28)
Net loss from fair value hedges	-	(15)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18 Other Assets

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Income receivable	4,894	6,234
Profit receivable	23,907	24,990
Amount due from holding company	178,423	2,093
Rights of Use (ROU) assets	20,782	24,504
Other receivables	15,431	10,820
	<u>243,437</u>	<u>68,641</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 2020	31 Dec 2019
	RM'000	RM'000
At amortised cost		
Non-Mudharabah Fund		
Demand deposits		
- Qard	2,775,641	3,451,211
Savings deposits		
- Qard	2,319,094	1,872,649
Term deposits		
- Commodity Murabahah	8,001,516	7,942,487
- Qard	583,927	53,986
	13,680,178	13,320,333

The maturity structure of term deposits is as follows:

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Due within six months	7,200,642	6,590,085
More than six months to one year	1,008,702	1,099,780
More than one year to three years	238,706	174,180
More than three years to five years	137,393	132,428
	8,585,443	7,996,473

(ii) By type of customer

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Government and statutory bodies	16,756	12,986
Business enterprises	4,158,230	2,753,651
Individuals	6,190,174	6,222,474
Foreign entities/individuals	3,103,847	3,945,963
Others	211,171	385,259
	13,680,178	13,320,333

21 Deposits and Placements from Banks and Other Financial Institutions

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Non-Mudharabah Fund		
Licensed banks	777,669	427,197
Bank Negara Malaysia	11,238	20,412
Other financial institutions	780,497	1,892,345
	1,569,404	2,339,954

Included in deposits and placements from banks and other financial institutions are placements from the Bank's parent company, HSBC Bank Malaysia Berhad, of RM778 million (31 Dec 2019: RM427 million).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

At fair value	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Structured liabilities		
- Wakalah with Commodity Wa'ad	154,071	205,951
- Tawarruq	1,016,412	1,089,407
	1,170,483	1,295,358

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 2020	31 Dec 2019
		RM'000	RM'000
Settlements		264	96
Amounts due to holding company		88	57,735
Profit payable		69,316	85,652
Deferred income		10,884	38,760
Marginal deposit		4,458	3,765
Accrued expenses		32,653	26,971
Lease liabilities		22,144	25,054
Other creditors	(a)	69,816	102,811
Provision on financing and credit related commitments		5,217	2,552
		214,840	343,396

(a) Other creditors

Included in other creditors 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. No Shariah non-compliant event has been identified during the financial period (2019: 1).

Source and use of charity funds

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Balance at 1 January	3	14
Shariah non-compliant income for the financial period/year ^[1]	4	27
Contribution to non-profit organisations	-	(15)
Tax expense on Shariah non-compliant income	-	(23)
Balance at 30 June/31 December	7	3

^[1] Income received from transactions in Financing and Advances and Nostro Accounts.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24 Multi-Currency Sukuk Programme

	30 Jun 2020 RM'000	31 Dec 2019 RM'000
Multi-Currency Sukuk Programme (MCSP)	521,337	1,265,929

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

	Value RM'000	Issue Date	Maturity Date	Carrying Value	
				30 Jun 2020 RM'000	31 Dec 2019 RM'000
Issuance under MCSP					
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	521,337	514,197
	1,750,000			521,337	1,265,929

Movement in MCSP

	3rd series 30 Jun 2020 RM'000	4th series 30 Jun 2020 RM'000
<u>2020</u>		
Balance at 1 January	751,732	514,197
Change in fair value other than from own credit risk	(847)	2,589
Change in fair value from own credit risk	(885)	4,551
Redemption of Multi-Currency Sukuk	(750,000)	-
Balance at 30 June	-	521,337

	2nd series 31 Dec 2019 RM'000	3rd series 31 Dec 2019 RM'000	4th series 31 Dec 2019 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	(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

	30 Jun 2020 RM'000	31 Dec 2019 RM'000
The cumulative change in fair value due to changes in own credit risk	3,666	4,574

^[1] Redeemed on 27 March 2020.

25 Subordinated Commodity Murabahah Financing

	30 Jun 2020 RM'000	31 Dec 2019 RM'000
Subordinated Commodity Murabahah Financing, at amortised costs		
- First tranche issued on 25 June 2014	332,699	317,957
- Second tranche issued on 30 June 2015	284,249	271,655
	616,948	589,612

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 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Income derived from investment of:				
(i) Term deposit	113,881	176,566	239,578	317,432
(ii) Other deposits	44,896	40,824	110,225	104,320
	158,777	217,390	349,803	421,752
(i) Income derived from investment of term deposits				
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	99,280	133,641	200,455	247,062
- Recoveries from impaired financing	2,709	4,662	6,644	9,451
Financial investments at FVOCI	12,354	23,043	27,623	41,635
Money at call and deposit with financial institutions	9,698	16,236	25,316	25,763
	124,041	177,582	260,038	323,911
<u>Other operating income</u>				
Realised gains from dealing in foreign currency	3,931	5,585	10,035	9,136
Unrealised gain/(loss) from dealing in foreign currency	793	(859)	(765)	(1,138)
Gain from sale of financial assets designated as FVTPL and other financial instruments	1,086	642	896	237
Unrealised (loss)/gain from revaluation of financial assets at FVTPL	(562)	159	1,854	1,701
Realised gain from trading in derivatives	602	951	705	1,003
Unrealised gain/(loss) from trading in derivatives	834	(175)	4,504	644
Net expenses from financial liabilities designated at FVTPL	(11,835)	(10,782)	(35,601)	(21,516)
Gain on disposal of financial investments at FVOCI	67	3,462	2,988	3,462
Other (expense)/income	(5,076)	1	(5,076)	(8)
	(10,160)	(1,016)	(20,460)	(6,479)
	113,881	176,566	239,578	317,432
	30 Jun 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
(ii) Income derived from investment of other deposits				
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	36,070	28,535	80,293	76,040
- Recoveries from impaired financing	941	903	2,661	2,909
Financial investments at FVOCI	4,391	5,027	11,065	12,814
Money at call and deposit with financial institutions	3,314	3,939	10,140	7,929
	44,716	38,404	104,159	99,692

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 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	RM'000	RM'000	RM'000	RM'000
(ii) Income derived from investment of other deposits (Cont'd)				
<u>Other operating income</u>				
Realised gain from dealing in foreign currency	1,352	1,325	4,020	2,812
Unrealised gain/(loss) from dealing in foreign currency	375	(233)	(306)	(350)
Gain from sale of financial assets designated as FVTPL and other financial instruments	442	242	359	73
Unrealised (loss)/gain from revaluation of financial assets at FVTPL	(313)	(122)	743	524
Realised gain from trading in derivatives	237	287	282	309
Unrealised gain/(loss) from trading in derivatives	200	(145)	1,804	198
(Loss)/Gain on disposal of financial investments at FVOCI	(80)	1,065	1,197	1,065
Other (expense)/income	(2,033)	1	(2,033)	(3)
	180	2,420	6,066	4,628
	44,896	40,824	110,225	104,320

27 Income Derived from Investment of Shareholder's Funds

	Second Quarter		Six Months Ended	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	RM'000	RM'000	RM'000	RM'000
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	15,283	13,301	30,693	32,081
- Recoveries from impaired financing	418	434	1,017	1,227
Financial investments at FVOCI	1,904	2,328	4,230	5,406
Money at call and deposit with financial institutions	1,497	1,768	3,876	3,345
	19,102	17,831	39,816	42,059
<u>Other operating income</u>				
Fee commission ^[1]	18,285	17,222	42,037	34,207
Realised gains from dealing in foreign currency	607	598	1,537	1,186
Unrealised gain/(loss) from dealing in foreign currency	120	(102)	(117)	(148)
Gain from sale of financial assets designated as FVTPL and other financial instruments	166	98	137	31
Unrealised (loss)/gain from revaluation of financial assets at FVTPL	(84)	(34)	284	221
Realised gains from trading in derivatives	92	121	108	130
Unrealised gain/(loss) from trading in derivatives	131	(52)	690	84
Shared-service fees from holding company	249	556	881	1,205
Gain on disposal of financial investments at FVOCI	13	450	458	450
Other (expense)/income	(778)	4	(778)	103
	18,801	18,861	45,237	37,469
	37,903	36,692	85,053	79,528

^[1] The above fees and commissions were derived from the following major contributors:

Service charges and fees	3,927	8,949	13,060	13,221
Credit cards	6,396	5,015	10,333	14,557
Credit facilities	2,308	2,033	4,336	4,133
Agency fee	2,499	2,462	6,397	4,540

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28 Impairment Allowance/Provisions

	Second Quarter		Six Months Ended	
	30 Jun 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
New and increased allowance/provisions (net of releases)	76,066	33,384	152,791	62,978
Recoveries	(7,876)	(11,141)	(20,691)	(22,336)
Written off	137	16	138	53
Total charge to statement of profit or loss	68,327	22,259	132,238	40,695

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)	75,829	33,500	149,128	63,399
Recoveries	(7,876)	(11,141)	(20,691)	(22,336)
Written off	137	16	138	53
Total charge to statement of profit or loss	68,090	22,375	128,575	41,116

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

New and increased allowance (net of releases)	34	2	56	-
Total charge to statement of profit or loss	34	2	56	-

(iii) Financing commitments

New and increased allowance (net of releases)	(760)	(150)	2,646	(545)
Total charge to statement of profit or loss	(760)	(150)	2,646	(545)

(iv) Financial investment at FVOCI

New and increased allowance (net of releases)	963	32	961	124
Total charge to statement of profit or loss	963	32	961	124

29 Income Attributable to Depositors

	Second Quarter		Six Months Ended	
	30 Jun 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
<u>Non-Mudharabah Fund</u>				
- Deposits from customers	58,691	75,806	127,631	146,625
- Deposits and placements of banks and other financial institutions	6,933	14,035	12,246	30,704
- Lease liabilities	49	383	550	789
- Others	9,403	24,990	27,067	49,956
	75,076	115,214	167,494	228,074

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Operating Expenses

	Second Quarter		Six Months Ended	
	30 Jun 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Personnel expenses	10,836	13,132	22,509	24,489
Promotion and marketing related expenses	2,287	2,032	5,208	3,231
Establishment related expenses	3,525	3,860	7,972	7,913
General administrative expenses	8,148	8,623	17,060	17,046
Related company expenses	33,602	36,477	67,236	68,764
	58,398	64,124	119,985	121,443
Personnel expenses				
Salaries, allowances and bonuses	8,541	10,242	17,820	19,234
Employees Provident Fund contributions	1,514	1,813	3,149	3,412
Share based payment	122	341	276	389
Other staff related costs	659	736	1,264	1,454
	10,836	13,132	22,509	24,489
Promotion and marketing related expenses	2,287	2,032	5,208	3,231
Establishment related expenses				
Depreciation of equipment	499	517	994	1,013
Depreciation of ROU assets	1,703	1,807	4,145	3,833
Information technology costs	518	613	977	1,302
Utilities	501	495	993	995
Others	324	428	883	770
	3,525	3,860	7,972	7,913
General administrative expenses	8,148	8,623	17,060	17,046
Related company charges	33,602	36,477	67,236	68,764
Of which by:				
Type of service				
- Information technology related cost	4,741	4,580	9,741	7,139
- Non information technology related cost	28,861	31,897	57,495	61,625
Countries				
- Malaysia	33,457	36,232	66,944	68,356
- United Kingdom	145	245	292	408

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 2020	31 Dec 2019
	RM'000	RM'000
Aggregate value of outstanding credit exposures to connected parties	799,679	941,338
As a percentage of total credit exposures	4.5%	5.6%
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 2020	31 Dec 2019
	RM'000	RM'000
Tier 1 capital		
Paid-up ordinary share capital	660,000	660,000
Retained profits	1,257,168	1,259,011
Other reserves	31,258	51,001
Regulatory adjustments	(48,433)	(71,428)
Total Common Equity Tier 1 (CET1) and Tier 1 capital	1,899,993	1,898,584
Tier 2 capital		
Subordinated Commodity Murabahah financing	550,408	589,612
Impairment allowance (unimpaired portion) & regulatory reserves	153,951	145,014
Total Tier 2 capital	704,359	734,626
Capital base	2,604,352	2,633,210
<u>Inclusive of proposed dividend</u>		
CET1 and Tier 1 Capital ratio	14.196%	14.974%
Total Capital ratio	19.458%	20.768%
<u>Net of proposed dividend</u>		
CET1 and Tier 1 Capital ratio	14.196%	14.580%
Total Capital ratio	19.458%	20.374%

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 2020	31 Dec 2019
	RM'000	RM'000
Total RWA for credit risk	12,316,112	11,601,150
Total RWA for market risk	59,374	81,799
Total RWA for operational risk	1,008,981	996,092
	13,384,467	12,679,041

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 2020 RM'000	31 Dec 2019 RM'000
Direct credit substitutes	350,985	488,882
Transaction-related contingent items	1,252,630	1,281,201
Short-term self-liquidating trade-related contingencies	64,058	37,007
Formal standby facilities and credit lines		
- Maturity not exceeding one year	790,254	670,474
- Maturity exceeding one year	2,230,392	2,330,664
Other unconditionally cancellable	1,762,750	1,640,484
Unutilised credit card lines	3,850,850	3,743,071
Equity related contracts		
- Less than one year	313,441	466,444
- One year to less than five years	471,074	396,199
Profit rate related contracts		
- Less than one year	311,477	1,218,519
- One year to less than five years	1,171,727	1,109,410
Foreign exchange related contracts		
- Less than one year	5,799,181	7,471,672
- One year to less than five years	8,381	-
	18,377,200	20,854,027

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Performance Review, Economy and Prospects

Performance review

Profit before tax (PBT) of RM15.1 million decreased by RM95.9 million or 86.4% against history primarily due to higher impairment provisions (up RM91.5 million) as impact of the COVID-19 outbreak is considered in deriving the Expected Credit Loss (ECL) for financing and advances and other financial assets. The increase is reflected mainly in stages 1 and 2.

Income derived from investment of shareholder's funds, depositor's funds and others decreased by RM66.4 million compared to history, mainly due to lower profit earned from financing and advances (down RM43.7 million) and financial investments at fair value through other comprehensive income (down RM16.9 million). These were partly offset by lower income attributable to depositors' fund (down RM60.6m). The decrease in income from investment of depositors' fund and income attributable to depositors' fund is mainly resulting from reductions in Bank Negara Malaysia (BNM)'s Overnight Policy Rate (OPR) by 100 basis points to 2.00% between January 2020 to June 2020 and lower non-financing income from the generally weak market sentiment impacting business and consumer spending activities.

Total balance sheet at 30 June 2020 stood at RM19.8 billion, RM1.4 billion lower compared against 31 December 2019 (RM21.2 billion). The Bank's capital and liquidity ratios to remain strong and well above the regulatory requirements.

Economy and Prospects

The COVID-19 pandemic continued to impact the global economy severely in 2Q 2020. Global economic conditions remain weak with negative growth being projected for the year. Households and businesses continue to adopt a more precautionary behaviour towards spending and investments, and there are also evidence of broad-based weakness in the labour markets. Although many countries have begun gradually resuming economic activities, the downside risks remain whether there will be a second wave of spread that will require the re-implementation of movement restriction to control the situation.

For Malaysia, economic activity contracted sharply in 2Q 2020, due to the global and domestic measures introduced to contain the pandemic. Following the gradual resumption of business activities since May, economic activities have begun to show signs of recovery.

In these recent months, the Government of Malaysia has rolled out various economic stimulus packages to support household income, safeguard jobs, and to spur the economy. These were further complemented by various measures introduced by Bank Negara Malaysia (BNM), for example i) reducing in Overnight Policy Rate (OPR) by a total of 125 basis points to 1.75% since January this year, ii) reducing 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 exempts qualified individuals and small-and medium enterprises (SMEs) from paying their loan 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.

Although BNM has projected the Malaysia's GDP to be between -2.0% and +0.5% for 2020 (2019: growth of 4.3%), Malaysia's domestic prospects are expected to improve towards the end of the year and subsequently in 2021.

During this movement control order (MCO) restriction period, HSBC Amanah has continued to operate and serve its customers committedly with its resources supporting from home via well-established and connected system infrastructure. The Bank has also continued its effort in digital innovation for better customer experience despite the restriction of MCO. In 2Q 2020, the Bank successfully introduced Remote Engagement Service (Zoom, Live Connect and Live Sign) – the first to be offered among banks in Malaysia. This is an electronic solution which allows a full suite of investment to be completed electronically for the convenience of our customers.

From funding perspective, our capital and liquidity positions remain well above the regulatory requirement level and are monitored and managed actively. In terms of business prospects, the Bank 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, and grow its business by leveraging on government schemes, providing customers with structured banking solutions and sustainable financing, besides maintaining its commitment towards BNM's Value-Based Intermediation (VBI) agenda.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Performance Review and Business Prospects (Cont'd)

Economy and Prospects (Cont'd)

On VBI aspect, HSBC Amanah 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.

We will continue to support our customers and the society in these challenging times.