

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
31 MARCH 2021

Domiciled in Malaysia
Registered Office:
10th Floor, South 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 31 MARCH 2021

	<i>Note</i>	31 Mar 2021 RM'000	31 Dec 2020 RM'000
Assets			
Cash and short-term funds	11	3,463,611	3,251,883
Deposits and placements with banks and other financial institutions	12	149,830	48,204
Financial investments at fair value through other comprehensive income (FVOCI)	13	1,676,775	1,299,815
Financing and advances	14	13,461,623	13,492,576
Derivative financial assets	17	138,080	231,334
Other assets	18	82,133	51,302
Statutory deposits with Bank Negara Malaysia	19	28,502	25,502
Equipment		8,666	9,084
Tax recoverable		-	2,318
Deferred tax assets		29,775	27,760
Total assets		19,038,995	18,439,778
Liabilities			
Deposits from customers	20	12,720,402	12,146,949
Deposits and placements from banks and other financial institutions	21	1,648,498	1,577,953
Structured liabilities designated at fair value through profit or loss (FVTPL)	22	1,067,371	1,113,253
Bills payable		20,004	48,007
Derivative financial liabilities	17	85,231	175,982
Other liabilities	23	260,708	247,436
Provision for taxation		15,332	-
Multi-Currency Sukuk Programme	24	520,922	523,841
Subordinated Commodity Murabahah Financing	25	598,220	578,700
Total liabilities		16,936,688	16,412,121
Equity			
Share capital		660,000	660,000
Reserves		1,442,307	1,367,657
Total equity attributable to owner of the Bank		2,102,307	2,027,657
Total liabilities and equity		19,038,995	18,439,778
Restricted investment accounts ^[1]		3,558,049	3,551,362
Total Islamic Banking asset ^[1]		22,597,044	21,991,140
Commitments and contingencies	32	25,156,927	24,459,591

^[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 2020 and the accompanying explanatory notes on pages 8 to 31 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 26 April 2021.

HSBC AMANAH MALAYSIA BERHAD
(Company No. 200801006421 (807705-X))
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UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

	<i>Note</i>	31 Mar 2021 RM'000	31 Mar 2020 RM'000
Income derived from investment of depositors' funds and others	26	146,426	186,828
Income derived from investment of shareholder's funds	27	37,836	51,348
Impairment write-back/(provision)	28	31,627	(63,911)
Total distributable income		215,889	174,265
Income attributable to depositors	29	(45,379)	(92,418)
Total net income		170,510	81,847
Operating expenses	30	(62,718)	(61,587)
Profit before tax		107,792	20,260
Tax expense		(26,829)	(4,052)
Profit for the financial period		80,963	16,208
Basic earnings per RM0.50 ordinary share		81.0 sen	16.2 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 2020 and the accompanying explanatory notes on pages 8 to 31 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 31 MARCH 2021

	31 Mar 2021	31 Mar 2020
	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	(2,099)	17,829
Income tax effect	504	(4,279)
<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	(6,297)	4,592
Net amount transferred from profit or loss	-	(6,109)
Impairment charges/ (written-back)	14	(2)
Income tax effect	1,511	364
Other comprehensive (expense)/ income for the financial period, net of income tax	(6,367)	12,395
Total comprehensive income for the financial period	74,596	28,603
Profit attributable to the owner of the Bank	80,963	16,208
Total comprehensive income attributable to the owner of the Bank	74,596	28,603

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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 31 MARCH 2021

	<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
2021							
Balance at 1 January	660,000	11,868	(1,123)	777	6,100	1,350,035	2,027,657
Profit for the financial period	-	-	-	-	-	80,963	80,963
Other comprehensive income, net of tax							
FVOCI reserve/Own Credit reserve							
Net change in fair value	-	(4,786)	(1,595)	-	-	-	(6,381)
Net amount transferred to profit or loss	-	-	-	-	-	-	-
Impairment charges	-	14	-	-	-	-	14
<i>Total other comprehensive (expense)/ income</i>	-	(4,772)	(1,595)	-	-	-	(6,367)
Total comprehensive (expense)/ income for the financial period	-	(4,772)	(1,595)	-	-	80,963	74,596
Net change in regulatory reserves	-	-	-	-	95,200	(95,200)	-
Transactions with the owner, recorded directly in equity							
Share based payment transactions	-	-	-	(15)	-	69	54
Balance at 31 March	660,000	7,096	(2,718)	762	101,300	1,335,867	2,102,307

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 2020 and the accompanying explanatory notes on pages 8 to 31 attached to the unaudited condensed interim financial statements.

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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 31 MARCH 2021 (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
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	-	-	-	-	-	16,208	16,208
Other comprehensive income, net of tax							
FVOCI reserve/Own Credit reserve							
Net change in fair value	-	3,490	13,550	-	-	-	17,040
Net amount transferred to profit or loss	-	(4,643)	-	-	-	-	(4,643)
Impairment written-back	-	(2)	-	-	-	-	(2)
<i>Total other comprehensive (expense)/ income</i>	-	(1,155)	13,550	-	-	-	12,395
Total comprehensive (expense)/ income for the financial period	-	(1,155)	13,550	-	-	16,208	28,603
Net change in regulatory reserves	-	-	-	-	(44,800)	44,800	-
Transactions with the owner, recorded directly in equity							
Share based payment transactions	-	-	-	(32)	-	57	25
Balance at 31 March	660,000	5,139	5,293	505	8,300	1,320,076	1,999,313

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

UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

	31 Mar 2021	31 Mar 2020
	RM'000	RM'000
Profit before tax	107,792	20,260
Adjustments for non-operating and non-cash items	36,784	127,324
Operating profit before working capital changes	144,576	147,584
Changes in working capital:		
Net changes in operating assets	(20,130)	(1,698,586)
Net changes in operating liabilities	485,770	108,869
Income tax paid	(9,179)	(12,000)
Net cash (used in)/generated from operating activities	601,037	(1,454,133)
Net cash generated from investing activities	(388,339)	(267,228)
Net cash used in financing activities	(970)	(771,082)
	(389,309)	(1,038,310)
Net changes in cash and cash equivalents	211,728	(2,492,443)
Cash and cash equivalents at 1 January	3,251,883	4,781,964
Cash and cash equivalents at 31 March	3,463,611	2,289,521
Analysis of cash and cash equivalents		
Cash and short-term funds	3,463,611	2,289,521

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 2020 and the accompanying explanatory notes on pages 8 to 31 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 26 April 2021.

HSBC AMANAH MALAYSIA BERHAD
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UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021 (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 31 March RM'000
2021						
Multi-Currency Sukuk Programme	523,841	-	-	(2,919)	-	520,922
Subordinated Commodity Murabahah Financing	578,700	-	19,520	-	-	598,220
Other Liabilities of which:						
Profits paid on Multi-Currency Sukuk Programme	5,360	2,345	-	-	2,957	10,662
Profits paid on Subordinated Commodity Murabahah Financing	118	(3,315)	-	-	3,382	185
	1,108,019	(970)	19,520	(2,919)	6,339	1,129,989
2020						
Multi-Currency Sukuk Programme	1,265,929	(750,000)	-	4,655	-	520,584
Subordinated Commodity Murabahah Financing	589,612	-	30,938	-	-	620,550
Other Liabilities of which:						
Profits paid on Multi-Currency Sukuk Programme	13,724	(14,508)	-	-	11,505	10,721
Profits paid on Subordinated Commodity Murabahah Financing	281	(6,574)	-	-	6,570	277
	1,869,546	(771,082)	30,938	4,655	18,075	1,152,132

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 2020 and the accompanying explanatory notes on pages 8 to 31 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 26 April 2021.

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, South 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 26 April 2021.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 31 March 2021 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) 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 2020. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial period ended 31 December 2020.

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

The accounting policies and presentation adopted by the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2020, except for Profit Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16) which will be implemented in later part of 2021. The impact of these Amendments to MFRS is currently being assessed.

(ii) Standards and amendments to published standards that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations have been issued that are applicable to the Bank but are not yet effective.

Effective for annual periods commencing on or after 1 April 2021

- Amendments to MFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"

Effective for annual periods commencing on or after 1 January 2022

- Amendments to MFRS 116 "Proceeds before Intended Use"
- Amendments to MFRS 3 "Reference to the Conceptual Framework"
- Annual Improvements to MFRSs 2018-2020 Cycle
- Amendments to MFRS 137 "Onerous Contracts - Cost of Fulfilling a Contract"

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2 Basis of Preparation (Cont'd)

(ii) Standards and amendments to published standards that have been issued but not yet effective (Cont'd)

Effective for annual periods commencing on or after 1 January 2023

- Amendments to MFRS 101 "Classification of Liabilities as Current or Non-current"
- Amendments to MFRS 101 and MFRS Practice Statement 2 "Disclosure of Accounting Policies"
- Amendments to MFRS 108 "Definition of Accounting Estimates"
- Amendments to MFRS 7, MFRS 126 and MFRS 134, following from the amendments to the disclosure of accounting policies in MFRS 101 and MFRS Practice Statement 2.

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

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 2020 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.

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 31 March 2021.

7 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Bank for the financial period ended 31 March 2021.

8 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayment of other debt or equity securities during the financial period ended 31 March 2021.

9 Dividend

No interim dividend was declared nor paid for the financial period ended 31 March 2021.

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

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Cash and balances with banks and other financial institutions	229,962	188,091
Money at call and interbank placements maturing within one month	3,233,649	3,063,792
	3,463,611	3,251,883

Money at call and interbank placements maturing within one month is within Stage 1 allocation (12-months ECL) with RM8,000 impairment allowance as at 31 March 2021 (31 December 2020: RM10,550).

12 Deposits and Placements with Banks and Other Financial Institutions

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Bank Negara Malaysia	149,830	48,204

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

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Money market instruments:		
Malaysian Government Islamic Sukuk	1,676,775	1,299,815

Financial investments at FVOCI are within Stage 1 allocation (12 -months ECL) with RM192,500 impairment allowance as at 31 March 2021 (31 December 2020: RM178,000). 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	75,430	25,198
More than one year to three years	1,601,345	1,274,617
	1,676,775	1,299,815

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		
31 Mar 2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	72,624	-	-	-	-	72,624
Term financing:						
House financing	-	-	-	3,984,973	-	3,984,973
Hire purchase receivables	-	-	195,207	-	-	195,207
Syndicated term financing	1,247,769	-	-	-	-	1,247,769
Other term financing	2,354,667	32	-	955,870	-	3,310,569
Trust receipts	538,764	-	-	-	-	538,764
Claims on customers under acceptance credits	262,301	-	-	-	-	262,301
Bills receivables	802,615	-	-	-	-	802,615
Staff financing-i	1,245	-	-	973	-	2,218
Credit cards-i	-	-	-	-	1,038,969	1,038,969
Revolving financing	2,306,971	-	-	-	-	2,306,971
Other financing	-	-	-	3,844	-	3,844
Gross financing and advances	7,586,956	32	195,207	4,945,660	1,038,969	13,766,824
Less: Impairment allowance						(305,201)
Total net financing and advances						13,461,623

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 RM'000	Total RM'000
	Commodity Murabahah RM'000	Bai Al-Inah RM'000	Ijarah Thumma Al-Bai RM'000	Diminishing Musharakah RM'000		
31 Dec 2020						
Cash line-i	70,597	-	-	-	-	70,597
Term financing:						
House financing	-	-	-	4,044,001	-	4,044,001
Hire purchase receivables	-	-	206,548	-	-	206,548
Syndicated term financing	1,164,754	-	-	-	-	1,164,754
Other term financing	2,720,594	32	-	948,860	-	3,669,486
Trust receipts	447,183	-	-	-	-	447,183
Claims on customers under acceptance credits	282,094	-	-	-	-	282,094
Bills receivables	652,868	-	-	-	-	652,868
Staff financing-i	1,297	2	-	987	-	2,286
Credit cards-i	-	-	-	-	1,090,323	1,090,323
Revolving financing	2,207,130	-	-	-	-	2,207,130
Other financing	-	-	-	3,621	-	3,621
Gross financing and advances	<u>7,546,517</u>	<u>34</u>	<u>206,548</u>	<u>4,997,469</u>	<u>1,090,323</u>	<u>13,840,891</u>
Less: Impairment allowance						<u>(348,315)</u>
Total net financing and advances						<u>13,492,576</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Financing and Advances (Cont'd)

(ii) By type of customer

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Domestic non-bank financial institutions	426,115	454,666
Domestic business enterprises:		
Small medium enterprises	1,181,547	1,095,207
Others	4,346,035	4,325,674
Individuals	5,868,673	6,021,819
Other domestic entities	1,046	1,092
Foreign entities/individuals	1,943,408	1,942,433
	<u>13,766,824</u>	<u>13,840,891</u>

(iii) By profit rate sensitivity

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Fixed rate:		
Hire purchase receivables	195,207	206,548
Other financing	3,439,441	3,356,748
Variable rate:		
Base Rate/Base Financing Rate plus	4,986,984	5,058,381
Cost-plus	5,145,192	5,219,214
	<u>13,766,824</u>	<u>13,840,891</u>

(iv) By residual contractual maturity

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Maturing within one year	5,782,020	5,163,910
More than one year to three years	1,290,909	1,995,288
More than three years to five years	920,929	906,313
Over five years	5,772,966	5,775,380
	<u>13,766,824</u>	<u>13,840,891</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Financing and Advances (Cont'd)

(v) By sector

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Agriculture, hunting, forestry & fishing	14,941	15,392
Mining and quarrying	208,637	132,270
Manufacturing	1,606,667	1,505,515
Electricity, gas and water	159,985	82,042
Construction	983,008	1,056,386
Real estate	771,547	868,979
Wholesale & retail trade, restaurants & hotels	831,547	786,829
Transport, storage and communication	185,723	185,984
Finance, takaful and business services	943,897	983,902
Household - Retail	6,356,318	6,518,984
Others	1,704,554	1,704,608
	<u>13,766,824</u>	<u>13,840,891</u>

(vi) By purpose

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Purchase of landed property:		
Residential	3,985,942	4,044,988
Non-residential	797,253	786,294
Purchase of transport vehicles	827	811
Consumption credit	2,157,466	2,252,123
Construction	901,057	1,033,815
Working capital	4,468,516	4,277,592
Other purpose	1,455,763	1,445,268
	<u>13,766,824</u>	<u>13,840,891</u>

(vii) By geographical distribution

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Northern Region	1,320,366	1,229,704
Southern Region	1,582,779	1,682,219
Central Region	10,526,331	10,580,814
Eastern Region	337,348	348,154
	<u>13,766,824</u>	<u>13,840,891</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 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.

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Total gross financing and advances	3,503,541	3,486,635
Less: Impairment allowance	(641)	(872)
Total net financing and advances	3,502,900	3,485,763
<i>Maturity not exceeding one year</i>	38,601	50,516
<i>Maturity exceeding one year</i>	16,548	15,083
Total commitments and contingencies	55,149	65,599
Total restricted investment accounts	3,558,049	3,551,362
Risk weighted assets (RWA) of restricted investment accounts	2,877,618	2,743,531

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 3(f) on financial instruments in the audited financial statements of the Bank for the financial year ended 31 December 2020.

15 Impaired Financing

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

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Gross carrying amount as at 1 January	606,695	385,303
Transfer within stages	371,557	239,123
Net remeasurement due to changes in credit risk	(9,554)	101,377
Written-off	(28,685)	(119,108)
Gross carrying amount as at 31 March/31 December	940,013	606,695

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Impaired Financing (Cont'd)

(ii) By contract

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Ijarah Thumma Al-Bai (AITAB) (<i>hire purchase</i>)	414	435
Commodity Murabahah (<i>cost-plus</i>)	365,810	294,380
Diminishing Musharakah (<i>profit and loss sharing</i>)	553,267	284,368
Bai Al-Inah (<i>sell and buy back</i>)	32	32
Ujrah (<i>fee-based</i>)	20,490	27,480
	940,013	606,695

(iii) By sector

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Agriculture, hunting, forestry & fishing	282	319
Manufacturing	26,423	17,123
Construction	3,607	3,710
Wholesale & retail trade, restaurants & hotels	17,766	11,379
Transport, storage and communication	-	213
Finance, takaful and business services	5,983	5,988
Household - Retail	864,579	546,347
Others	21,373	21,616
	940,013	606,695

(iv) By purpose

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Purchase of landed property:		
Residential	520,785	264,301
Non-residential	13,479	13,502
Purchase of transport vehicles	51	62
Consumption credit	342,682	281,388
Construction	3,546	3,650
Working capital	40,368	24,522
Others	19,102	19,270
	940,013	606,695

(v) By geographical distribution

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Northern Region	86,972	51,444
Southern Region	110,979	63,554
Central Region	718,925	477,282
Eastern Region	23,137	14,415
	940,013	606,695

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:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12- month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Balance at 1 January 2021	88,787	75,764	183,764	348,315
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	14,597	(7,943)	(6,654)	-
- Transferred to Stage 2	(4,830)	8,469	(3,639)	-
- Transferred to Stage 3	(1,236)	(35,379)	36,615	-
New financial assets originated or purchased	1,812	-	-	1,812
Net remeasurement due to changes in credit risk	(66,815)	(6,537)	56,920	(16,432)
Asset written-off	-	-	(28,685)	(28,685)
Others	191	-	-	191
Balance at 31 March 2021	32,506	34,374	238,321	305,201
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	22,948	(20,483)	(2,465)	-
- Transferred to Stage 2	(2,931)	5,669	(2,738)	-
- Transferred to Stage 3	(1,401)	(6,117)	7,518	-
New financial assets originated or purchased	27,984	-	-	27,984
Net remeasurement due to changes in credit risk	(4,165)	28,692	157,798	182,325
Asset written-off	-	-	(119,108)	(119,108)
Others	(151)	-	-	(151)
Balance at 31 December 2020	88,787	75,764	183,764	348,315

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 decreased by RM 43.1 million compared to the balance at the beginning of the year. This net decrease was mainly contributed by asset written-off (RM 28.7 million) and by net remeasurement due to changes in credit risk (RM 16.4 million).

- 12-months ECL not credit impaired (Stage 1) - decreased by RM 56.3 million, primarily due to decrease in remeasurement driven by changes in credit risk, partially offset by migration of financings from Stage 2 and Stage 3 and new financial assets originated or purchased.
- Lifetime ECL not credit-impaired (Stage 2) - decreased by RM 41.4 million, primarily due to migration of financings to Stage 1 and Stage 3 and decrease in net remeasurement driven by changes in credit risk.
- Lifetime ECL credit-impaired (Stage 3) - increased by RM54.6 million, primarily due to increase in net remeasurement driven by changes in credit risk and migration of financings from Stage 1 and Stage 2, partially offset by asset written-off.

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 2021	1,509	759	-	2,268
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	2	(2)	-	-
- Transferred to Stage 2	(3)	3	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	20	-	-	20
Net remeasurement due to changes in credit risk	(370)	380	3	13
Others	31	-	-	31
Balance at 31 March 2021	1,189	1,140	3	2,332
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	170	(170)	-	-
- Transferred to Stage 2	(20)	20	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	546	-	-	546
Net remeasurement due to changes in credit risk	(406)	35	(402)	(773)
Others	(57)	-	-	(57)
Balance at 31 December 2020	1,509	759	-	2,268

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	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	Total RM'000
31 Mar 2021									
Trading derivatives:									
Foreign exchange contracts									
- Forwards	11,243,853	269,913	11,513,766	82,131	100	82,231	76,632	240	76,872
- Swaps	122,123	207,775	329,898	-	257	257	4,071	1,947	6,018
Profit rate related contracts									
- Swaps	208,000	1,017,031	1,225,031	585	26,315	26,900	-	2,341	2,341
- Options	220,507	-	220,507	2,661	-	2,661	-	-	-
Equity related contracts									
- Options purchased	277,078	552,576	829,654	8,178	17,853	26,031	-	-	-
Total	12,071,561	2,047,295	14,118,856	93,555	44,525	138,080	80,703	4,528	85,231

The Bank does not have any hedging instrument as at 31 March 2021.

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	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	Total RM'000
31 Dec 2020									
Trading derivatives:									
Foreign exchange contracts									
- Forwards	10,538,055	-	10,538,055	157,213	-	157,213	158,328	-	158,328
- Swaps	236,607	219,241	455,848	7,740	2,859	10,599	7,726	7,190	14,916
Profit rate related contracts									
- Swaps	211,000	1,107,611	1,318,611	1,046	35,527	36,573	-	2,690	2,690
- Options	243,592	-	243,592	3,871	-	3,871	-	-	-
Equity related contracts									
- Options purchased	328,281	497,651	825,932	9,779	13,299	23,078	-	48	48
Total	11,557,535	1,824,503	13,382,038	179,649	51,685	231,334	166,054	9,928	175,982

The Bank does not have any hedging instrument as at 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18 Other Assets

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Settlements	6,229	-
Income receivable	2,959	2,864
Profit receivable	13,908	14,338
Prepayments	300	300
Amount due from holding company	6,581	1,856
Rights of Use (ROU) assets	23,276	19,903
Other receivables	28,880	12,041
	82,133	51,302

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.

In 2020, BNM allowed banks to recognise Malaysia Government Securities (MGS) and Malaysian Government Investment Issues (MGII) securities as part of statutory reserve requirement compliance until 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20 Deposits From Customers

(i) By type of deposit

	31 Mar 2021	31 Dec 2020
At amortised cost	RM'000	RM'000
Non-Mudharabah Fund		
Demand deposits		
- Qard	2,792,956	2,437,811
Savings deposits		
- Qard	2,555,282	2,411,513
Term deposits		
- Commodity Murabahah	7,224,476	7,205,178
- Qard	147,688	92,447
	12,720,402	12,146,949

The maturity structure of term deposits is as follows:

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Due within six months	5,989,545	5,906,115
More than six months to one year	1,009,062	1,026,167
More than one year to three years	267,662	249,314
More than three years to five years	105,895	116,029
	7,372,164	7,297,625

(ii) By type of customer

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Government and statutory bodies	33,972	18,278
Business enterprises	3,320,971	3,362,562
Individuals	5,758,729	5,732,293
Foreign entities/individuals	2,845,751	2,701,901
Others	760,979	331,915
	12,720,402	12,146,949

21 Deposits and Placements from Banks and Other Financial Institutions

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Non-Mudharabah Fund		
Licensed bank - parent company	902,946	854,839
Bank Negara Malaysia	2,243	4,060
Other financial institutions	743,309	719,054
	1,648,498	1,577,953

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

At fair value	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Structured liabilities		
- Wakalah with Commodity Wa'ad	-	22,093
- Tawarruq	1,067,371	1,091,160
	1,067,371	1,113,253

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	31 Mar 2021	31 Dec 2020
		RM'000	RM'000
Settlements		6,229	-
Amounts due to holding company		2,275	30,520
Profit payable		57,907	54,577
Deferred income		12,822	11,582
Marginal deposit		5,876	7,553
Accrued expenses		53,776	66,016
Lease liabilities		24,679	21,167
Other creditors	(a)	94,812	53,753
Provision on financing and credit related commitments	(b)	2,332	2,268
		260,708	247,436

(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.

Source and use of charity funds

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Balance at 1 January	1	3
Shariah non-compliant income for the financial period/year ^[1]	1	7
Contribution to non-profit organisations	-	(9)
Balance at 31 March/31 December	2	1

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

(b) Refer Note 16(ii) for movement in provision.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24 Multi-Currency Sukuk Programme

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Multi-Currency Sukuk Programme (MCSP)	520,922	523,841

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

<u>Issuance under MCSP</u>	RM'000	Issue Date	Maturity Date	Carrying Value	
				31 Mar 2021	31 Dec 2020
At fair value				RM'000	RM'000
4th series ^[1]	500,000	2 Oct 2018	2 Oct 2023	520,922	523,841

Movement in MCSP

	4th series
	31 Mar 2021
	RM'000
<u>2021</u>	
Balance at 1 January	523,841
Change in fair value other than from own credit risk	(6,492)
Change in fair value from own credit risk	3,573
Redemption of Multi-Currency Sukuk	-
Balance at 31 March	520,922

	3rd series ^[2]	4th series
	31 Dec 2020	31 Dec 2020
	RM'000	RM'000
<u>2020</u>		
Balance at 1 January	751,732	514,197
Change in fair value other than from own credit risk	489	15,791
Change in fair value from own credit risk	(2,221)	(6,147)
Redemption of Multi-Currency Sukuk	(750,000)	-
Balance at 31 December	-	523,841

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
The cumulative loss/ (gain) from change in fair value due to changes in own credit risk	3,573	(8,368)

[1] Proceeds from this series are utilised, where appropriate, to finance eligible businesses and projects in accordance with HSBC's internal Sustainable Development Goals (SDG) Bond Framework.

[2] Redeemed on 27 March 2020.

25 Subordinated Commodity Murabahah Financing

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Subordinated Commodity Murabahah Financing, at amortised costs		
- First tranche issued on 25 June 2014	322,599	312,073
- Second tranche issued on 30 June 2015	275,621	266,627
	598,220	578,700

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. Under the Capital Adequacy Framework for Islamic Banks (Capital Components), the par value of Tranche 1 of the subordinated financing are amortised on a straight line basis, with 20% of the par value phased out each year, with effect from 2020 for regulatory capital base purposes.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26 Income Derived from Investment of Depositors' Funds and Others

	31 Mar 2021	31 Mar 2020
	RM'000	RM'000
Income derived from investment of:		
(i) Term deposit	99,844	122,776
(ii) Other deposits	46,582	64,052
	146,426	186,828
(i) Income derived from investment of term deposits		
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	76,744	101,175
- Recoveries from impaired financing	5,810	3,935
Financial investments at FVOCI	5,798	15,269
Money at call and deposit with financial institutions	7,500	15,618
	95,852	135,997
<u>Other operating income</u>		
Realised gains from dealing in foreign currency	3,853	6,104
Unrealised gain/ (loss) from dealing in foreign currency	3,953	(1,558)
Gain/ (Loss) from sale of financial assets designated as FVTPL and other financial instruments	706	(190)
Unrealised (loss)/gain from revaluation of financial assets at FVTPL	(739)	2,416
Realised gain from trading in derivatives	1,115	103
Unrealised (loss)/gain from trading in derivatives	(2,027)	3,670
Net expenses from financial liabilities designated at FVTPL	(2,869)	(23,766)
	3,992	(13,221)
	99,844	122,776
	31 Mar 2021	31 Mar 2020
	RM'000	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	34,805	44,223
- Recoveries from impaired financing	2,635	1,720
Financial investments at FVOCI	2,629	6,674
Money at call and deposit with financial institutions	3,401	6,826
	43,470	59,443

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	31 Mar 2021	31 Mar 2020
	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	1,747	2,668
Unrealised gain/ (loss) from dealing in foreign currency	1,793	(681)
Gain/ (Loss) from sale of financial assets designated as FVTPL and other financial instruments	320	(83)
Unrealised (loss)/gain from revaluation of financial assets at FVTPL	(335)	1,056
Realised gain from trading in derivatives	506	45
Unrealised (loss)/gain from trading in derivatives	(919)	1,604
	3,112	4,609
	46,582	64,052

27 Income Derived from Investment of Shareholder's Funds

	31 Mar 2021	31 Mar 2020
	RM'000	RM'000
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	14,118	15,410
- Recoveries from impaired financing	1,069	599
Financial investments at FVOCI	1,066	2,326
Money at call and deposit with financial institutions	1,380	2,379
	17,633	20,714
<u>Other operating income</u>		
Fee commission ^[1]	18,646	23,752
Realised gains from dealing in foreign currency	709	930
Unrealised gain/ (loss) from dealing in foreign currency	727	(237)
Gain/ (Loss) from sale of financial assets designated as FVTPL and other financial instruments	130	(29)
Unrealised (loss)/gain from revaluation of financial assets at FVTPL	(136)	368
Realised gains from trading in derivatives	205	16
Unrealised (loss)/gain from trading in derivatives	(373)	559
Shared-service fees from holding company	295	632
Gain on disposal of financial investments at FVOCI	-	4,643
	20,203	30,634
	37,836	51,348

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

Service charges and fees	3,316	9,133
Credit cards	5,700	3,937
Credit facilities	2,626	2,028
Agency fee	5,777	3,898

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28 Impairment Write-back/Provisions

	31 Mar 2021	31 Mar 2020
	RM'000	RM'000
(Net release)/ net increase in allowance/provisions	(14,574)	76,725
Recoveries	(17,053)	(12,815)
Written off	-	1
Total (write-back from)/ charge to statement of profit or loss	<u>(31,627)</u>	<u>63,911</u>

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

(i) Financing and advances

(Net release)/ net increase in allowance/provisions	(14,620)	73,299
Recoveries	(17,053)	(12,815)
Written off	-	1
Total (write-back from)/ charge to statement of profit or loss	<u>(31,673)</u>	<u>60,485</u>

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

(Net release)/ net increase in allowance/provisions	<u>(1)</u>	<u>22</u>
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(iii) Financing commitments

Net increase in allowance/provisions	<u>33</u>	<u>3,406</u>
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(iv) Financial investment at FVOCI

Net increase/ (net release) in allowance/provisions	<u>14</u>	<u>(2)</u>
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29 Income Attributable to Depositors

	31 Mar 2021	31 Mar 2020
	RM'000	RM'000
<u>Non-Mudharabah Fund</u>		
- Deposits from customers	34,904	68,940
- Deposits and placements of banks and other financial institutions	3,278	5,313
- Lease liabilities	769	501
- Others	6,428	17,664
	<u>45,379</u>	<u>92,418</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Operating Expenses

	31 Mar 2021	31 Mar 2020
	RM'000	RM'000
Personnel expenses	10,195	11,673
Promotion and marketing related expenses	1,108	2,921
Establishment related expenses	3,536	4,447
General administrative expenses	7,157	8,912
Related company expenses	40,722	33,634
	62,718	61,587
Personnel expenses		
Salaries, allowances and bonuses	8,210	9,279
Employees Provident Fund contributions	1,487	1,635
Share based payment	34	154
Other staff related costs	464	605
	10,195	11,673
Establishment related expenses		
Depreciation of equipment	626	495
Depreciation of ROU assets	1,558	2,442
Information technology costs	183	459
Equipment written off	121	-
Utilities	349	492
Others	699	559
	3,536	4,447
Related company charges		
(i) By type of service		
- Information technology related cost	6,406	5,000
- Non information technology related cost	34,316	28,634
	40,722	33,634
(ii) By country/ territory		
- Malaysia	40,217	33,487
- United Kingdom	500	147
- Hong Kong	5	-
	40,722	33,634

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Capital Adequacy

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Tier 1 capital		
Paid-up ordinary share capital	660,000	660,000
Retained profits	1,254,904	1,350,035
Other reserves	107,570	20,960
Regulatory adjustments	(135,723)	4,173
Total Common Equity Tier 1 (CET1) and Tier 1 capital	1,886,751	2,035,168
Tier 2 capital		
Subordinated Commodity Murabahah financing	533,700	516,285
Impairment allowance (unimpaired portion) & regulatory reserves	147,823	120,612
Total Tier 2 capital	681,523	636,897
Capital base	2,568,274	2,672,065
<u>Before deducting proposed dividend</u>		
CET1 and Tier 1 Capital ratio	14.641%	16.210%
Total Capital ratio	19.929%	21.282%
<u>After deducting proposed dividend</u>		
CET1 and Tier 1 Capital ratio	14.253%	15.811%
Total Capital ratio	19.541%	20.884%

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.

Pursuant to BNM's Guidelines on Capital Adequacy Framework for Islamic Banks (Capital Component) issued on 9 December 2020 (the Guidelines), the Bank elected to apply the transitional arrangements as specified in paragraph 39.

Under transitional arrangements, the expected credit loss (ECL) allowance measured at an amount equal to 12-month and lifetime ECL to the extent they are related to non-credit-impaired exposures (hereinafter referred to as Stage 1 and Stage 2 provisions), are allowed to be added back to CET-1, subject to a capping. The transitional arrangement commenced from financial year beginning 1 January 2020, with an add-back factor that will gradually reduce over the four-year transitional duration.

As required by the Guideline, below is the disclosure on the capital ratios with comparison of:

- (i) the Capital Ratios, computed in accordance with the transitional arrangement
- (ii) the Capital Ratios, had the transitional arrangement not been applied.

	With Transitional Arrangement		Without Transitional Arrangement	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	%	%	%	%
<u>Before deducting proposed dividend</u>				
CET1 and Tier 1 Capital	14.641%	16.210%	14.641%	15.811%
Total Capital	19.929%	21.282%	19.929%	21.068%

Breakdown of RWA in the various categories of risk weights:

	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Total RWA for credit risk	11,825,854	11,498,037
Total RWA for market risk	52,005	52,557
Total RWA for operational risk	1,009,194	1,004,660
	12,887,053	12,555,254

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 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	31 Mar 2021 RM'000	31 Dec 2020 RM'000
Direct credit substitutes	12,060	20,562
Transaction-related contingent items	1,420,682	1,297,514
Short-term self-liquidating trade-related contingencies	43,808	75,666
Formal standby facilities and credit lines		
- Maturity not exceeding one year	1,240,672	1,389,116
- Maturity exceeding one year	2,512,141	2,311,222
Other unconditionally cancellable	2,167,603	2,294,173
Unutilised credit card lines	3,641,105	3,689,300
Equity related contracts		
- Less than one year	277,078	328,281
- One year to less than five years	552,576	497,651
Profit rate related contracts		
- Less than one year	428,507	454,592
- One year to less than five years	1,017,031	1,107,611
Foreign exchange related contracts		
- Less than one year	11,365,976	10,774,662
- One year to less than five years	477,688	219,241
	25,156,927	24,459,591

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Performance Review, Economy and Prospects

Performance review

The Bank recorded a profit before tax (PBT) of RM107.8 million for the financial period ended 31 March 2021, an increase of RM87.5 million compared to the corresponding period in 2020. This was mainly due to a net write-back in impairment allowance/provisions of RM31.6m, compared to a net charge of RM63.9m last year due to the onset of COVID-19 pandemic, partly offset by lower operating income of RM6.8 million.

For the period ended 31 March 2021, the net write-back of impairment was due to the partial release in judgmental overlay for expected credit loss (ECL) as customers gradually exited from the COVID-19 related relief programmes coupled with expected improvement in economic outlook. Operating income was impacted by lower net financing income due to the spillover impact of the 2020 rate cuts in 2021, lower net trading income and net fees and commissions, but partly cushioned by lower net expenses from financial liabilities designated at FVTPL.

Total balance sheet as at 31 March 2021 stood at RM19.0 billion, an increase RM0.6 billion compared to 31 December 2020 of RM18.4 billion. The Bank's capital and liquidity ratios remained strong and well above the regulatory requirements.

Economy and Prospects

During the first quarter in 2021, the Malaysian Government kick-started the nationwide vaccination programme and unveiled another economic stimulus package – the 6th stimulus package thus far, since the start of the COVID-19 pandemic – aimed at boosting economic growth, supporting businesses, and providing further targeted assistance to the rakyat and affected sectors.

Although the outbreak at the beginning of the year did have an impact on the rosy growth outlook, and the country is still at the various phases of Movement Control Order (MCO) at this juncture, the overall economic outlook for 2021 appears to be optimistic with Bank Negara Malaysia (BNM) projecting Gross Domestic Product (GDP) to grow between 6.0% to 7.5% compared to a contraction of 5.6% in 2020. We should see a strong momentum of growth rebound in the second quarter this year.

The rebound is expected to come from improvements in exports coupled with public and private consumption spending at the back of gradual improvement in labour markets, relaxation of containment measures, improvement in sentiments from vaccine roll out, and picking-up of investment activities.

BNM will set out its developmental and regulatory priorities in a new five-year plan for the financial sector from 2022 – 2026, with its focus on: i) enabling technology/ data driven innovation, ii) enhancing competitiveness, and iii) advancing sustainability agenda to support transition towards greener economy. The further liberalisation of foreign exchange policy will also provide greater flexibility for businesses to compete in the global supply chain and attract foreign direct investment into Malaysia.

HSBC Amanah Malaysia will continue to leverage these initiatives and contribute to the developments of the economy. We will uphold HSBC Group's refreshed purpose, values and ambition to support the execution of our strategies.

Technology and digital transformation will be key. We aspire to be a "digital-first" bank – by capitalising on innovation, investing in simplification of our processes and digitising our solutions to benefit our customers. In fact, we were recently awarded the "Digital Bank of the Year" by the Asset Triple A Digital Awards 2021 for our continuous digital transformation, especially during the COVID-19 pandemic last year, where we were able to implement innovative digital features that enabled customers to easily transit to seamless retail online banking and digital payment experience.

We will continue to capture cross-border opportunities in the ASEAN and Belt and Road Initiative (BRI) corridors leveraging on HSBC Group's international network strength and capabilities. This will be completed by BNM's recent announcement of its further liberalisation of foreign exchange policy (FEP) which provides greater flexibilities to businesses to strengthen Malaysia's position in the global supply chain. In addition, we will continue to roll out sustainability-linked propositions.

2021 will also be a landmark year for HSBC Amanah Malaysia as we transit our head office from Leboh Ampang to the new, LEED Gold Standard, head office building in TRX. We strive to provide the best and conducive banking environment for our customers as well as a modern and sustainable working environment for our employees.

We will continue to support our customers through these trying times, and will continue delivering products and services that meet customers' ever-changing banking needs.