

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 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 30 SEPTEMBER 2021

	<i>Note</i>	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Assets			
Cash and short-term funds	11	2,930,496	3,251,883
Deposits and placements with banks and other financial institutions	12	-	48,204
Financial investments at fair value through other comprehensive income (FVOCI)	13	2,135,078	1,299,815
Financing and advances	14	12,563,351	13,492,576
Derivative financial assets	17	112,844	231,334
Other assets	18	107,181	51,302
Statutory deposits with Bank Negara Malaysia	19	28,861	25,502
Equipment		7,493	9,084
Tax recoverable		20,167	2,318
Deferred tax assets		38,773	27,760
Total assets		17,944,244	18,439,778
Liabilities			
Deposits from customers	20	11,767,580	12,146,949
Deposits and placements from banks and other financial institutions	21	1,616,104	1,577,953
Structured liabilities designated at fair value through profit or loss (FVTPL)	22	1,139,785	1,113,253
Bills payable		10,453	48,007
Derivative financial liabilities	17	78,173	175,982
Other liabilities	23	269,157	247,436
Multi-Currency Sukuk Programme	24	517,639	523,841
Subordinated Commodity Murabahah Financing	25	603,334	578,700
Total liabilities		16,002,225	16,412,121
Equity			
Share capital		660,000	660,000
Reserves		1,282,019	1,367,657
Total equity attributable to owner of the Bank		1,942,019	2,027,657
Total liabilities and equity		17,944,244	18,439,778
Restricted investment accounts ^[1]		3,439,096	3,551,362
Total Islamic Banking asset ^[1]		21,383,340	21,991,140
Commitments and contingencies	32	27,173,438	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 October 2021.

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 SEPTEMBER 2021

	<i>Note</i>	Third Quarter		Nine Months Ended	
		30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	26	123,493	156,156	408,774	505,959
Income derived from investment of shareholder's funds	27	32,537	38,139	108,463	123,192
Impairment (provision)/write-back	28	(70,861)	11,154	(235,981)	(121,084)
Total distributable income		85,169	205,449	281,256	508,067
Income attributable to depositors	29	(42,161)	(57,433)	(130,816)	(224,927)
Total net income		43,008	148,016	150,440	283,140
Operating expenses	30	(61,586)	(61,076)	(184,293)	(181,061)
(Loss)/Profit before tax		(18,578)	86,940	(33,853)	102,079
Tax write-back/(Tax expense)		5,026	(18,703)	7,960	(21,841)
(Loss)/Profit for the financial period		(13,552)	68,237	(25,893)	80,238
Basic (loss)/earnings per RM0.50 ordinary share		(13.6 sen)	68.2 sen	(25.9 sen)	80.2 sen
Dividends per RM0.50 ordinary share (net) - final dividend paid in respect of prior period		-	-	50.0 sen	50.0 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 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 COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

	Third Quarter		Nine Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the financial period	(13,552)	68,237	(25,893)	80,238
Other comprehensive income/(expense)				
<i>Items that will not be reclassified to profit or loss</i>				
Own credit reserves:				
Change in fair value	(2,142)	(6,430)	(1,059)	10,257
Income tax effect	514	1,543	254	(2,462)
<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	(4,424)	5,963	(9,108)	22,583
Net amount transferred from profit or loss	-	(6,161)	(2,554)	(12,270)
Impairment write-back/(charges)	136	(726)	108	235
Income tax effect	1,062	48	2,799	(2,475)
Other comprehensive (expense)/income for the financial period, net of income tax	<u>(4,854)</u>	<u>(5,763)</u>	<u>(9,560)</u>	<u>15,868</u>
Total comprehensive (expense)/income for the financial period	<u>(18,406)</u>	<u>62,474</u>	<u>(35,453)</u>	<u>96,106</u>
(Loss)/Profit attributable to the owner of the Bank	(13,552)	68,237	(25,893)	80,238
Total comprehensive (expense)/income attributable to the owner of the Bank	<u>(18,406)</u>	<u>62,474</u>	<u>(35,453)</u>	<u>96,106</u>

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 30 SEPTEMBER 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
Loss for the financial period	-	-	-	-	-	(25,893)	(25,893)
Other comprehensive income, net of tax							
FVOCI reserve/Own Credit reserve							
Net change in fair value	-	(6,922)	(805)	-	-	-	(7,727)
Net amount transferred to profit or loss	-	(1,941)	-	-	-	-	(1,941)
Impairment written-back	-	108	-	-	-	-	108
<i>Total other comprehensive expense</i>	-	(8,755)	(805)	-	-	-	(9,560)
Total comprehensive expense for the financial period		(8,755)	(805)	-	-	(25,893)	(35,453)
Net change in regulatory reserves	-	-	-	-	35,500	(35,500)	-
Transactions with the owner, recorded directly in equity							
Share based payment transactions	-	-	-	(244)	-	59	(185)
Dividends paid to owner - 2020 final	-	-	-	-	-	(50,000)	(50,000)
Balance at 30 September	660,000	3,113	(1,928)	533	41,600	1,238,701	1,942,019

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 October 2021.

HSBC AMANAH MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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
Loss for the financial period	-	-	-	-	-	80,238	80,238
Other comprehensive income, net of tax							
FVOCI reserve/Own Credit reserve							
Net change in fair value	-	17,163	7,795	-	-	-	24,958
Net amount transferred to profit or loss	-	(9,325)	-	-	-	-	(9,325)
Impairment written-back	-	235	-	-	-	-	235
<i>Total other comprehensive income</i>	-	8,073	7,795	-	-	-	15,868
Total comprehensive income for the financial period	-	8,073	7,795	-	-	80,238	96,106
Net change in regulatory reserves	-	-	-	-	(41,300)	41,300	-
Transactions with the owner, recorded directly in equity							
Share based payment transactions	-	-	-	277	-	43	320
Dividends paid to owner - 2019 final	-	-	-	-	-	(50,000)	(50,000)
Balance at 30 September	660,000	14,367	(462)	814	11,800	1,330,592	2,017,111

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HSBC AMANAH MALAYSIA BERHAD
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UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

	30 Sep 2021	30 Sep 2020
	RM'000	RM'000
(Loss)/Profit before tax	(33,853)	102,079
Adjustments for non-operating and non-cash items	339,760	209,805
Operating profit before working capital changes	305,907	311,884
Changes in working capital:		
Net changes in operating assets	751,727	(411,133)
Net changes in operating liabilities	(433,473)	(1,407,881)
Income tax paid	(17,850)	(32,400)
Net cash generated from/(used in) operating activities	606,311	(1,539,530)
Net cash (used in)/generated from investing activities	(863,872)	1,298,147
Net cash used in financing activities	(63,826)	(837,111)
	(927,698)	461,036
Net changes in cash and cash equivalents	(321,387)	(1,078,494)
Cash and cash equivalents at 1 January	3,251,883	4,781,964
Cash and cash equivalents at 30 September	2,930,496	3,703,470
Analysis of cash and cash equivalents		
Cash and short-term funds	2,930,496	3,703,470

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 October 2021.

HSBC AMANAH MALAYSIA BERHAD
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UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021 (Cont'd)

Changes in liabilities arising from financing activities

	At 1 January RM'000	Cash outflow RM'000	Foreign exchange adjustment RM'000	Fair value movement RM'000	Profit accrual RM'000	At 30 September RM'000
2021						
Multi-Currency Sukuk Programme	523,841	-	-	(6,202)	-	517,639
Subordinated Commodity Murabahah Financing	578,700	-	24,634	-	-	603,334
Other Liabilities of which:						
Profits paid on Multi-Currency Sukuk Programme	5,360	(3,606)	-	-	8,967	10,721
Profits paid on Subordinated Commodity Murabahah Financing	118	(10,220)	-	-	10,203	101
	1,108,019	(13,826)	24,634	(6,202)	19,170	1,131,795
2020						
Multi-Currency Sukuk Programme	1,265,929	(750,000)	-	9,163	-	525,092
Subordinated Commodity Murabahah Financing	589,612	-	9,689	-	-	599,301
Other Liabilities of which:						
Profits paid on Multi-Currency Sukuk Programme	13,724	(22,033)	-	-	19,030	10,721
Profits paid on Subordinated Commodity Murabahah Financing	281	(15,078)	-	-	14,946	149
	1,869,546	(787,111)	9,689	9,163	33,976	1,135,263

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HSBC AMANAH MALAYSIA BERHAD
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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 October 2021.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 30 September 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, presentation, significant estimates and judgements 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 the adoption of Profit Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16). The Bank has adopted the amendment to the standards and there is no material financial impact as at 30 September 2021.

(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.
- Amendments MFRS 112 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

None of the above is expected to have a significant effect on the financial statements of 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 30 September 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 30 September 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 30 September 2021.

9 Dividend

No interim dividend was declared nor paid for the financial period ended 30 September 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

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Cash and balances with banks and other financial institutions	298,837	188,091
Money at call and interbank placements maturing within one month	2,631,659	3,063,792
	2,930,496	3,251,883

Money at call and interbank placements maturing within one month is within Stage 1 allocation (12-months ECL) with RM2,100 impairment allowance as at 30 September 2021 (31 December 2020: RM10,550).

12 Deposits and Placements with Banks and Other Financial Institutions

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Bank Negara Malaysia	-	48,204

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

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Money market instruments:		
Malaysian Government Islamic Sukuk	2,135,078	1,299,815

Financial investments at FVOCI are within Stage 1 allocation (12 -months ECL) with RM286,000 impairment allowance as at 30 September 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	728,049	25,198
More than one year to three years	1,107,952	1,274,617
More than three years to five years	299,077	-
	2,135,078	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	Lease-based	Equity-based	Ujrah	Total
	contracts	contracts	contracts		
	Commodity	Ijarah Thumma	Diminishing		
	Murabahah	Al-Bai	Musharakah		
30 Sep 2021	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	67,964	-	-	-	67,964
Term financing:					
House financing	-	-	3,886,838	-	3,886,838
Hire purchase receivables	-	215,057	-	-	215,057
Syndicated term financing	1,160,102	-	-	-	1,160,102
Other term financing	2,328,309	-	889,401	-	3,217,710
Trust receipts	472,909	-	-	-	472,909
Claims on customers under acceptance credits	165,699	-	-	-	165,699
Bills receivables	855,084	-	-	-	855,084
Staff financing-i	1,235	-	1,202	-	2,437
Credit cards-i	-	-	-	970,912	970,912
Revolving financing	2,095,866	-	-	-	2,095,866
Other financing	-	-	3,382	-	3,382
Gross financing and advances	7,147,168	215,057	4,780,823	970,912	13,113,960
Less: Impairment allowance					(550,609)
Total net financing and advances					12,563,351

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

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Domestic non-bank financial institutions	419,470	454,666
Domestic business enterprises:		
Small medium enterprises	1,072,250	1,095,207
Others	4,068,855	4,325,674
Individuals	5,676,967	6,021,819
Other domestic entities	977	1,092
Foreign entities/individuals	1,875,441	1,942,433
	<u>13,113,960</u>	<u>13,840,891</u>

(iii) By profit rate sensitivity

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Fixed rate:		
Hire purchase receivables	215,057	206,548
Other financing	3,241,666	3,356,748
Variable rate:		
Base Rate/Base Financing Rate plus	4,825,312	5,058,381
Cost-plus	4,831,925	5,219,214
	<u>13,113,960</u>	<u>13,840,891</u>

(iv) By residual contractual maturity

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Maturing within one year	5,713,768	5,163,910
More than one year to three years	908,201	1,995,288
More than three years to five years	942,491	906,313
Over five years	5,549,500	5,775,380
	<u>13,113,960</u>	<u>13,840,891</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Financing and Advances (Cont'd)

(v) By sector

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Agriculture, hunting, forestry & fishing	11,174	15,392
Mining and quarrying	121,104	132,270
Manufacturing	1,433,063	1,393,054
Electricity, gas and water	150,687	82,042
Construction	723,997	1,056,386
Real estate	964,894	868,979
Wholesale & retail trade, restaurants & hotels	833,352	786,829
Transport, storage and communication	151,430	185,984
Finance, takaful and business services	942,459	1,096,363
Household - Retail	6,141,166	6,518,984
Others	1,640,634	1,704,608
	13,113,960	13,840,891

(vi) By purpose

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Purchase of landed property:		
Residential	3,888,039	4,044,988
Non-residential	745,206	786,294
Purchase of transport vehicles	866	811
Purchase of fixed assets excluding land & building	214,823	203,613
Consumption credit	2,049,486	2,252,123
Construction	671,798	1,033,815
Working capital	4,132,500	4,073,979
Other purpose	1,411,242	1,445,268
	13,113,960	13,840,891

(vii) By geographical distribution

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Northern Region	1,289,068	1,229,704
Southern Region	1,552,068	1,682,219
Central Region	9,952,156	10,580,814
Eastern Region	320,668	348,154
	13,113,960	13,840,891

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 Sep 2021	31 Dec 2020
	RM'000	RM'000
Total gross financing and advances	3,536,611	3,486,635
Less: Impairment allowance	(178,040)	(872)
Total net financing and advances	3,358,571	3,485,763
<i>Maturity not exceeding one year</i>	58,977	50,516
<i>Maturity exceeding one year</i>	21,548	15,083
Total commitments and contingencies	80,525	65,599
Total restricted investment accounts	3,439,096	3,551,362
Risk weighted assets (RWA) of restricted investment accounts	2,704,280	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:

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Gross carrying amount as at 1 January	606,695	385,303
Transfer within stages	702,437	239,123
Net remeasurement due to changes in credit risk	(39,017)	101,377
Written-off	(72,793)	(119,108)
Gross carrying amount as at 30 September/31 December	1,197,322	606,695

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Impaired Financing (Cont'd)

(ii) By contract

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Ijarah Thumma Al-Bai (AITAB) (<i>hire purchase</i>)	354	435
Commodity Murabahah (<i>cost-plus</i>)	554,175	294,380
Diminishing Musharakah (<i>profit and loss sharing</i>)	618,897	284,368
Bai Al-Inah (<i>sell and buy back</i>)	-	32
Ujrah (<i>fee-based</i>)	23,896	27,480
	<u>1,197,322</u>	<u>606,695</u>

(iii) By sector

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Agriculture, hunting, forestry & fishing	264	319
Manufacturing	25,838	17,123
Construction	140,496	3,710
Wholesale & retail trade, restaurants & hotels	8,727	11,379
Transport, storage and communication	-	213
Finance, takaful and business services	53,728	5,988
Household - Retail	944,987	546,347
Others	23,282	21,616
	<u>1,197,322</u>	<u>606,695</u>

(iv) By purpose

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Purchase of landed property:		
Residential	582,661	264,301
Non-residential	9,908	13,502
Purchase of transport vehicles	2	62
Purchase of fixed assets excluding land & building	327	354
Consumption credit	362,324	281,388
Construction	140,340	3,650
Working capital	79,242	24,168
Others	22,518	19,270
	<u>1,197,322</u>	<u>606,695</u>

(v) By geographical distribution

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Northern Region	94,071	51,444
Southern Region	117,870	63,554
Central Region	963,128	477,282
Eastern Region	22,253	14,415
	<u>1,197,322</u>	<u>606,695</u>

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	15,528	(8,901)	(6,627)	-
- Transferred to Stage 2	(27,106)	37,989	(10,883)	-
- Transferred to Stage 3	(3,845)	(30,992)	34,837	-
Changes due to modification not derecognised	-	-	-	-
New financial assets originated or purchased	6,597	-	-	6,597
Net remeasurement due to changes in credit risk	(49,141)	18,014	298,531	267,404
Asset written-off	-	-	(72,793)	(72,793)
Others	1,086	-	-	1,086
Balance at 30 September 2021	31,906	91,874	426,829	550,609
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 increase by RM 202.3 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 267.4 million) and new financial assets originated or purchased (RM6.6 million), partly offset by asset written-off (RM 72.8 million).

- 12-months ECL not credit impaired (Stage 1) - decreased by RM 56.9 million, primarily due to decrease in remeasurement driven by changes in credit risk, migration of financings from/to Stage 1, Stage 2 and Stage 3 and partially offset by new financial assets originated or purchased.
- Lifetime ECL not credit-impaired (Stage 2) - decreased by RM 16.1 million, primarily due to increase in remeasurement driven by changes in credit risk and partially offset by migration of financings from/to Stage 1, Stage 2 and Stage 3.
- Lifetime ECL credit-impaired (Stage 3) - increased by RM243.1 million, primarily due to increase in remeasurement driven by changes in credit risk and migration of financings from/to Stage 1, Stage 2 and Stage 3, and 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	91	(91)	-	-
- Transferred to Stage 2	(476)	476	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	22	-	-	22
Net remeasurement due to changes in credit risk	908	3,263	-	4,171
Others	26	-	-	26
Balance at 30 September 2021	2,080	4,407	-	6,487
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:

30 Sep 2021	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
Trading derivatives:									
Foreign exchange contracts									
- Forwards	11,998,494	-	11,998,494	66,571	-	66,571	65,169	-	65,169
- Swaps	136,966	143,994	280,960	-	329	329	1,473	379	1,852
- Options	60,014	-	60,014	13	-	13	13	-	13
Profit rate related contracts									
- Swaps	170,000	1,085,873	1,255,873	166	23,976	24,142	-	1,688	1,688
- Options	127,217	193,900	321,117	602	-	602	-	5,719	5,719
Equity related contracts									
- Options purchased	240,651	582,119	822,770	6,470	14,717	21,187	-	3,732	3,732
Total	12,733,342	2,005,886	14,739,228	73,822	39,022	112,844	66,655	11,518	78,173

The Bank does not have any hedging instrument as at 30 September 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

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Settlements	8,515	-
Income receivable	3,433	2,864
Profit receivable	24,768	14,338
Prepayments	300	300
Amount due from holding company	38,861	1,856
Rights of Use (ROU) assets	21,754	19,903
Other receivables	9,550	12,041
	<u>107,181</u>	<u>51,302</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.

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

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
At amortised cost		
Non-Mudharabah Fund		
Demand deposits		
- Qard	2,294,789	2,437,811
Savings deposits		
- Qard	2,745,702	2,411,513
Term deposits		
- Commodity Murabahah	6,539,766	7,205,178
- Qard	187,323	92,447
	11,767,580	12,146,949

The maturity structure of term deposits is as follows:

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Due within six months	5,430,123	5,906,115
More than six months to one year	874,628	1,026,167
More than one year to three years	328,029	249,314
More than three years to five years	94,309	116,029
	6,727,089	7,297,625

(ii) By type of customer

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Government and statutory bodies	13,283	18,278
Business enterprises	2,934,640	3,362,562
Individuals	5,763,044	5,732,293
Foreign entities/individuals	2,651,388	2,701,901
Others	405,225	331,915
	11,767,580	12,146,949

21 Deposits and Placements from Banks and Other Financial Institutions

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Non-Mudharabah Fund		
Licensed bank - parent company	865,487	854,839
Bank Negara Malaysia	954	4,060
Other financial institutions	749,663	719,054
	1,616,104	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	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Structured liabilities		
- Wakalah with Commodity Wa'ad	-	22,093
- Tawarruq	1,139,785	1,091,160
	1,139,785	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	30 Sep 2021	31 Dec 2020
		RM'000	RM'000
Amounts due to holding company		473	30,520
Profit payable		56,592	54,577
Deferred income		12,688	11,582
Marginal deposit		7,116	7,553
Accrued expenses		81,404	66,016
Lease liabilities		23,427	21,167
Other creditors	(a)	80,970	53,753
Provision on financing and credit related commitments	(b)	6,487	2,268
		269,157	247,436

(a) Other creditors

Included in other creditors is 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

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Balance at 1 January	1	3
Shariah non-compliant income for the financial period/year ^[1]	4	7
Contribution to non-profit organisations	-	(9)
Balance at 30 September/31 December	5	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

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Multi-Currency Sukuk Programme (MCSP)	517,639	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	
				30 Sep 2021	31 Dec 2020
				RM'000	RM'000
At fair value					
4th series ^[1]	<u>500,000</u>	2 Oct 2018	2 Oct 2023	<u>517,639</u>	<u>523,841</u>
<u>Movement in MCSP</u>					
					4th series
					30 Sep 2021
					RM'000
<u>2021</u>					523,841
Balance at 1 January					(7,963)
Change in fair value other than from own credit risk					1,761
Change in fair value from own credit risk					517,639
Balance at 30 September					
					3rd series ^[2]
					4th series
<u>2020</u>				31 Dec 2020	31 Dec 2020
				RM'000	RM'000
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 ^[2]				(750,000)	-
Balance at 31 December				<u>-</u>	<u>523,841</u>
					30 Sep 2021
					RM'000
					31 Dec 2020
					RM'000
The cumulative loss/(gain) from change in fair value due to changes in own credit risk				<u>1,761</u>	<u>(8,368)</u>

^[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

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Subordinated Commodity Murabahah Financing, at amortised costs		
- First tranche issued on 25 June 2014	325,357	312,073
- Second tranche issued on 30 June 2015	277,977	266,627
	<u>603,334</u>	<u>578,700</u>

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

	Third Quarter		Nine Months Ended	
	30 Sep 2021 RM'000	30 Sep 2020 RM'000	30 Sep 2021 RM'000	30 Sep 2020 RM'000
Income derived from investment of:				
(i) Term deposit	84,603	109,907	277,516	349,485
(ii) Other deposits	38,890	46,249	131,258	156,474
	123,493	156,156	408,774	505,959
(i) Income derived from investment of term deposits				
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	72,790	90,021	222,619	290,476
- Recoveries from impaired financing	3,793	2,267	14,100	8,911
Financial investments at FVOCI	6,999	7,583	18,113	35,206
Money at call and deposit with financial institutions	6,286	8,233	20,852	33,549
	89,868	108,104	275,684	368,142
<u>Other operating income</u>				
Realised gains from dealing in foreign currency	10,324	6,428	19,269	16,463
Unrealised (loss)/gain from dealing in foreign currency	(4,232)	(353)	1,532	(1,118)
Gain from sale of financial assets designated as FVTPL and other financial instruments	1,352	1,681	2,691	2,577
Unrealised (loss)/gain from revaluation of financial assets at FVTPL	(4,117)	(1,445)	(5,471)	409
Realised (loss)/gain from trading in derivatives	(1,589)	1,010	374	1,715
Unrealised gain/(loss) from trading in derivatives	907	(449)	(1,566)	4,055
Net expenses from financial liabilities designated at FVTPL	922	(8,083)	(7,346)	(43,684)
Gain on disposal of financial investments at FVOCI	-	3,012	1,181	6,000
Other (expense)/income	(8,832)	2	(8,832)	(5,074)
	(5,265)	1,803	1,832	(18,657)
	84,603	109,907	277,516	349,485
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM'000	RM'000	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	33,788	35,311	102,578	115,604
- Recoveries from impaired financing	1,765	885	6,497	3,546
Financial investments at FVOCI	3,243	2,946	8,346	14,011
Money at call and deposit with financial institutions	2,921	3,212	9,609	13,352
	41,717	42,354	127,030	146,513

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	Third Quarter		Nine Months Ended	
	30 Sep 2021 RM'000	30 Sep 2020 RM'000	30 Sep 2021 RM'000	30 Sep 2020 RM'000
(ii) Income derived from investment of other deposits (Cont'd)				
<u>Other operating income</u>				
Realised gain from dealing in foreign currency	4,772	2,532	8,879	6,552
Unrealised (loss)/gain from dealing in foreign currency	(1,941)	(139)	706	(445)
Gain from sale of financial assets designated as FVTPL and other financial instruments	625	667	1,240	1,026
Unrealised (loss)/gain from revaluation of financial assets at FVTPL	(1,899)	(580)	(2,521)	163
Realised (loss)/gain from trading in derivatives	(729)	400	172	682
Unrealised gain/(loss) from trading in derivatives	413	(190)	(722)	1,614
Gain on disposal of financial investments at FVOCI	2	1,191	544	2,388
Other (expense)/income	(4,070)	14	(4,070)	(2,019)
	(2,827)	3,895	4,228	9,961
	38,890	46,249	131,258	156,474

27 Income Derived from Investment of Shareholder's Funds

	Third Quarter		Nine Months Ended	
	30 Sep 2021 RM'000	30 Sep 2020 RM'000	30 Sep 2021 RM'000	30 Sep 2020 RM'000
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	12,998	14,711	40,543	45,404
- Recoveries from impaired financing	673	376	2,568	1,393
Financial investments at FVOCI	1,256	1,273	3,299	5,503
Money at call and deposit with financial institutions	1,120	1,368	3,798	5,244
	16,047	17,728	50,208	57,544
<u>Other operating income</u>				
Fee commission ^[1]	17,274	18,465	55,586	60,502
Realised gains from dealing in foreign currency	1,864	1,036	3,509	2,573
Unrealised (loss)/gain from dealing in foreign currency	(781)	(58)	279	(175)
Gain from sale of financial assets designated as FVTPL and other financial instruments	244	266	490	403
Unrealised (loss)/gain from revaluation of financial assets at FVTPL	(747)	(220)	(996)	64
Realised (loss)/gains from trading in derivatives	(293)	160	68	268
Unrealised gain/(loss) from trading in derivatives	170	(56)	(285)	634
Shared-service fees from holding company	177	318	765	1,199
(Loss)/Gain on disposal of financial investments at FVOCI	(2)	480	215	938
Other (expense)/income	(1,416)	20	(1,376)	(758)
	16,490	20,411	58,255	65,648
	32,537	38,139	108,463	123,192

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

Service charges and fees	3,158	5,831	9,537	18,891
Credit cards	5,357	3,657	17,553	13,990
Credit facilities	2,596	2,387	7,842	6,723
Agency fee	6,355	3,961	16,734	10,358

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28 Impairment (provision)/write-back

	Third Quarter		Nine Months Ended	
	30 Sep 2021 RM'000	30 Sep 2020 RM'000	30 Sep 2021 RM'000	30 Sep 2020 RM'000
Net increase in allowance/provisions	81,889	874	278,298	153,665
Recoveries	(11,031)	(12,031)	(42,321)	(32,722)
Written off	3	3	4	141
Total charge/(release) to statement of profit or loss	70,861	(11,154)	235,981	121,084

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

(i) Financing and advances

Net increase in allowance/provisions	78,903	4,009	274,001	153,137
Recoveries	(11,031)	(12,031)	(42,321)	(32,722)
Written off	3	3	4	141
Total charge/(release) to statement of profit or loss	67,875	(8,019)	231,684	120,556

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

Net increase/(net release) in allowance/provisions	2	(39)	(4)	17
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(iii) Financing commitments

Net increase/(net release) in allowance/provisions	2,848	(2,370)	4,193	276
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(iv) Financial investment at FVOCI

Net increase/(net release) in allowance/provisions	136	(726)	108	235
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29 Income Attributable to Depositors

	Third Quarter		Nine Months Ended	
	30 Sep 2021 RM'000	30 Sep 2020 RM'000	30 Sep 2021 RM'000	30 Sep 2020 RM'000
<u>Non-Mudharabah Fund</u>				
- Deposits from customers	32,027	46,636	99,899	174,267
- Deposits and placements of banks and other financial institutions	3,252	3,110	9,854	15,356
- Lease liabilities	358	528	1,634	1,078
- Others	6,524	7,159	19,429	34,226
	42,161	57,433	130,816	224,927

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Operating Expenses

	Third Quarter		Nine Months Ended	
	30 Sep 2021 RM'000	30 Sep 2020 RM'000	30 Sep 2021 RM'000	30 Sep 2020 RM'000
Personnel expenses	13,428	11,683	34,905	34,192
Promotion and marketing related expenses	321	1,499	4,297	6,707
Establishment related expenses	4,014	3,861	12,093	11,833
General administrative expenses	5,447	8,079	20,221	25,139
Related company expenses	38,376	35,954	112,777	103,190
	61,586	61,076	184,293	181,061
Personnel expenses				
Salaries, allowances and bonuses	8,269	9,236	25,141	27,056
Employees Provident Fund contributions	1,417	1,631	4,432	4,780
Share based payment	36	163	(13)	439
Other staff related costs	3,706	653	5,345	1,917
	13,428	11,683	34,905	34,192
Establishment related expenses				
Depreciation of equipment	611	544	1,855	1,538
Depreciation of ROU assets	1,598	1,700	4,851	5,845
Information technology costs	971	645	2,487	1,622
Equipment written off	-	-	121	-
Utilities	204	516	892	1,509
Others	630	456	1,887	1,319
	4,014	3,861	12,093	11,833
Related company charges				
(i) By type of service				
- Information technology related cost	8,087	3,779	21,579	13,520
- Non information technology related cost	30,289	32,175	91,198	89,670
	38,376	35,954	112,777	103,190
(ii) By country/ territory				
- Malaysia	38,101	35,595	111,420	102,539
- United Kingdom	273	345	1,350	637
- Hong Kong	2	14	7	14
	38,376	35,954	112,777	103,190

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Capital Adequacy

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Tier 1 capital		
Paid-up ordinary share capital	660,000	660,000
Retained profits	1,264,594	1,350,035
Other reserves	43,316	20,960
Regulatory adjustments	(69,458)	4,173
Total Common Equity Tier 1 (CET1) and Tier 1 capital	1,898,452	2,035,168
Tier 2 capital		
Subordinated Commodity Murabahah financing	417,596	516,285
Impairment allowance (unimpaired portion) & regulatory reserves	144,514	120,612
Total Tier 2 capital	562,110	636,897
Capital base	2,460,562	2,672,065
<u>Before deducting proposed dividend</u>		
CET1 and Tier 1 Capital ratio	15.053%	16.210%
Total Capital ratio	19.510%	21.282%
<u>After deducting proposed dividend</u>		
CET1 and Tier 1 Capital ratio	15.053%	15.811%
Total Capital ratio	19.510%	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.

<u>Before deducting proposed dividend</u>	With Transitional Arrangement		Without Transitional Arrangement	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	%	%	%	%
CET1 and Tier 1 Capital	15.053%	16.210%	14.944%	15.811%
Total Capital	19.510%	21.282%	19.401%	21.068%

Breakdown of RWA in the various categories of risk weights:

	30 Sep 2021	31 Dec 2020
	RM'000	RM'000
Total RWA for credit risk	11,561,101	11,498,037
Total RWA for market risk	51,977	52,557
Total RWA for operational risk	998,938	1,004,660
	12,612,016	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	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Direct credit substitutes	13,743	20,562
Transaction-related contingent items	1,426,043	1,297,514
Short-term self-liquidating trade-related contingencies	50,120	75,666
Formal standby facilities and credit lines		
- Maturity not exceeding one year	1,318,064	1,389,116
- Maturity exceeding one year	3,406,132	2,311,222
Other unconditionally cancellable	2,636,962	2,294,173
Unutilised credit card lines	3,583,146	3,689,300
Equity related contracts		
- Less than one year	240,651	328,281
- One year to less than five years	582,119	497,651
Profit rate related contracts		
- Less than one year	297,217	454,592
- One year to less than five years	1,279,773	1,107,611
Foreign exchange related contracts		
- Less than one year	12,195,474	10,774,662
- One year to less than five years	143,994	219,241
	27,173,438	24,459,591

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Performance Review, Economy and Prospects

Performance review

The Bank recorded a loss before taxation of RM33.9 million for the financial period ended 30 September 2021 compared to a profit before taxation of RM102.1m in the corresponding period last year. This was mainly due to higher impairment provisions by RM114.9m and lower operating income by RM17.9m.

Impairment provisions was mainly driven by stage 3 downgrade of financing exposures, while the decrease in operating income was primarily attributed to lower net financing income due to the spill-over impact of the 2020 rate cuts into 2021, partially offset by higher overall net non-financing income.

Total balance sheet as at 30 September 2021 stood at RM17.9 billion, a decrease of RM0.5 billion compared to 31 December 2020 of RM18.4 billion. The Bank's capital and liquidity ratios remained strong and were well above the regulatory requirements.

Economy and Prospects

Malaysia continued to be severely impacted by COVID-19 in 2021. It has witnessed the lowest non-residential mobility in the ASEAN region owing to the severe restrictions in place since the end of May 2021. A new Malaysia's prime minister (PM) was appointed on 21 August 2021 following an unexpected resignation of former PM. Although continuity is expected in key areas of economic policymaking, the political uncertainty could complicate the government's medium-term fiscal consolidation plans, which are needed to rebuild fiscal health.

Amid the prolonged slow-down of economic activities, Bank Negara Malaysia (BNM) has recently revised the full year gross domestic product (GDP) growth forecast down to between 3% and 4% for 2021, from the previous range of 6% to 7.5%. It has opted not to cut the Overnight Policy Rate in 2021 despite policy space as it focuses on recovery prospects and financial stability risks.

The risk to the economy growth outlook remain tilted to the downside due to concerns in both domestic and external factors. These include any potential delay in transition of National Recovery Plan (NRP) or an imposition of broad-based containment measures again should there be any new surge in COVID-19 cases, and a weaker-than-expected global growth recovery. However, sentiments remain positive, at least domestically, with the continuation of rapid progress in vaccination programmes which is on track for an 80% vaccination rate for total population by November 2021, gradual re-opening of the economic sectors under the NRP and continued policy support by the Government and BNM.

HSBC Amanah will continue to support the Government and BNM's initiatives with a specific emphasis on those most vulnerable to the current conditions and help them build financial resilience rather than financial reliance, whilst supporting its wider customers to build resilience to meet the challenges ahead.

The Bank has continued its investment in enhancing digital capabilities to better serve customers' expectations and their preferred ways to do businesses including innovative branch formats, in line with HSBC Group's strategic focus. The new digital initiatives launched during the year included the roll-out of wealth management solutions and wealth insights on mobile banking apps and DuitNow Request, the first in Malaysia, to its business customers – a real time payment service which allows streamlining in collection of repetitive payments from multiple customers. Sophis, a new system to re-introduce equity linked quanto structured products to our retail customers, was also launched in the first half of the year.

Together with our parent company, HSBC Malaysia as a group was awarded the "Digital Bank of the Year", the "Best Retail Digital Payments Experience" and "Best Retail Online Banking Experience" by the Asset Triple A Digital Awards 2021, along with the 2021 "Best International Bank in Malaysia", for the 2nd consecutive year in recognition of its innovative digital features implemented since the pandemic last year which have enabled customers to easily transit to seamless retail online banking and digital payment experience.

From the sustainable front, HSBC Amanah has completed a few sustainable and ESG-linked propositions, namely, the issuance of a Green Bank Guarantee to a biogas-to-energy player in Malaysia and Green Trade Financing facilities to two companies for sustainable cocoa sourcing in Malaysia and for acquiring a stake in solar project in Vietnam. We were also the first bank in Malaysia to publish a Task Force on Climate-Related Financial Disclosures (TCFD) in fulfilling our commitment to transparency in our reporting of climate-related financial risks.

In August 2021, the Bank was awarded the highly coveted "Islamic ESG Bank of the Year" award for the 2nd consecutive year, from The Asset Triple A Islamic Finance Awards 2021. It also received the "Best Islamic Trade Finance Bank" award for the 4th consecutive year. This is a solid endorsement of HSBC Group's sustainable financing capabilities and sustained commitment to the transition to a global net zero economy.

Malaysia is uniquely positioned to capture increasing opportunities arising from supply chains that are moving to the ASEAN region. Despite the challenging year, we continue to believe that Malaysia's recovery prospects remain bright which should help us to execute our transformation plans and growth initiatives.