

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**31 MARCH 2019**

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

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

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018**

	<i>Note</i>	<b>31 Mar 2019</b> RM'000	31 Dec 2018 RM'000
<b>Assets</b>			
Cash and short-term funds	12	2,118,908	2,804,494
Financial investments at fair value through other comprehensive income (FVOCI)	13	3,643,673	2,725,683
Financing and advances	14	13,875,951	14,137,337
Derivative financial assets	17	220,569	242,284
Other assets	18	115,067	50,664
Statutory deposits with Bank Negara Malaysia	19	394,362	364,662
Equipment		6,880	6,868
Deferred tax assets		15,332	17,363
<b>Total assets</b>		<b>20,390,742</b>	<b>20,349,355</b>
<b>Liabilities</b>			
Deposits from customers	20	11,776,267	11,444,577
Deposits and placements from banks and other financial institutions	21	2,844,600	3,299,964
Structured liabilities designated at fair value through profit or loss (FVTPL)	22	1,018,575	884,877
Bills payable		17,023	18,594
Derivative financial liabilities	17	185,295	227,330
Other liabilities	23	314,697	270,960
Provision for taxation		13,181	29,520
Multi-Currency Sukuk Programme	24	1,758,628	1,755,281
Subordinated Commodity Murabahah Financing	25	587,848	595,987
<b>Total liabilities</b>		<b>18,516,114</b>	<b>18,527,090</b>
<b>Equity</b>			
Share capital		660,000	660,000
Reserves		1,214,628	1,162,265
<b>Total equity attributable to owner of the Bank</b>		<b>1,874,628</b>	<b>1,822,265</b>
<b>Total liabilities and equity</b>		<b>20,390,742</b>	<b>20,349,355</b>
Restricted investment accounts <sup>[1]</sup>		4,007,681	4,175,818
Total Islamic Banking asset <sup>[1]</sup>		24,398,423	24,525,173
<b>Commitments and contingencies</b>	32	<b>22,433,941</b>	<b>23,162,908</b>

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

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2018 and the accompanying explanatory notes on pages 7 to 35 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 22 April 2019.*

**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	<i>Note</i>	<b>31 Mar 2019 RM'000</b>	31 Mar 2018 RM'000
Income derived from investment of depositors' funds and others	26	<b>207,483</b>	192,303
Income derived from investment of shareholder's funds	27	<b>39,715</b>	37,185
Impairment allowance/provision	28	<b>(18,436)</b>	(25,719)
Total distributable income		<b>228,762</b>	203,769
Income attributable to depositors	29	<b>(114,442)</b>	(97,867)
Total net income		<b>114,320</b>	105,902
Operating expenses	30	<b>(55,737)</b>	(62,752)
Profit before tax		<b>58,583</b>	43,150
Tax expense		<b>(10,681)</b>	(8,912)
<b>Profit for the financial period</b>		<b>47,902</b>	34,238
<b>Other comprehensive income/(expense)</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Own credit reserves:			
Change in fair value		<b>1,029</b>	(1,955)
Income tax effect		<b>(247)</b>	469
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met:</i>			
Fair value through other comprehensive income reserve:			
Change in fair value		<b>4,505</b>	(3,129)
Net amount transferred from profit or loss		<b>38</b>	300
Impairment charges		<b>92</b>	(32)
Income tax effect		<b>(1,090)</b>	679
Other comprehensive income/(expense) for the financial period, net of tax		<b>4,327</b>	(3,668)
<b>Total comprehensive income for the financial period</b>		<b>52,229</b>	30,570
Profit attributable to the owner of the Bank		<b>47,902</b>	34,238
Total comprehensive income attributable to the owner of the Bank		<b>52,229</b>	30,570
Basic earnings per RM0.50 ordinary share		<b>47.9 sen</b>	34.2 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 2018 and the accompanying explanatory notes on pages 7 to 35 attached to the unaudited condensed interim financial statements.*

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**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	<i>Non-distributable</i>				<i>Distributable</i>		<i>Total</i>
	<i>Share capital</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2019</b>							
<b>Balance at 1 January</b>	<b>660,000</b>	<b>479</b>	<b>(2,987)</b>	<b>499</b>	<b>91,100</b>	<b>1,073,174</b>	<b>1,822,265</b>
- Impact on transition to MFRS 9	-						-
- As restated	<b>660,000</b>	<b>479</b>	<b>(2,987)</b>	<b>499</b>	<b>91,100</b>	<b>1,073,174</b>	<b>1,822,265</b>
<b>Total comprehensive income for the financial period</b>							
Profit for the financial period	-	-	-	-	-	<b>47,902</b>	<b>47,902</b>
<b>Other comprehensive income, net of tax</b>							
Financial investments at FVOCI/Own Credit reserve							
Net change in fair value	-	<b>3,424</b>	<b>782</b>	-	-	-	<b>4,206</b>
Net amount transferred from profit or loss	-	<b>29</b>	-	-	-	-	<b>29</b>
Impairment charges	-	<b>92</b>	-	-	-	-	<b>92</b>
<i>Total other comprehensive income</i>	-	<b>3,545</b>	<b>782</b>	-	-	-	<b>4,327</b>
Total comprehensive income for the financial period	-	<b>3,545</b>	<b>782</b>	-	-	<b>47,902</b>	<b>52,229</b>
Transfer to regulatory reserves	-	-	-	-	<b>(1,000)</b>	<b>1,000</b>	-
<b>Transactions with the owner, recorded directly in equity</b>							
Share based payment transactions	-	-	-	<b>109</b>	-	<b>25</b>	<b>134</b>
Dividends paid to owner - 2017 final	-	-	-	-	-	-	-
Balance at 31 March	<b>660,000</b>	<b>4,024</b>	<b>(2,205)</b>	<b>608</b>	<b>90,100</b>	<b>1,122,101</b>	<b>1,874,628</b>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2018 and the accompanying explanatory notes on pages 7 to 35 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 22 April 2019.

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019 (Cont'd)**

	<i>Non-distributable</i>				<i>Distributable</i>		<i>Total</i>
	<i>Share capital</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2018</b>							
<b>Balance at 1 January</b>	660,000	305	856	408	34,000	965,535	1,661,104
<b>Total comprehensive income for the financial period</b>							
Profit for the financial period	-	-	-	-	-	34,238	34,238
<b>Other comprehensive income, net of tax</b>							
Financial investments at FVOCI/Own Credit reserve							
Net change in fair value	-	(2,378)	(1,486)	-	-	-	(3,910)
Net amount transferred from profit or loss	-	228	-	-	-	-	366
Impairment charges	-	(32)	-	-	-	-	25
<i>Total other comprehensive income</i>	-	(2,182)	(1,486)	-	-	-	(3,668)
Total comprehensive income for the financial period	-	(2,182)	(1,486)	-	-	34,238	30,570
Transfer to regulatory reserves	-	-	-	-	11,000	(11,000)	-
<b>Transactions with the owner, recorded directly in equity</b>							
Share based payment transactions	-	-	-	111	-	9	120
Balance at 31 March	660,000	(1,877)	(630)	519	45,000	988,782	1,691,794

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**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	<b>31 Mar 2019</b>	31 Mar 2018
	<b>RM'000</b>	RM'000
Profit before tax	<b>58,583</b>	43,150
Adjustments for non-operating and non-cash items	<b>31,496</b>	2,648
Operating profit before working capital changes	<b>90,079</b>	45,798
Changes in working capital:		
Net changes in operating assets	<b>160,541</b>	230,643
Net changes in operating liabilities	<b>23,418</b>	486,437
Income tax paid	<b>(26,327)</b>	(954)
<b>Net cash generated from operating activities</b>	<b>247,711</b>	761,924
<b>Net cash used in investing activities</b>	<b>(914,157)</b>	(19,618)
<b>Net cash used in financing activities</b>	<b>(19,140)</b>	(22,027)
	<b>(933,297)</b>	(41,645)
<b>Net changes in cash and cash equivalents</b>	<b>(685,586)</b>	720,279
<b>Cash and cash equivalents at 1 January</b>	<b>2,804,494</b>	1,465,919
<b>Cash and cash equivalents at 31 March</b>	<b>2,118,908</b>	2,186,198
<b>Analysis of cash and cash equivalents</b>		
Cash and short-term funds	<b>2,118,908</b>	2,186,198

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**UNAUDITED CONDENSED CASH FLOW STATEMENT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

**Changes in liabilities arising from financing activities**

	At 1 January RM'000	Cash inflow/ (outflow) RM'000	Foreign exchange adjustment RM'000	Fair value movement RM'000	Profit accrual RM'000	At 31 March RM'000
<b>2019</b>						
Multi-Currency Sukuk Programme	1,755,281	-	-	3,347	-	1,758,628
Subordinated Commodity Murabahah Financing	595,987	-	(8,139)	-	-	587,848
Other Liabilities of which:						
Profits paid on Multi-Currency Sukuk Programme	18,175	(15,146)	-	-	17,722	20,751
Profits paid on Subordinated Commodity Murabahah Financing	307	(3,994)	-	-	7,172	3,485
	<b>2,369,750</b>	<b>(19,140)</b>	<b>-</b>	<b>3,347</b>	<b>24,894</b>	<b>2,370,712</b>
<b>2018</b>						
Multi-Currency Sukuk Programme	1,252,829	-	-	115	-	1,252,944
Subordinated Commodity Murabahah Financing	583,598	-	(27,084)	-	-	556,514
Other Liabilities of which:						
Profits paid on Multi-Currency Sukuk Programme	12,815	(14,606)	-	-	11,881	10,090
Profits paid on Subordinated Commodity Murabahah Financing	2,371	(7,421)	-	-	5,336	286
	<b>1,851,613</b>	<b>(22,027)</b>	<b>(27,084)</b>	<b>115</b>	<b>17,217</b>	<b>1,819,834</b>

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**HSBC AMANAH MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**1 General Information**

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

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

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 10th floor, North Tower, 2, Leboh Ampang, 50100 Kuala Lumpur.

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

The unaudited condensed interim financial statements were approved and authorised for issue by the Board of Directors on 22 April 2019.

**2 Basis of Preparation**

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The unaudited condensed interim financial statements for the financial period ended 31 March 2019 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial investments at fair value through other comprehensive income, derivative financial instruments and financial liabilities designated at fair valued through profit and loss.

The unaudited condensed interim financial statements for the financial period ended 31 March 2019 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Bank Negara Malaysia (BNM) requirements on Shariah related disclosures.

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

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

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

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

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### **2 Basis of Preparation (Cont'd)**

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

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

Transitional impact

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**3 Changes in accounting policies (Cont'd)**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**3 Changes in accounting policies (Cont'd)**

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

<b>Retained profits</b>	<b>RM'000</b>
As previously reported at 31 December 2018	1,073,174
<u>Impact of adoption of MFRS 16 (net of tax effect):</u>	
Increase in ROU assets	31,733
Increase in lease liability	(31,733)
As restated at 1 January 2019	<u>1,073,174</u>

**Reconciliation between MFRS 117 operating lease commitments to MFRS 16**

	<b>RM'000</b>
Operating lease commitments disclosed as at 31 December 2018	13,404
Discounted using incremental borrowing rate	(610)
(Less): short-term leases recognised on a straight-line basis as expense	(203)
Add: adjustments as a result of a different treatment on extension and termination options	18,893
Add: others	249
Lease liability recognised as at 1 January 2019	<u>31,733</u>
Of which:	
Current lease liability	6,020
Non-current lease liability	<u>25,713</u>
	<u>31,733</u>

## **NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

### **4 Functional and Presentation of Currency**

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These financial statements are presented in Ringgit Malaysia (RM), which is the Bank's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

### **5 Auditors' Report On Preceding Annual Financial Statements**

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

### **6 Seasonality or Cyclical Factors**

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

### **7 Unusual Items Due to Their Nature, Size or Incidence**

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There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Bank for the financial period ended 31 March 2019.

### **8 Changes in Estimates**

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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 2019.

### **9 Debt and Equity Securities**

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There were no other issuances, cancellations, repurchases, resale or repayment of other debt or equity securities during the financial period ended 31 March 2019.

### **10 Dividend**

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No interim dividend was declared nor paid during the financial period ended 31 March 2019.

### **11 Significant and Subsequent Events**

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There were no material events subsequent to the date of the statement of financial position that require disclosure or adjustments to the unaudited condensed interim financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**12 Cash and Short-Term Funds**

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>178,908</b>	165,396
Money at call and interbank placements maturing within one month	<b>1,940,000</b>	2,639,098
	<b>2,118,908</b>	2,804,494

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

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Money market instruments:		
Malaysian Government Islamic Sukuk	<b>3,643,673</b>	2,526,369
Islamic Treasury Bill	-	199,314
	<b>3,643,673</b>	2,725,683

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

Maturing within one year	<b>740,595</b>	940,445
More than one year to three years	<b>2,478,890</b>	1,554,002
More than three years to five years	<b>424,188</b>	231,236
	<b>3,643,673</b>	2,725,683

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**14 Financing and Advances**

**(i) By type and Shariah contracts**

At amortised cost	Sale-based contracts		Lease-based contracts		Equity-based contracts	Ujrah	Total
	Commodity Murabahah	Bai Al-Inah	Ijarah	Ijarah Thumma Al-Bai	Diminishing Musharakah		
31 Mar 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	81,624	-	-	-	-	-	81,624
Term financing:							
House financing	-	-	-	-	4,292,431	-	4,292,431
Hire purchase receivables	-	-	-	182,658	-	-	182,658
Lease receivables	-	-	318	-	-	-	318
Syndicated term financing	1,272,125	-	-	-	-	-	1,272,125
Other term financing	3,172,316	60	-	-	976,946	-	4,149,322
Trust receipts	558,325	-	-	-	-	-	558,325
Claims on customers under acceptance credits	417,187	-	-	-	-	-	417,187
Bills receivables	499,534	-	-	-	-	-	499,534
Staff financing-i	1,178	47	-	-	1,547	-	2,772
Credit cards-i	-	-	-	-	-	1,077,508	1,077,508
Revolving financing	1,644,997	-	-	-	-	-	1,644,997
Other financing	-	-	-	-	3,454	-	3,454
Gross financing and advances	<b>7,647,286</b>	<b>107</b>	<b>318</b>	<b>182,658</b>	<b>5,274,378</b>	<b>1,077,508</b>	<b>14,182,255</b>
Less: Impairment allowance							<b>(306,304)</b>
Total net financing and advances							<b>13,875,951</b>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Financing and Advances (Cont'd)

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

	Sale-based contracts		Lease-based contracts		Equity-based contracts	Ujrah	Total
	Commodity Murabahah	Bai Al-Inah	Ijarah	Ijarah Thumma Al-Bai	Diminishing Musharakah		
31 Dec 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	75,334	-	-	-	-	-	75,334
Term financing:							
House financing	-	-	-	-	4,329,220	-	4,329,220
Hire purchase receivables	-	-	-	195,636	-	-	195,636
Lease receivables	-	-	539	-	-	-	539
Syndicated term financing	1,334,656	-	-	-	-	-	1,334,656
Other term financing	3,381,217	62	-	-	1,010,142	-	4,391,421
Trust receipts	523,625	-	-	-	-	-	523,625
Claims on customers under acceptance credits	422,293	-	-	-	-	-	422,293
Bills receivables	456,578	-	-	-	-	-	456,578
Staff financing-i	1,520	52	-	-	1,572	-	3,144
Credit cards-i	-	-	-	-	-	1,075,634	1,075,634
Revolving financing	1,634,365	-	-	-	-	-	1,634,365
Other financing	-	-	-	-	3,426	-	3,426
Gross financing and advances	7,829,588	114	539	195,636	5,344,360	1,075,634	14,445,871
Less: Impairment allowance							(308,534)
Total net financing and advances							14,137,337

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**14 Financing and Advances (Cont'd)**

**(ii) By type of customer**

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Domestic non-bank financial institutions	<b>640,226</b>	619,421
Domestic business enterprises:		
Small medium enterprises	<b>1,973,995</b>	1,983,223
Others	<b>3,654,727</b>	3,781,656
Government and statutory bodies	<b>3,874</b>	4,527
Individuals	<b>6,164,514</b>	6,216,584
Other domestic entities	<b>1,227</b>	1,258
Foreign entities	<b>1,743,692</b>	1,839,202
	<b><u>14,182,255</u></b>	<u>14,445,871</u>

**(iii) By profit rate sensitivity**

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Fixed rate:		
Hire purchase receivables	<b>182,658</b>	195,636
Other financing	<b>3,400,834</b>	3,341,460
Variable rate:		
Base Rate/Base Financing Rate plus	<b>5,339,431</b>	5,392,670
Cost-plus	<b>5,259,332</b>	5,516,105
	<b><u>14,182,255</u></b>	<u>14,445,871</u>

**(iv) By residual contractual maturity**

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Maturing within one year	<b>5,825,569</b>	5,895,995
More than one year to three years	<b>1,133,059</b>	1,167,759
More than three years to five years	<b>1,295,175</b>	1,298,607
Over five years	<b>5,928,452</b>	6,083,510
	<b><u>14,182,255</u></b>	<u>14,445,871</u>



**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**14 Financing and Advances (Cont'd)**

**(v) By sector**

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry & fishing	<b>18,721</b>	18,986
Mining and quarrying	<b>204,639</b>	231,674
Manufacturing	<b>1,486,884</b>	1,495,092
Electricity, gas and water	<b>154,765</b>	128,262
Construction	<b>836,314</b>	783,688
Real estate	<b>931,871</b>	1,135,507
Wholesale & retail trade, restaurants & hotels	<b>1,059,401</b>	995,569
Transport, storage and communication	<b>189,444</b>	214,291
Finance, takaful and business services	<b>1,048,033</b>	1,040,672
Household - Retail	<b>6,716,643</b>	6,780,146
Others	<b>1,535,540</b>	1,621,984
	<b><u>14,182,255</u></b>	<u>14,445,871</u>

**(vi) By purpose**

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Purchase of landed property:		
Residential	<b>4,293,979</b>	4,330,789
Non-residential	<b>801,269</b>	835,867
Purchase of transport vehicles	<b>1,095</b>	1,255
Consumption credit	<b>2,181,219</b>	2,201,278
Construction	<b>604,230</b>	567,385
Working capital	<b>5,105,026</b>	5,229,130
Other purpose	<b>1,195,437</b>	1,280,167
	<b><u>14,182,255</u></b>	<u>14,445,871</u>

**(vii) By geographical distribution**

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Northern Region	<b>1,510,972</b>	1,499,020
Southern Region	<b>1,490,263</b>	1,464,999
Central Region	<b>10,790,488</b>	11,081,704
Eastern Region	<b>390,532</b>	400,148
	<b><u>14,182,255</u></b>	<u>14,445,871</u>

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

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

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

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

The Eastern region consists of the states of Sabah, Sarawak and the Federal Territory of Labuan.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**14 Financing and Advances (Cont'd)**

**(viii) Assets under Management**

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

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Total gross financing and advances	<b>3,298,793</b>	3,381,964
Less: Impairment allowance	<b>(862)</b>	(896)
Total net financing and advances	<b>3,297,931</b>	3,381,068
<i>Maturity not exceeding one year</i>	<b>709,750</b>	794,750
Total commitments and contingencies	<b>709,750</b>	794,750
Risk weighted assets (RWA)	<b>2,839,595</b>	2,939,702

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

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

**15 Impaired Financing**

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

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Gross carrying amount as at 1 January	<b>430,313</b>	322,683
Transfer within stages	<b>29,792</b>	71,690
Net remeasurement due to changes in credit risk	<b>(2,955)</b>	115,711
Written-off	<b>(30,005)</b>	(113,156)
Others	<b>(1,841)</b>	33,385
<b>Gross carrying amount as at 31 March/December</b>	<b>425,304</b>	430,313

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Impaired Financing (Cont'd)

(ii) By contract

	31 Mar 2019 RM'000	31 Dec 2018 RM'000
Ijarah Thumma Al-Bai (AITAB) ( <i>hire purchase</i> )	3,413	6,368
Commodity Murabahah ( <i>cost-plus</i> )	276,659	275,947
Diminishing Musharakah ( <i>profit and loss sharing</i> )	137,286	140,036
Bai Al-Inah ( <i>sell and buy back</i> )	49	32
Ujrah ( <i>fee-based</i> )	7,897	7,930
	<b>425,304</b>	<b>430,313</b>

(iii) By sector

	31 Mar 2019 RM'000	31 Dec 2018 RM'000
Mining and quarrying	90	704
Manufacturing	16,614	17,354
Construction	3,607	3,142
Wholesale & retail trade, restaurants & hotels	12,654	11,139
Transport, storage and communication	1,202	4,153
Finance, takaful and business services	26,614	28,661
Household - Retail	339,959	339,334
Others	24,564	25,826
	<b>425,304</b>	<b>430,313</b>

(iv) By purpose

	31 Mar 2019 RM'000	31 Dec 2018 RM'000
Purchase of landed property:		
Residential	121,380	124,989
Non-residential	13,465	11,824
Purchase of transport vehicles	94	146
Consumption credit	217,002	212,228
Construction	3,018	2,402
Working capital	46,776	53,902
Others	23,569	24,822
	<b>425,304</b>	<b>430,313</b>

(v) By geographical distribution

	31 Mar 2019 RM'000	31 Dec 2018 RM'000
Northern Region	39,075	39,459
Southern Region	37,447	40,283
Central Region	341,181	343,936
Eastern Region	7,601	6,635
	<b>425,304</b>	<b>430,313</b>

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:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>			
	12- month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Lifetime ECL credit impaired Specific provision RM'000	Collective provision RM'000	Total RM'000
Balance at 1 January 2019	<b>43,988</b>	<b>64,464</b>	<b>200,082</b>	-	-	<b>308,534</b>
Changes due to financial assets recognised in the opening balance that have:						
- Transferred to Stage 1	<b>14,642</b>	<b>(12,506)</b>	<b>(2,136)</b>	-	-	-
- Transferred to Stage 2	<b>(3,695)</b>	<b>6,559</b>	<b>(2,864)</b>	-	-	-
- Transferred to Stage 3	<b>(6)</b>	<b>(11,882)</b>	<b>11,888</b>	-	-	-
New financial assets originated or purchased	<b>3,684</b>	-	-	-	-	<b>3,684</b>
Net remeasurement due to changes in credit risk	<b>(17,855)</b>	<b>20,245</b>	<b>23,825</b>	-	-	<b>26,215</b>
Asset written-off	-	-	<b>(30,005)</b>	-	-	<b>(30,005)</b>
Others	<b>(258)</b>	-	<b>(1,866)</b>	-	-	<b>(2,124)</b>
<b>Balance at 31 March 2019</b>	<b>40,500</b>	<b>66,880</b>	<b>198,924</b>	-	-	<b>306,304</b>
Balance at 1 January 2018	-	-	-	114,899	240,908	355,807
- adoption of MFRS 9	61,134	65,520	150,770	(114,899)	(240,908)	(78,383)
Balance restated	61,134	65,520	150,770	-	-	277,424
Changes due to financial assets recognised in the opening balance that have:						
- Transferred to Stage 1	14,039	(12,550)	(1,489)	-	-	-
- Transferred to Stage 2	(4,667)	10,011	(5,344)	-	-	-
- Transferred to Stage 3	(638)	(3,821)	4,459	-	-	-
Changes due to modification not derecognised	-	-	-	-	-	-
New financial assets originated or purchased	19,140	-	-	-	-	19,140
Net remeasurement due to changes in credit risk	(44,424)	5,304	131,234	-	-	92,114
Asset written-off	-	-	(113,156)	-	-	(113,156)
Others	(596)	-	33,608	-	-	33,012
<b>Balance at 31 December 2018</b>	<b>43,988</b>	<b>64,464</b>	<b>200,082</b>	-	-	<b>308,534</b>

The Bank measures the expected credit losses (ECL) using the three-stage approach. The following section explains how significant changes in the gross carrying amount of financing and advances during the year have contributed to the changes in the ECL allowances for the Bank under the expected credit loss model.

The total ECL allowances decreased by RM2.2 million compared to the balance at the beginning of the year. This net decrease was mainly contributed by account written off (-RM27.2m) and others (-RM5.0m) partially offset by remeasurement due to change in credit risk (RM26.2m) and new financial assets originated or purchased (RM3.7m).

- 12-months ECL not credit impaired (Stage 1) – decreased by RM3.5 million, primarily due to remeasurement due to change in credit risk, and partially offset by migration of financings from/to Stage 1, Stage 2 and Stage 3 and new financial assets originated or purchased.
- Lifetime ECL not credit-impaired (Stage 2) – increased by RM2.4 million, primarily due to remeasurement due to change 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) – decreased by RM1.2 million, primarily due to written off of the impaired financing and others and partially offset by the increase in remeasurement due to change in credit risk and migration of financings from/to Stage 1, Stage 2 and Stage 3.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

(ii) Movements in ECL allowances for financing commitments

The following table shows reconciliation from the opening to the closing balance of the ECL allowance for financing commitments:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	12- month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Balance at 1 January 2019	<b>1,109</b>	<b>925</b>	<b>825</b>	<b>2,859</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>254</b>	<b>(254)</b>	-	-
- Transferred to Stage 2	<b>(68)</b>	<b>68</b>	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	<b>212</b>	-	-	<b>212</b>
Net remeasurement due to changes in credit risk	<b>(283)</b>	<b>142</b>	<b>(466)</b>	<b>(607)</b>
Others	<b>(6)</b>	-	-	<b>(6)</b>
<b>Balance at 31 March 2019</b>	<b>1,218</b>	<b>881</b>	<b>359</b>	<b>2,458</b>
Balance at 1 January 2018	-	-	-	-
- adoption of MFRS 9	946	1,880	997	3,823
Balance restated	946	1,880	997	3,823
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	152	(152)	-	-
- Transferred to Stage 2	(56)	56	-	-
- Transferred to Stage 3	(1)	(2)	3	-
Changes due to modification not derecognised	-	-	-	-
New financial assets originated or purchased	240	-	-	240
Net remeasurement due to changes in credit risk	(99)	(857)	(175)	(1,131)
Asset written-off	-	-	-	-
Others	(73)	-	-	(73)
<b>Balance at 31 December 2018</b>	<b>1,109</b>	<b>925</b>	<b>825</b>	<b>2,859</b>

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**17 Derivative Financial Instruments**

Details of derivative financial instruments outstanding are as follows:

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

	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
<b>31 Mar 2019</b>												
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	5,556,234	-	-	5,556,234	19,338	-	-	19,338	19,689	-	-	19,689
- Swaps	1,672,639	641,293	-	2,313,932	125,860	38,799	-	164,659	125,778	37,877	-	163,655
Profit rate related contracts												
- Swaps	2,323,902	656,000	222,166	3,202,068	3,716	5,203	746	9,665	1,325	-	488	1,813
- Options	-	419,646	-	419,646	-	4,957	-	4,957	-	15	-	15
Equity related contracts												
- Options purchased	250,031	332,630	-	582,661	5,667	16,283	-	21,950	-	123	-	123
Sub- total	<u>9,802,806</u>	<u>2,049,569</u>	<u>222,166</u>	<u>12,074,541</u>	<u>154,581</u>	<u>65,242</u>	<u>746</u>	<u>220,569</u>	<u>146,792</u>	<u>38,015</u>	<u>488</u>	<u>185,295</u>
<b>Total</b>	<u>9,802,806</u>	<u>2,049,569</u>	<u>222,166</u>	<u>12,074,541</u>	<u>154,581</u>	<u>65,242</u>	<u>746</u>	<u>220,569</u>	<u>146,792</u>	<u>38,015</u>	<u>488</u>	<u>185,295</u>

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**17 Derivative Financial Instruments (Cont'd)**

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

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

	31 Mar 2019 RM'000	31 Mar 2018 RM'000
Gains on hedging instruments	13	199
Losses on the hedged items attributable to the hedged risk	(28)	(228)
Net losses from fair value hedges	(15)	(29)

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**18 Other Assets**

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	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Settlements	<b>15,737</b>	3,431
Income receivable	<b>5,256</b>	7,733
Profit receivable	<b>34,089</b>	21,383
Prepayments	<b>220</b>	190
Amount due from holding company	<b>937</b>	360
ROU assets	<b>31,024</b>	-
Other receivables	<b>27,804</b>	17,567
	<b><u>115,067</u></b>	<u>50,664</u>

**19 Statutory Deposits with Bank Negara Malaysia**

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



**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**20 Deposits From Customers**

**(i) By type of deposit**

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
<b>At amortised cost</b>		
Non-Mudharabah Fund		
Demand deposits		
- Qard	<b>1,969,271</b>	1,770,373
Savings deposits		
- Qard	<b>1,746,014</b>	1,689,423
Term deposits		
- Commodity Murabahah	<b>7,918,542</b>	7,789,088
- Qard	<b>142,440</b>	195,693
	<b>11,776,267</b>	11,444,577

The maturity structure of term deposits is as follows:

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Due within six months	<b>6,610,115</b>	6,602,418
More than six months to one year	<b>1,209,946</b>	1,042,883
More than one year to three years	<b>151,417</b>	264,450
More than three years to five years	<b>89,504</b>	75,030
	<b>8,060,982</b>	7,984,781

**(ii) By type of customer**

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Government and statutory bodies	<b>7,650</b>	3,780
Business enterprises	<b>2,646,283</b>	2,349,937
Individuals	<b>6,293,748</b>	6,284,101
Others	<b>2,828,586</b>	2,806,759
	<b>11,776,267</b>	11,444,577

**21 Deposits and Placements from Banks and Other Financial Institutions**

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Non-Mudharabah Fund		
Licensed banks	<b>432,209</b>	579,301
Bank Negara Malaysia	<b>40,155</b>	27,971
Other financial institutions	<b>2,372,236</b>	2,692,692
	<b>2,844,600</b>	3,299,964

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

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

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

<b>At fair value</b>	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Structured liabilities <sup>[1]</sup>		
- Wakalah with Commodity Wa'ad	<b>222,551</b>	228,954
- Tawarruq	<b>796,024</b>	655,923
	<b>1,018,575</b>	884,877

<sup>[1]</sup> 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**

<b>At amortised cost</b>	Note	<b>31 Mar 2019</b>	31 Dec 2018
		<b>RM'000</b>	RM'000
Settlements		<b>6,850</b>	-
Amounts due to holding company		<b>57,756</b>	73,163
Profit payable		<b>94,685</b>	87,846
Deferred income		<b>12,107</b>	11,824
Marginal deposit		<b>4,386</b>	4,245
Accrued expenses		<b>26,982</b>	32,928
Leased liabilities		<b>31,555</b>	-
Other creditors	(a)	<b>77,918</b>	58,095
Provision on financing and credit related commitments		<b>2,458</b>	2,859
		<b>314,697</b>	270,960

(a) Other creditors and accruals

Included in other creditors and accruals is excess compensation balance and profit earned from inadvertent Shariah non-compliant activities. The contribution was distributed to the non-governmental organisations approved by the Shariah Committee during the financial period/year. There had not been any case on Shariah non-compliant event during the financial period (2018: Nil).

**Source and use of charity funds**

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Balance at 1 January	<b>14</b>	1
Shariah non-compliant income for the financial period/year <sup>[2]</sup>	<b>1</b>	16
- Tax expense on Shariah non-compliant income	<b>-</b>	(3)
Balance at 31 March/December	<b>15</b>	14

<sup>[2]</sup> Income received from transactions via Nostro Accounts.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**24 Multi-Currency Sukuk Programme**

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Multi-Currency Sukuk Programme (MCSP)	<b><u>1,758,628</u></b>	<u>1,755,281</u>

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

	<b>Nominal Value</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Carrying Value</b>	
				<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>			<b>RM'000</b>	RM'000
<u>Issuance under MCSP</u>					
<b>At fair value</b>					
2nd series	500,000	16 Oct 2014	16 Oct 2019	<b>501,337</b>	501,173
3rd series	750,000	27 Mar 2015	27 Mar 2020	<b>752,863</b>	751,993
4th series	500,000	2 Oct 2018	2 Oct 2023	<b>504,428</b>	502,115
	<u>1,750,000</u>			<b><u>1,758,628</u></b>	<u>1,755,281</u>

Movement in MCSP

	<b>2nd series</b>	<b>3rd series</b>	<b>4th series</b>
	<b>31 Mar 2019</b>	<b>31 Mar 2019</b>	<b>31 Mar 2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>2019</u>			
Balance at 1 January	<b>501,173</b>	<b>751,993</b>	<b>502,115</b>
Change in fair value other than from own credit risk	<b>(252)</b>	<b>1,178</b>	<b>4,138</b>
Change in fair value from own credit risk	<b>416</b>	<b>(308)</b>	<b>(1,825)</b>
Balance at 31 March	<b><u>501,337</u></b>	<b><u>752,863</u></b>	<b><u>504,428</u></b>
	<b>2nd series</b>	<b>3rd series</b>	<b>4th series</b>
	31 Dec 2018	31 Dec 2018	31 Dec 2018
	RM'000	RM'000	RM'000
<u>2018</u>			
Balance at 1 January	501,201	751,628	-
New issuance during the financial period	-	-	500,000
Change in fair value other than from own credit risk	(1,811)	445	1,054
Change in fair value from own credit risk	1,783	(80)	1,061
Balance at 31 December	<u>501,173</u>	<u>751,993</u>	<u>502,115</u>
		<b>31 Mar 2019</b>	31 Dec 2018
		<b>RM'000</b>	RM'000
The cumulative change in fair value due to changes in own credit risk		<b><u>(1,717)</u></b>	<u>2,764</u>

**25 Subordinated Commodity Murabahah Financing**

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Subordinated Commodity Murabahah Financing, at amortised costs		
- First tranche issued on 25 June 2014	<b>317,006</b>	321,395
- Second tranche issued on 30 June 2015	<b>270,842</b>	274,592
	<b><u>587,848</u></b>	<u>595,987</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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**26 Income Derived from Investment of Depositors' Funds and Others**

	<b>31 Mar 2019</b>	31 Mar 2018
	<b>RM'000</b>	RM'000
Income derived from investment of:		
(i) general investment deposits	<b>132,888</b>	126,270
(ii) specific investment deposits	<b>18,936</b>	16,885
(iii) others	<b>55,659</b>	49,148
	<b>207,483</b>	192,303
(i) Income derived from investment of general investment deposits		
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	<b>102,601</b>	98,326
- Recoveries from impaired financing	<b>4,789</b>	4,522
Financial investments at FVOCI	<b>18,592</b>	12,531
Money at call and deposit with financial institutions	<b>8,078</b>	7,154
	<b>134,060</b>	122,533
<u>Other operating income</u>		
Realised gains from dealing in foreign currency	<b>4,564</b>	387
Unrealised (losses)/gains from dealing in foreign currency	<b>(906)</b>	3,511
Losses from sale of financial assets designated as FVTPL and other financial instruments	<b>(405)</b>	(264)
Unrealised gains from revaluation of financial assets designated as FVTPL	<b>1,542</b>	305
Realised gains from trading in derivatives	<b>52</b>	128
Unrealised gains from trading in derivatives	<b>819</b>	862
Net expenses from financial liabilities designated at FVTPL	<b>(6,828)</b>	(1,173)
Other expenses	<b>(10)</b>	(19)
	<b>(1,172)</b>	3,737
	<b>132,888</b>	126,270

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

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

	<b>31 Mar 2019</b>	31 Mar 2018
	<b>RM'000</b>	RM'000
(ii) Income derived from investment of specific investment deposits		
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	<b>17,143</b>	16,659
Money at call and deposit with financial institutions	<b>2,296</b>	186
	<b>19,439</b>	16,845
<u>Other operating income</u>		
Fees and commission	<b>107</b>	160
Realised losses from dealing in foreign currency	<b>(1,605)</b>	(119)
Unrealised gains/(losses) from dealing in foreign currency	<b>995</b>	(1)
	<b>(503)</b>	40
	<b>18,936</b>	16,885
The above fees and commissions were derived from the following major contributors:		
Service charges and fees	<b>107</b>	134
(iii) Income derived from investment of others		
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	<b>42,973</b>	38,271
- Recoveries from impaired financing	<b>2,006</b>	1,760
Financial investments at FVOCI	<b>7,787</b>	4,878
Money at call and deposit with financial institutions	<b>3,383</b>	2,784
	<b>56,149</b>	47,693
<u>Other operating income</u>		
Realised gains from dealing in foreign currency	<b>1,912</b>	151
Unrealised (losses)/gains from dealing in foreign currency	<b>(380)</b>	1,366
Losses from sale of financial assets designated as FVTPL and other financial instruments	<b>(169)</b>	(103)
Unrealised gains from revaluation of financial assets at FVTPL	<b>646</b>	119
Realised gains from trading in derivatives	<b>22</b>	50
Unrealised gains from trading in derivatives	<b>343</b>	336
Net expenses from financial liabilities designated at FVTPL	<b>(2,860)</b>	(457)
Other expenses	<b>(4)</b>	(7)
	<b>(490)</b>	1,455
	<b>55,659</b>	49,148

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**27 Income Derived from Investment of Shareholder's Funds**

	<b>31 Mar 2019</b>	31 Mar 2018
	<b>RM'000</b>	RM'000
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	<b>16,989</b>	16,685
- Recoveries from impaired financing	<b>793</b>	767
Financial investments at FVOCI	<b>3,078</b>	2,126
Money at call and deposit with financial institutions	<b>1,337</b>	1,214
	<b>22,197</b>	20,792
<u>Other operating income</u>		
Fees and commission	<b>16,877</b>	15,203
Realised gains from dealing in foreign currency	<b>756</b>	66
Unrealised (losses)/gains from dealing in foreign currency	<b>(150)</b>	596
Losses from sale of financial assets designated as FVTPL and other financial instruments	<b>(67)</b>	(45)
Unrealised gains from revaluation of financial assets FVTPL	<b>255</b>	52
Realised gains from trading in derivatives	<b>9</b>	22
Unrealised gains from trading in derivatives	<b>136</b>	146
Shared-service fees from holding company	<b>649</b>	653
Net expenses from financial liabilities designated at FVTPL	<b>(1,046)</b>	(297)
Other income/(expenses)	<b>99</b>	(3)
	<b>17,518</b>	16,393
	<b>39,715</b>	37,185
The above fees and commissions were derived from the following major contributors:		
Service charges and fees	<b>4,165</b>	4,062
Credit cards	<b>9,543</b>	6,775
Agency fees	<b>2,078</b>	2,843

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**28 Impairment Allowance/Provisions**

	<b>31 Mar 2019</b>	31 Mar 2018
	<b>RM'000</b>	RM'000
New and increased allowance/provisions (net of releases)	<b>29,594</b>	36,706
Recoveries	<b>(11,195)</b>	(10,987)
Written off	<b>37</b>	-
<b>Total charge to statement of profit or loss</b>	<b>18,436</b>	25,719

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

(i) Financing and advances

New and increased allowance (net of releases)	<b>29,899</b>	38,387
Recoveries	<b>(11,195)</b>	(10,987)
Written off	<b>37</b>	-
<b>Total charge to statement of profit or loss</b>	<b>18,741</b>	27,400

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

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

(iii) Financing commitments

New and increased allowance (net of releases)	<b>(395)</b>	(1,649)
<b>Total charge to statement of profit or loss</b>	<b>(395)</b>	(1,649)

(iv) Financial investment at FVOCI

New and increased allowance (net of releases)	<b>92</b>	(32)
<b>Total charge to statement of profit or loss</b>	<b>92</b>	(32)

**29 Income Attributable to Depositors**

	<b>31 Mar 2019</b>	31 Mar 2018
	<b>RM'000</b>	RM'000
<u>Non-Mudharabah Fund</u>		
- Deposits from customers	<b>70,819</b>	58,676
- Deposits and placements of banks and other financial institutions	<b>16,669</b>	20,551
- Lease liabilities	<b>406</b>	-
- Others	<b>26,548</b>	18,640
	<b>114,442</b>	97,867

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**30 Operating Expenses**

	<b>31 Mar 2019</b>	31 Mar 2018
	<b>RM'000</b>	RM'000
Personnel expenses	<b>11,357</b>	11,539
Promotion and marketing related expenses	<b>1,199</b>	4,833
Establishment related expenses	<b>4,053</b>	4,042
General administrative expenses	<b>6,841</b>	9,269
Related company expenses	<b>32,287</b>	33,069
	<b>55,737</b>	62,752
Personnel expenses		
Salaries, allowances and bonuses	<b>8,992</b>	9,337
Employees Provident Fund contributions	<b>1,599</b>	1,666
Share based payment	<b>48</b>	30
Other staff related costs	<b>718</b>	506
	<b>11,357</b>	11,539
Promotion and marketing related expenses	<b>1,199</b>	4,833
Establishment related expenses		
Depreciation of equipment	<b>496</b>	666
Depreciation of ROU assets	<b>2,026</b>	-
Information technology costs	<b>689</b>	769
Rental of premises	<b>106</b>	1,868
Utilities	<b>500</b>	520
Others	<b>236</b>	219
	<b>4,053</b>	4,042
General administrative expenses	<b>6,841</b>	9,269
Related company charges	<b>32,287</b>	33,069
Of which by:		
Type of service		
- Information technology related cost	<b>2,559</b>	1,516
- Non information technology related cost	<b>29,728</b>	31,553
Countries		
- Malaysia	<b>32,124</b>	32,964
- United Kingdom	<b>163</b>	105



**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**31 Capital Adequacy**

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
<b>Tier 1 capital</b>		
Paid-up ordinary share capital	<b>660,000</b>	660,000
Retained profits	<b>1,034,199</b>	1,073,174
Other reserves	<b>93,025</b>	88,251
Regulatory adjustments	<b>(105,397)</b>	(94,783)
Total Common Equity Tier 1 (CET1) and Tier 1 capital	<b>1,681,827</b>	1,726,642
<b>Tier 2 capital</b>		
Subordinated Commodity Murabahah financing	<b>587,848</b>	595,987
Impairment allowance (unimpaired portion) & regulatory reserves	<b>151,287</b>	152,771
Total Tier 2 capital	<b>739,135</b>	748,758
<b>Capital base</b>	<b>2,420,962</b>	2,475,400
<u>Inclusive of proposed dividend</u>		
CET1 and Tier 1 Capital ratio	<b>12.836%</b>	13.025%
Total Capital ratio	<b>18.478%</b>	18.673%
<u>Net of proposed dividend</u>		
CET 1 and Tier 1 Capital ratio	<b>12.836%</b>	12.723%
Total Capital ratio	<b>18.478%</b>	18.371%

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

Breakdown of RWA in the various categories of risk weights:

	<b>31 Mar 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Total RWA for credit risk	<b>12,102,988</b>	12,221,665
Total RWA for market risk	<b>53,494</b>	91,851
Total RWA for operational risk	<b>945,544</b>	943,049
	<b>13,102,026</b>	13,256,565

**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.

<b>Principal amount</b>	<b>31 Mar 2019 RM'000</b>	31 Dec 2018 RM'000
Direct credit substitutes	<b>492,464</b>	491,803
Transaction-related contingent items	<b>1,161,017</b>	1,138,590
Short-term self-liquidating trade-related contingencies	<b>44,958</b>	63,111
Formal standby facilities and credit lines		
- Maturity not exceeding one year	<b>1,122,745</b>	1,374,867
- Maturity exceeding one year	<b>2,261,352</b>	2,156,256
Other unconditionally cancellable	<b>1,670,682</b>	1,541,548
Unutilised credit card lines	<b>3,606,182</b>	3,452,850
Equity related contracts		
- Less than one year	<b>250,031</b>	116,883
- One year to less than five years	<b>332,630</b>	362,229
Profit rate related contracts		
- Less than one year	<b>2,323,902</b>	2,077,822
- One year to less than five years	<b>1,075,646</b>	1,671,166
- Over five years	<b>222,166</b>	232,745
Foreign exchange related contracts		
- Less than one year	<b>7,228,873</b>	7,837,019
- One year to less than five years	<b>641,293</b>	646,019
	<b>22,433,941</b>	23,162,908

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 33 Performance Review and Business Prospects

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#### Performance review

Profit before tax (PBT) of RM58.6 million increased by RM15.4 million or 35.8% against history due to higher income derived from investment of shareholder's funds, depositors' funds and others (RM17.7 million), lower impairment allowance (RM7.3 million) and lower operating expenses (RM7.0m), partially offset by higher income attribute to depositors (RM16.6 million).

Income derived from investment of depositor's funds and others increased by RM15.2 million, mainly due to higher finance income (up RM 22.6 million) and offset with higher expenses on financial liabilities designated at fair value through profit or losses (up RM 8.1 million).

Operating expenses decreased from RM62.8 million to RM55.7 million or by 11.2% mainly due to lower promotion and marketing related expenses(-RM3.6 million) and general administrative expenses (-RM2.4 million). The Bank continues to leverage on its holding company to provide certain services under an embedded model to ensure costs efficiency with cost income ratio stood at 42.0% compared to 47.7% in prior corresponding period.

Total balance sheet at 31 March 2019 stood at RM20.4 billion, RM0.1 billion higher compared against 31 December 2018 (RM20.3 billion). The Bank's capital and liquidity ratios continues to remain strong and well above the regulatory requirements.

#### Business Prospects

Malaysia's real Gross Domestic Product (GDP) registered a 4.7% growth in 2018 (2017: 5.9%). BNM projected that GDP growth would moderate to a range of 4.3%-4.8% in 2019, with private sector activities as key driver.

In 2019, external uncertainties will continue to affect the outlook for domestic financial markets. These include uncertainties surrounding the US Fed's monetary policy normalisation path, a potential further escalation in global trade tensions, the unravelling of geopolitical developments such as UK's Brexit and the resurgence of volatility in global crude oil prices.

Headline inflation was 1.0% in 2018 (2017: 3.7%), primarily due to the impact of fixing of retail fuel prices coupled with the zeroisation of the goods and services tax (GST) rate from 1 June 2018 to 31 August 2018. These factors more than offset upward cost pressures. Overall headline inflation is forecasted to be broadly stable with projected annual average of between 0.7% to 1.7%, due to upward domestic cost factors, offset by lower global oil prices and the implementation of price ceilings on domestic retail fuel prices until mid-2019.

The Ringgit depreciated against the US dollar by 1.8% in 2018 but remained as one of the better performing currencies in the region. Investor sentiments were negatively affected by rising trade tensions and concerns over contagion risk from vulnerable emerging market economies. Going forward, the Ringgit will continue to be influenced by external uncertainties as well as the trajectory of the US dollar.

From funding perspective, the banking system liquidity is expected to remain robust and sufficient to facilitate financial intermediation without undue reliance on external and cross currency funding. However, competition among banks for deposits will remain as the requirement of complying with Basel III's Net Stable Funding Ratio is by 1 January 2020.

Bank Negara Malaysia (BNM) has announced further liberalisation in the foreign exchange administration (FEA) framework. The framework is aimed at providing greater hedging flexibility for residents to better manage their foreign exchange risk. Separately, BNM is currently working towards releasing licensing guidelines for virtual-bank operation in Malaysia by the end of 2019, in a move that is set to raise the country's game in financial technology ("fintech").

In early 2019, in line with the industry rollout, the Bank launched "DuitNow", which is an electronic funds transfer services launched by PayNet, an entity where the shareholders are BNM and eleven banks. The platform allows bank customers to transfer money instantly and in a more secured manner via internet or mobile banking channels. This is a step towards cashless transactions in Malaysia.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**33 Performance Review and Business Prospects (Cont'd)**

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**Business Prospects (Cont'd)**

Within HSBC Group, Malaysia is identified as a scalable market and an important footprint within ASEAN. The Bank will continue to capture opportunities along the entire supply chain of foreign investment into Malaysia and outbound business of our customers. Leveraging on HSBC connectivity, we will explore business opportunity based on intra ASEAN corridors and ASEAN government initiatives as well as various business corridors.

The Bank will also focus on improving customer experience and expanding customers' base where there are comparative advantages. This include penetrating new customer segments, investing in digital capabilities for mobile and internet banking, strengthening our leading position in affluent segments, as well as developing change management programs that is customer centric focus.