

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
31 MARCH 2021

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

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	<i>Group</i>		<i>Bank</i>	
		31 Mar 2021 RM'000	31 Dec 2020 RM'000	31 Mar 2021 RM'000	31 Dec 2020 RM'000
Assets					
Cash and short-term funds	12	15,127,300	12,663,196	11,709,821	9,441,441
Securities purchased under resale agreements		4,619,225	6,826,369	4,619,225	6,826,369
Deposits and placements with banks and other financial institutions	13	349,830	48,204	1,655,034	1,403,411
Financial assets at fair value through profit and loss (FVTPL)	14	2,031,075	1,089,673	2,031,075	1,089,673
Financial investments at fair value through other comprehensive income (FVOCI)	15	10,798,283	10,827,545	9,121,508	9,527,730
Financial investments at amortised cost	16	199,765	199,743	199,765	199,743
Loans, advances and financing	17	51,073,268	50,752,784	37,611,645	37,260,208
Derivative financial assets	37	1,412,799	2,033,429	1,409,664	2,037,229
Other assets	20	1,809,984	588,905	1,767,357	605,867
Statutory deposits with Bank Negara Malaysia	21	47,821	55,511	19,319	30,009
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		927,500	900,381	918,834	891,297
Intangible assets		32,123	29,099	32,123	29,099
Tax recoverable		142,421	172,190	142,421	169,872
Deferred tax assets		140,797	130,069	111,022	102,309
Total assets		88,712,191	86,317,098	72,008,834	70,274,278
Liabilities					
Deposits from customers	22	65,499,024	63,410,436	52,778,643	51,263,508
Deposits and placements from banks and other financial institutions	23	3,524,572	2,858,341	2,779,020	2,135,227
Bills payable		149,451	169,111	129,447	121,104
Derivative financial liabilities	37	1,238,141	1,840,252	1,287,855	1,899,404
Structured liabilities designated at fair value through profit and loss	24	3,332,321	3,748,193	2,264,950	2,634,940
Other liabilities	25	2,837,836	2,368,130	2,616,634	2,188,958
Provision for taxation		15,332	-	-	-
Multi-Currency Sukuk Programme	26	520,922	523,841	-	-
Subordinated liabilities	27	500,000	500,000	500,000	500,000
Total liabilities		77,617,599	75,418,304	62,356,549	60,743,141
Equity					
Share capital		1,045,875	1,045,875	1,045,875	1,045,875
Other equity and reserves		10,048,717	9,852,919	8,606,410	8,485,262
Total equity attributable to owner of the Bank		11,094,592	10,898,794	9,652,285	9,531,137
Total liabilities and equity		88,712,191	86,317,098	72,008,834	70,274,278
Commitments and contingencies	36	181,967,895	182,549,756	172,754,718	173,674,916

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2020 and the accompanying explanatory notes on pages 11 to 40 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 28 April 2021.

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

	<i>Note</i>	<i>Group</i>		<i>Bank</i>	
		31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
		RM'000	RM'000	RM'000	RM'000
Interest income	28	411,358	562,310	416,146	570,896
Interest expense	28	(105,862)	(176,093)	(105,862)	(176,093)
Net interest income	28	305,496	386,217	310,284	394,803
Fee and commission income	29	112,723	111,672	112,608	111,283
Fee and commission expense	29	(14,369)	(24,906)	(14,369)	(24,906)
Net fee and commission income	29	98,354	86,766	98,239	86,377
Net trading income	30	(85,404)	124,327	124,643	186,150
Income from Islamic banking operations	31	353,307	215,146	-	-
Net expenses from financial liabilities designated at fair value		(4,775)	(33,558)	(4,775)	(33,558)
Other operating income	32	30,491	15,204	68,504	46,651
Operating income before impairment losses		697,469	794,102	596,895	680,423
Impairment allowance/provisions	33	12,842	(141,550)	(18,785)	(77,639)
Net operating income		710,311	652,552	578,110	602,784
Other operating expenses	34	(398,907)	(413,952)	(374,498)	(384,444)
Profit before tax		311,404	238,600	203,612	218,340
Tax expense		(80,993)	(58,637)	(54,164)	(54,585)
Profit for the financial period		230,411	179,963	149,448	163,755
Basic earnings per RM0.50 ordinary share		100.6 sen	78.6 sen	65.3 sen	71.5 sen

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HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
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UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(expense)				
<i>Items that will not be reclassified to profit or loss</i>				
Own credit reserve:				
Change in fair value	1,336	33,728	3,434	15,899
Income tax effect	(321)	(8,095)	(824)	(3,816)
<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	(31,399)	54,224	(25,101)	49,632
Amount transferred to profit or loss	(13,896)	(54,586)	(13,896)	(48,476)
Impairment charges	(40)	120	(54)	122
Income tax effect	10,871	87	9,359	(278)
Other comprehensive (expenses)/income for the financial period, net of income tax	(33,449)	25,478	(27,082)	13,083
Profit attributable to the owner of the Bank	230,411	179,963	149,448	163,755
Total comprehensive income attributable to the owner of the Bank	196,962	205,441	122,366	176,838

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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

Group (RM'000)	<i>Non-distributable</i>						<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Other equity instrument</i>	<i>Revaluation reserve</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
2021									
Balance at 1 January	1,045,875	500,000	190,751	215,792	(5,685)	103,790	298,100	8,550,171	10,898,794
Profit for the financial period	-	-	-	-	-	-	-	230,411	230,411
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(566)	-	-	-	-	566	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	(23,863)	1,015	-	-	-	(22,848)
Net amount transferred to profit or loss	-	-	-	(10,561)	-	-	-	-	(10,561)
Impairment charges	-	-	-	(40)	-	-	-	-	(40)
<i>Total other comprehensive (expense)/income</i>	-	-	(566)	(34,464)	1,015	-	-	566	(33,449)
Total comprehensive income for the financial period	-	-	(566)	(34,464)	1,015	-	-	230,977	196,962
Net change in regulatory reserves	-	-	-	-	-	-	162,400	(162,400)	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	(4,222)	-	3,058	(1,164)
Balance at 31 March	1,045,875	500,000	190,185	181,328	(4,670)	99,568	460,500	8,621,806	11,094,592

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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021 (Cont'd)

Group (RM'000)	<i>Non-distributable</i>						<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Other equity instrument</i>	<i>Revaluation reserve</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
2020									
Balance at 1 January	1,045,875	500,000	205,363	173,673	(18,179)	100,010	486,200	8,201,963	10,694,905
Profit for the financial period	-	-	-	-	-	-	-	179,963	179,963
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(598)	-	-	-	-	598	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	41,210	25,633	-	-	-	66,843
Net amount transferred to profit or loss	-	-	-	(41,485)	-	-	-	-	(41,485)
Impairment charges	-	-	-	120	-	-	-	-	120
<i>Total other comprehensive (expense)/income</i>	-	-	(598)	(155)	25,633	-	-	598	25,478
Total comprehensive income for the financial period	-	-	(598)	(155)	25,633	-	-	180,561	205,441
Net change in regulatory reserves	-	-	-	-	-	-	(100,700)	100,700	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	1,064	-	57	1,121
Balance at 31 March	<u>1,045,875</u>	<u>500,000</u>	<u>204,765</u>	<u>173,518</u>	<u>7,454</u>	<u>101,074</u>	<u>385,500</u>	<u>8,483,281</u>	<u>10,901,467</u>

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021 (Cont'd)

Bank (RM'000)	<i>Non-distributable</i>						<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Other equity instrument</i>	<i>Revaluation reserve</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
2021									
Balance at 1 January	1,045,875	500,000	190,751	203,924	(4,562)	103,013	292,000	7,200,136	9,531,137
Profit for the financial period	-	-	-	-	-	-	-	149,448	149,448
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(566)	-	-	-	-	566	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	(19,077)	2,610	-	-	-	(16,467)
Net amount transferred to profit or loss	-	-	-	(10,561)	-	-	-	-	(10,561)
Impairment charges	-	-	-	(54)	-	-	-	-	(54)
<i>Total other comprehensive (expense)/income</i>	-	-	(566)	(29,692)	2,610	-	-	566	(27,082)
Total comprehensive income for the financial period	-	-	(566)	(29,692)	2,610	-	-	150,014	122,366
Net change in regulatory reserves	-	-	-	-	-	-	67,200	(67,200)	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	(4,207)	-	2,989	(1,218)
Balance at 31 March	1,045,875	500,000	190,185	174,232	(1,952)	98,806	359,200	7,285,939	9,652,285

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021 (Cont'd)

Bank (RM'000)	<i>Non-distributable</i>						<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Other equity instrument</i>	<i>Revaluation reserve</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
2020									
Balance at 1 January	1,045,875	500,000	205,363	167,379	(9,922)	99,473	433,100	6,942,952	9,384,220
Profit for the financial period	-	-	-	-	-	-	-	163,755	163,755
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(598)	-	-	-	-	598	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	37,720	12,083	-	-	-	49,803
Net amount transferred to profit or loss	-	-	-	(36,842)	-	-	-	-	(36,842)
Impairment charges	-	-	-	122	-	-	-	-	122
<i>Total other comprehensive (expense)/income</i>	-	-	(598)	1,000	12,083	-	-	598	13,083
Total comprehensive income for the financial period	-	-	(598)	1,000	12,083	-	-	164,353	176,838
Net change in regulatory reserves	-	-	-	-	-	-	(55,900)	55,900	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	1,096	-	-	1,096
Balance at 31 March	1,045,875	500,000	204,765	168,379	2,161	100,569	377,200	7,163,205	9,562,154

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HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000
Profit before tax	311,404	238,600	203,612	218,340
Adjustments for non-operating and non-cash items	253,675	99,508	63,466	(65,265)
Operating profit before working capital changes	565,079	338,108	267,078	153,075
Changes in working capital:				
Net changes in operating assets	(152,378)	(1,469,904)	117,955	(304,765)
Net changes in operating liabilities	2,171,880	2,151,540	1,608,651	2,677,861
Income tax paid	(36,071)	(78,938)	(26,892)	(66,938)
Net cash generated from operations	2,548,510	940,806	1,966,792	2,459,233
Net cash (used in)/generated from investing activities	(86,751)	(2,259,422)	301,588	(1,992,194)
Net cash generated from/(used in) financing activities	2,345	(770,567)	-	(6,059)
	(84,406)	(3,029,989)	301,588	(1,998,253)
Net changes in cash and cash equivalents	2,464,104	(2,089,183)	2,268,380	460,980
Cash and cash equivalents at 1 January	12,663,196	9,623,962	9,441,441	4,847,237
Cash and cash equivalents at 31 March	15,127,300	7,534,779	11,709,821	5,308,217
Analysis of cash and cash equivalents				
Cash and short-term funds	15,127,300	7,534,779	11,709,821	5,308,217

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021 (Cont'd)

Change in liabilities arising from financing activities

Group (RM'000)

	At 1 Jan	Cash outflow	Foreign exchange adjustment	Fair value movement	Interest/ Profit accrual	At 31 Mar
2021						
Multi-Currency Sukuk Programme	523,841	-	-	(2,919)	-	520,922
Subordinated liabilities	500,000	-	-	-	-	500,000
Other liabilities of which:						
Profit paid on Multi-Currency Sukuk Programme	5,360	2,345	-	-	2,957	10,662
Interest paid on Subordinated liabilities	4,151	-	-	-	6,226	10,377
	1,033,352	2,345	-	(2,919)	9,183	1,041,961
2020						
Multi-Currency Sukuk Programme	1,265,929	(750,000)	-	4,655	-	520,584
Subordinated liabilities	1,089,612	-	30,938	-	-	1,120,550
Other liabilities of which:						
Profit paid on Multi-Currency Sukuk Programme	13,724	(14,508)	-	-	11,505	10,721
Interest paid on Subordinated liabilities	4,292	(6,059)	-	-	12,351	10,584
	2,373,557	(770,567)	30,938	4,655	23,856	1,662,439

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021 (Cont'd)

Change in liabilities arising from financing activities (Cont'd)

Bank (RM'000)

	At 1 Jan	Cash outflow	Foreign exchange adjustment	Fair value movement	Interest accrual	At 31 Mar
2021						
Subordinated liabilities	500,000	-	-	-	-	500,000
Other liabilities of which:						
Interest paid on Subordinated liabilities	4,151	-	-	-	6,226	10,377
	504,151	-	-	-	6,226	510,377
2020						
Subordinated liabilities	1,089,612	-	30,938	-	-	1,120,550
Other liabilities of which:						
Interest paid on Subordinated liabilities	4,292	(6,059)	-	-	12,351	10,584
	1,093,904	(6,059)	30,938	-	12,351	1,131,134

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NOTES TO THE FINANCIAL STATEMENTS

1 General Information

HSBC Bank Malaysia Berhad (the Bank) is principally engaged in the provision of banking and other related financial services. The subsidiaries of the Bank are principally engaged in the businesses of Islamic Banking and nominee services. Islamic Banking operations refer generally to the acceptance of deposits and granting of financing under the principles of Shariah. The Bank and its subsidiaries are collectively known as "the Group".

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 the ultimate holding company during the financial period are The Hongkong and Shanghai Banking Corporation Limited (HBAP) and HSBC Holdings plc, respectively.

The unaudited condensed interim financial statements were approved and authorised for issue by the Board of Directors on 28 April 2021.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 31 March 2021 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB). The unaudited condensed interim financial statements incorporate those activities relating to Islamic Banking which have been undertaken by the Bank's Islamic subsidiary.

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 Group and 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 Group and Bank since the financial year ended 31 December 2020.

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

The accounting policies and presentation adopted by the Group and 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 Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16) which will be implemented in later part of year 2021. The impact of the above Amendments to MFRS is currently being assessed.

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

A number of new standards and amendments to standards and interpretations have been issued that are applicable to the Group and 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)

Effective for annual periods commencing on or after 1 January 2023

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

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

3 Functional and Presentation 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 annual 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 Group and 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 Group and Bank for the financial period ended 31 March 2021.

7 Changes in Estimates

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

8 Debt and Equity Securities

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

9 Dividend

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

10 Carrying Amount of Revalued Assets

Property and equipment are stated at cost/valuation less accumulated depreciation and impairment losses (if any) except for freehold land which is stated at professional valuation. There was no change in the valuation of property and equipment that was brought forward from the previous audited financial statements for the financial period ended 31 March 2021.

11 Significant and Subsequent Events

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

12 Cash and Short-Term Funds

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,206,302	978,801	976,340	790,710
Money at call and interbank placements maturing within one month	13,920,998	11,684,395	10,733,481	8,650,731
	15,127,300	12,663,196	11,709,821	9,441,441

Money at call and interbank placements maturing within one month is within Stage 1 allocation (12 -months ECL) with impairment allowance of RM42,000 for the Group and RM34,000 for the Bank as at 31 March 2021 (31 December 2020: RM57,000 for the Group and RM47,000 for the Bank).

13 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Licensed banks	-	-	1,455,034	1,403,411
Bank Negara Malaysia	349,830	48,204	200,000	-
	349,830	48,204	1,655,034	1,403,411

Included in Deposits and Placements with Banks and Other Financial Institutions of the Bank are placements with the Bank's wholly owned subsidiary, HSBC Amanah Malaysia Berhad (HBMS) of RM1,455.0 million (31 December 2020: RM1,403.4 million).

The balance is within Stage 1 allocation (12 -months ECL) with nil impairment allowance for the Group and the Bank as at 31 March 2021 (31 December 2020: nil for the Group and the Bank).

14 Financial Assets at Fair Value through Profit and Loss (FVTPL)

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Islamic treasury bills	726,787	32,751	726,787	32,751
Malaysian Government securities	1,063,693	803,632	1,063,693	803,632
Malaysian Government Islamic Sukuk	183,498	204,624	183,498	204,624
Cagamas bonds and notes	2,543	2,552	2,543	2,552
	1,976,521	1,043,559	1,976,521	1,043,559
Unquoted:				
Corporate bonds and Sukuk	54,554	46,114	54,554	46,114
	2,031,075	1,089,673	2,031,075	1,089,673

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Debt instruments				
Money market instruments:				
Bank Negara Malaysia bills and notes	2,663,681	3,820,462	2,663,681	3,820,462
Malaysian Government securities	3,547,631	4,576,941	3,547,631	4,576,941
Malaysian Government Islamic Sukuk	4,372,968	2,216,139	2,696,193	916,324
	10,584,280	10,613,542	8,907,505	9,313,727
Financial Investments Designated as FVOCI				
Equity instruments				
Unquoted:				
Shares	214,003	214,003	214,003	214,003
<i>of which</i>				
<i>Cagamas Holdings Berhad</i>	172,994	172,994	172,994	172,994
<i>Credit Guarantee Corporation Malaysia Berhad</i>	33,619	33,619	33,619	33,619
<i>Others</i>	7,390	7,390	7,390	7,390
	10,798,283	10,827,545	9,121,508	9,527,730

The Group and the Bank have elected to designate these equity instruments at fair value through other comprehensive income as these instruments are held for business facilitation and not to generate a capital return. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss. None of these equity instruments were disposed of during the financial year.

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	6,116,885	4,668,705	6,041,455	4,643,507
More than one year to three years	3,887,996	5,355,227	2,286,651	4,080,610
More than three years to five years	579,399	589,610	579,399	589,610
	10,584,280	10,613,542	8,907,505	9,313,727

There are no FVOCI balances that are pledged against Repurchase Agreement as at 31 March 2021 (31 December 2020: nil).

Financial investments at FVOCI are within Stage 1 allocation (12 -months ECL) with RM952,000 impairment allowance for the Group and RM760,000 for the Bank as at 31 March 2021 (31 December 2020: RM992,000 for the Group and RM814,000 for the Bank). 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16 Financial Investments at Amortised Cost

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Debt instruments				
Unquoted:				
Corporate Sukuk	199,765	199,743	199,765	199,743

Financial investments at amortised cost are within Stage 1 allocation (12 -months ECL) with RM235,000 impairment allowance for the Group and the Bank as at 31 March 2021 (31 December 2020: RM257,000 for the Group and the Bank).

17 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts/cash line	801,264	569,745	728,640	499,148
Term loans/financing:				
Housing loans/financing	16,767,117	17,109,892	12,782,144	13,065,891
Syndicated term loans/financing	3,989,092	4,144,469	2,741,323	2,979,715
Factoring receivables	890,074	718,801	890,074	718,801
Hire purchase receivables	195,207	206,548	-	-
Other term loans/financing	10,120,548	10,383,133	6,809,979	6,713,647
Bills receivable	3,920,071	3,926,083	3,117,456	3,273,215
Trust receipts	3,036,043	2,408,497	2,497,279	1,961,314
Claims on customers under acceptance credits	896,017	874,799	633,716	592,705
Staff loans/financing	61,580	64,375	59,362	62,089
Credit/charge cards	3,201,052	3,372,936	2,162,083	2,282,613
Revolving financing	8,001,192	7,813,934	5,694,221	5,606,804
Other loans/financing	14,058	13,967	10,214	10,346
Gross loans, advances and financing ^[1]	51,893,315	51,607,179	38,126,491	37,766,288
Less: - Impairment allowances	(820,047)	(854,395)	(514,846)	(506,080)
Total net loans, advances and financing	51,073,268	50,752,784	37,611,645	37,260,208

^[1] Included in gross loans, advances and financing of the Bank are Syndicated Investment Account for Financing/Investment Agency Account (SIAF/IAA) financing which are disclosed as "Asset Under Management" in the financial statements of HBMS. SIAF/IAA arrangement is with the Bank's wholly owned subsidiary, HBMS, and the contract is based on the Wakalah principle where the Bank, solely or together with other financial institutions provide the funds, whilst the assets are managed by HBMS (as the Wakeel or agent). However, in the arrangement, the profits of the underlying assets are recognised by the Bank proportionately in relation to the funding it provides in the syndication arrangement. At the same time, risks on the financing are also proportionately borne by the Bank. Hence, the underlying assets and allowances for impairment arising thereon, if any, are proportionately recognised and accounted for by the Bank. These comprise of the following types of financing:

	<i>Bank</i>	
	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Syndicated term financing	2,104,865	2,109,579
Other term financing	117,000	115,762
Revolving financing	1,281,675	1,261,295
	3,503,540	3,486,636

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Loans, Advances and Financing (Cont'd)

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	1,088,248	1,196,950	662,133	742,284
Domestic business enterprises:				
Small medium enterprises	3,220,361	3,018,099	2,038,814	1,922,892
Others	20,717,330	19,719,560	16,371,295	15,393,886
Individuals	19,718,485	20,304,894	13,849,812	14,283,075
Other domestic entities	3,542	3,727	2,496	2,635
Foreign entities/individuals	7,145,349	7,363,949	5,201,941	5,421,516
	51,893,315	51,607,179	38,126,491	37,766,288

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	22,533,193	21,045,884	16,751,173	15,881,974
More than one year to three years	5,916,592	6,429,386	4,625,683	4,434,098
More than three years to five years	3,110,725	3,441,574	2,189,796	2,535,261
More than five years	20,332,805	20,690,335	14,559,839	14,914,955
	51,893,315	51,607,179	38,126,491	37,766,288

(iv) By interest/profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Hire purchase receivables	195,207	206,548	-	-
Other fixed rate loans/financing	11,914,034	11,766,641	8,474,593	8,409,893
Variable rate:				
Base Rate/Base Lending/Financing Rate plus	19,986,777	20,233,453	14,999,793	15,175,072
Cost-plus	19,797,297	19,400,537	14,652,105	14,181,323
	51,893,315	51,607,179	38,126,491	37,766,288

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Loans, Advances and Financing (Cont'd)

(v) By sector	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021 RM'000	31 Dec 2020 RM'000	31 Mar 2021 RM'000	31 Dec 2020 RM'000
Agricultural, hunting, forestry and fishing	111,386	117,778	96,445	102,386
Mining and quarrying	336,989	266,985	128,352	134,715
Manufacturing	7,813,076	6,731,762	6,206,409	5,226,247
Electricity, gas and water	185,271	108,032	25,286	25,990
Construction	3,538,704	3,715,488	2,555,696	2,659,102
Real estate	4,457,103	4,669,099	3,685,556	3,800,120
Wholesale & retail trade and restaurants & hotels	4,216,741	3,801,121	3,385,194	3,014,292
Transport, storage and communication	660,387	688,704	474,664	502,720
Finance, insurance and business services	2,870,607	3,035,842	1,926,710	2,051,940
Household-retail	22,557,117	23,199,390	16,200,799	16,680,406
Others	5,145,934	5,272,978	3,441,380	3,568,370
	51,893,315	51,607,179	38,126,491	37,766,288

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021 RM'000	31 Dec 2020 RM'000	31 Mar 2021 RM'000	31 Dec 2020 RM'000
Purchase of property:				
Residential	16,795,118	17,149,089	12,809,176	13,104,101
Non residential	1,402,701	1,404,442	605,448	618,148
Purchase of securities	3,066	3,130	3,066	3,130
Purchase of transport vehicles	14,694	15,574	13,867	14,763
Consumption credit	5,404,195	5,675,861	3,246,729	3,423,738
Construction	3,342,130	3,449,175	2,441,073	2,415,360
Working capital	20,617,450	19,435,094	16,148,934	15,157,502
Other purpose	4,313,961	4,474,814	2,858,198	3,029,546
	51,893,315	51,607,179	38,126,491	37,766,288

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021 RM'000	31 Dec 2020 RM'000	31 Mar 2021 RM'000	31 Dec 2020 RM'000
Northern Region	6,225,309	6,004,352	4,904,943	4,774,648
Southern Region	5,942,103	5,940,209	4,359,324	4,257,990
Central Region	37,774,807	37,644,928	27,248,476	27,064,114
Eastern Region	1,951,096	2,017,690	1,613,748	1,669,536
	51,893,315	51,607,179	38,126,491	37,766,288

Concentration by location for loans, advances and financing is based on the location of branches where facilities were captured.

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 state of Selangor, the Federal Territory of Kuala Lumpur and the 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)

18 Impaired Loans, Advances and Financing

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount as at 1 January	1,831,501	1,003,447	1,224,806	618,144
Transfer within stages	1,097,591	828,778	726,034	589,655
Net remeasurement due to changes in credit risk	(11,808)	247,202	(2,254)	145,825
Written-off	(56,237)	(247,926)	(27,552)	(128,818)
Gross carrying amount as at 31 March	2,861,047	1,831,501	1,921,034	1,224,806

(ii) By sector

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	282	319	-	-
Manufacturing	120,794	109,880	94,371	92,757
Electricity, gas and water	397	487	397	487
Construction	15,691	16,381	12,084	12,671
Real estate	12,231	12,164	12,231	12,164
Wholesale & retail trade, restaurants & hotels	72,785	66,298	55,019	54,919
Transport, storage and communication	121,655	118,069	121,655	117,856
Finance, insurance and business services	7,861	8,111	1,878	2,123
Household-retail	2,481,428	1,471,206	1,616,849	924,859
Others	27,923	28,586	6,550	6,970
2,861,047	1,831,501	1,921,034	1,224,806	

(iii) By purpose

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Purchase of property:				
Residential	1,802,248	883,350	1,281,463	619,049
Non residential	42,597	43,267	29,118	29,765
Purchase of transport vehicles	81	71	30	9
Consumption credit	672,073	581,031	329,391	299,643
Construction	13,296	13,793	9,750	10,143
Working capital	311,607	290,653	271,239	266,131
Other purpose	19,145	19,336	43	66
2,861,047	1,831,501	1,921,034	1,224,806	

(iv) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Northern Region	380,856	205,739	293,884	154,295
Southern Region	363,962	200,401	252,983	136,847
Central Region	1,978,689	1,325,153	1,259,764	847,871
Eastern Region	137,540	100,208	114,403	85,793
2,861,047	1,831,501	1,921,034	1,224,806	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances

(i) Movements in ECL allowances for loans, advances and financing

The following table shows reconciliation from the opening to the closing balance of the ECL allowance for customer loan and advances:

	Stage 1	Stage 2	Stage 3	
	12-month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Group				
Balance at 1 January 2021	136,817	242,457	475,121	854,395
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	34,002	(19,340)	(14,662)	-
- Transferred to Stage 2	(7,709)	17,163	(9,454)	-
- Transferred to Stage 3	(1,930)	(66,478)	68,408	-
New financial assets originated or purchased	3,991	-	-	3,991
Net remeasurement due to changes in credit risk	(101,074)	(16,825)	133,462	15,563
Asset written-off	-	-	(56,237)	(56,237)
Others	2,335	-	-	2,335
Balance at 31 March 2021	66,432	156,977	596,638	820,047
Balance at 1 January 2020	91,688	129,424	314,677	535,789
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	46,271	(38,130)	(8,141)	-
- Transferred to Stage 2	(6,165)	14,259	(8,094)	-
- Transferred to Stage 3	(2,379)	(13,825)	16,204	-
New financial assets originated or purchased	39,447	-	-	39,447
Net remeasurement due to changes in credit risk	(28,763)	150,729	408,401	530,367
Asset written-off	-	-	(247,926)	(247,926)
Others	(3,282)	-	-	(3,282)
Balance at 31 December 2020	136,817	242,457	475,121	854,395

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

Total ECL allowances decreased by RM34.3 million for the Group compared to the balance at the beginning of the year. This net decrease was mainly contributed by asset written-off (RM56.2 million), partially offset by remeasurement due to changes in credit risk (RM15.6 million) and new financial assets originated or purchased (RM4.0 million).

- 12-months ECL not credit impaired (Stage 1) – decreased by RM70.4 million for the Group, mainly from remeasurement due to changes in credit risk based on HSBC Group's model and partially offset by net migration of loans from stages 2 and 3 and new financial assets.
- Lifetime ECL not credit-impaired (Stage 2) – decreased by RM85.4 million for the Group, mainly from net migration of loans to stage 1 and 3 and remeasurement due to changes in credit risk.
- Lifetime ECL credit-impaired (Stage 3) – increased by RM121.5 million for the Group, primarily from remeasurement due to changes in credit risk and net migration of loans mostly to stage 1 and 2 and partially offset by asset written-off.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances (Cont'd)

(i) Movements in ECL allowances for loans, advances and financing (Cont'd)

	<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
Bank				
Balance at 1 January 2021	48,030	166,693	291,357	506,080
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	19,405	(11,397)	(8,008)	-
- Transferred to Stage 2	(2,879)	8,694	(5,815)	-
- Transferred to Stage 3	(694)	(31,099)	31,793	-
New financial assets originated or purchased	2,179	-	-	2,179
Net remeasurement due to changes in credit risk	(34,259)	(10,288)	76,542	31,995
Asset written-off	-	-	(27,552)	(27,552)
Others	2,144	-	-	2,144
Balance at 31 March 2021	33,926	122,603	358,317	514,846
Balance at 1 January 2020	45,185	61,421	171,918	278,524
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	23,323	(17,647)	(5,676)	-
- Transferred to Stage 2	(3,234)	8,590	(5,356)	-
- Transferred to Stage 3	(978)	(7,708)	8,686	-
New financial assets originated or purchased	11,463	-	-	11,463
Net remeasurement due to changes in credit risk	(24,598)	122,037	250,603	348,042
Asset written-off	-	-	(128,818)	(128,818)
Others	(3,131)	-	-	(3,131)
Balance at 31 December 2020	48,030	166,693	291,357	506,080

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 loans, advances and financing during the year have contributed to the changes in the ECL allowances for the Bank under the expected credit loss model.

The total ECL allowances increased by RM8.8 million for the Bank compared to the balance at the beginning of the year. This net increase was mainly contributed by remeasurement due to changes in credit risk (RM32.0 million) and new financial assets originated or purchased (RM2.2 million), partially offset by asset written-off (RM27.6 million).

- 12-months ECL not credit impaired (Stage 1) – decreased by RM14.1 million for the Bank mainly contributed by remeasurement due to changes in credit risk, partially offset by net migration of loans from stages 2 and 3 due to improved credit quality and new financial assets.
- Lifetime ECL not credit-impaired (Stage 2) – decreased by RM44.1 million for the Bank, mainly from net migration of loans to stage 1 and 3 and remeasurement due to changes in credit risk.
- Lifetime ECL credit-impaired (Stage 3) – increased by RM67.0 million, primarily from remeasurement due to changes in credit risk and net migration of loans mostly to stage 1 and 2 and partially offset by asset written-off.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances movement (Cont'd)

(ii) Movements in ECL allowances for loan commitments

The following table shows reconciliation from the opening to the closing balance of the ECL allowance for loan 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
Group				
Balance at 1 January 2021	4,612	3,198	464	8,274
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	60	(60)	-	-
- Transferred to Stage 2	(235)	235	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	356	-	-	356
Net remeasurement due to changes in credit risk	(873)	157	14	(702)
Others	70	-	-	70
Balance at 31 March 2021	3,990	3,530	478	7,998
Balance at 1 January 2020	4,830	3,105	649	8,584
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	582	(582)	-	-
- Transferred to Stage 2	(205)	205	-	-
- Transferred to Stage 3	-	(1)	1	-
New financial assets originated or purchased	1,335	-	-	1,335
Net remeasurement due to changes in credit risk	(1,515)	471	(186)	(1,230)
Others	(415)	-	-	(415)
Balance at 31 December 2020	4,612	3,198	464	8,274

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances movement (Cont'd)

(ii) Movements in ECL allowances for loan commitments (Cont'd)

	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
Bank				
Balance at 1 January 2021	3,103	2,439	464	6,006
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	58	(58)	-	-
- Transferred to Stage 2	(232)	232	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	336	-	-	336
Net remeasurement due to changes in credit risk	(503)	(223)	11	(715)
Others	39	-	-	39
Balance at 31 March 2021	2,801	2,390	475	5,666
Balance at 1 January 2020	3,554	2,231	247	6,032
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	412	(412)	-	-
- Transferred to Stage 2	(185)	185	-	-
- Transferred to Stage 3	-	(1)	1	-
New financial assets originated or purchased	789	-	-	789
Net remeasurement due to changes in credit risk	(1,109)	436	216	(457)
Others	(358)	-	-	(358)
Balance at 31 December 2020	3,103	2,439	464	6,006

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 loans, financing and other credit related commitments for retail portfolio are presented together with the allowance for the drawn loans, advances and financing.

20 Other Assets

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Settlements	1,137,022	168,206	1,130,793	168,206
Interest/profit receivable	68,256	105,379	55,424	91,906
Income receivable	30,740	31,763	57,355	63,922
Deposits and prepayments	4,190	2,331	3,890	2,031
Amount due from subsidiary company	-	-	2,275	30,520
Rights of Use (ROU) assets	63,502	72,672	40,226	52,769
Cash collateral	210,033	100,711	210,033	100,711
Other receivables	296,241	107,843	267,361	95,802
	1,809,984	588,905	1,767,357	605,867

21 Statutory Deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia (BNM) 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 SRR compliance until 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22 Deposits from Customers

(i) By type of deposit	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021 RM'000	31 Dec 2020 RM'000	31 Mar 2021 RM'000	31 Dec 2020 RM'000
Demand deposits	23,803,601	22,378,777	21,010,666	19,940,987
Savings deposits	16,350,638	15,639,505	13,795,356	13,227,992
Fixed deposits	25,344,785	25,392,154	17,972,621	18,094,529
	65,499,024	63,410,436	52,778,643	51,263,508

The maturity structure of fixed deposits is as follows:

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021 RM'000	31 Dec 2020 RM'000	31 Mar 2021 RM'000	31 Dec 2020 RM'000
Due within six months	19,749,040	19,825,209	13,759,495	13,919,094
More than six months to one year	4,499,004	4,482,405	3,489,942	3,456,238
More than one year to three years	751,588	723,856	483,926	474,542
More than three years to five years	345,153	360,684	239,258	244,655
Over five years	-	-	-	-
	25,344,785	25,392,154	17,972,621	18,094,529

(ii) By type of customer	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021 RM'000	31 Dec 2020 RM'000	31 Mar 2021 RM'000	31 Dec 2020 RM'000
Government and statutory bodies	39,720	33,855	5,748	15,577
Business enterprises	25,736,763	24,899,520	22,415,813	21,536,979
Individuals	25,583,988	25,145,896	19,825,259	19,413,603
Foreign entities/individuals	12,612,636	12,208,780	9,766,885	9,506,879
Others	1,525,917	1,122,385	764,938	790,470
	65,499,024	63,410,436	52,778,643	51,263,508

23 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021 RM'000	31 Dec 2020 RM'000	31 Mar 2021 RM'000	31 Dec 2020 RM'000
Licensed banks	64,286	50,607	64,286	50,607
Bank Negara Malaysia	245,344	139,992	243,101	135,932
Other financial institutions	3,214,942	2,667,742	2,471,633	1,948,688
	3,524,572	2,858,341	2,779,020	2,135,227

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24 Structured Liabilities Designated at Fair Value through Profit or Loss

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Structured liabilities	3,332,321	3,748,193	2,264,950	2,634,940

Structured liabilities are measured at fair value over the life of the instruments. Structured liabilities are customer placements with embedded derivatives, of which both interest/profit paid and fair valuation on the structured liabilities are recorded in net income/(expense) from financial investments designated at fair value.

25 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Settlements	706,809	92,826	700,580	92,826
Interest/profit payable	181,559	179,958	124,728	126,246
Deferred income	73,302	74,395	60,480	62,813
Marginal deposit	75,288	65,734	69,412	58,181
Amount due to subsidiary company	-	-	6,581	1,856
Accrued expenses	513,995	689,486	489,793	658,493
Lease liabilities	66,057	77,492	41,378	56,325
Cash collateral	234,612	615,805	234,612	615,805
Other creditors	978,215	564,160	883,403	510,407
Provisions on loan and credit related commitments; and financial guarantees ^[1]	7,999	8,274	5,667	6,006
	2,837,836	2,368,130	2,616,634	2,188,958

^[1] Refer Note 19(ii) for movement in provision.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26 Multi-Currency Sukuk Programme

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

HSBC Amanah Malaysia Berhad, a subsidiary of the Bank, issued the following series of 5-year Sukuk under its RM3 billion MCSP:

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

Movement in MCSP

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

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

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

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

^[2] Redeemed on 27 March 2020.

27 Subordinated Liabilities

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Second tranche issued on 2 November 2007 ^[1] at par	500,000	500,000	500,000	500,000

^[1] 5.05% coupon rate for RM500 million due 2027 callable with a 100 basis point step up coupon in 2022.

The unsecured subordinated liabilities qualify as a component of Tier 2 capital of the Bank. Under the Capital Adequacy Framework (Capital Components), the par value of the subordinated liabilities is amortised on a straight line basis, with 10% of the par value phased out each year, with effect from 2013 for regulatory capital base purposes.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28 Net Interest Income

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	295,751	420,516	295,751	420,516
- Interest income recognised from impaired loans	9,537	8,946	9,537	8,946
Money at call and deposit placements with financial institutions	64,894	60,612	69,682	69,198
Financial investments at FVOCI	39,816	72,236	39,816	72,236
Financial investments at amortised cost	1,360	-	1,360	-
	411,358	562,310	416,146	570,896
Interest expense				
Deposits and placements of banks and other financial institutions	(2,540)	(5,266)	(2,540)	(5,266)
Deposits from customers	(97,442)	(157,349)	(97,442)	(157,349)
Subordinated liabilities	(6,226)	(12,351)	(6,226)	(12,351)
Lease liabilities	501	(951)	501	(951)
Others	(155)	(176)	(155)	(176)
	(105,862)	(176,093)	(105,862)	(176,093)
Net interest income	305,496	386,217	310,284	394,803

29 Net Fee and Commission Income

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Credit cards	24,411	27,858	24,411	27,858
Service charges	29,559	28,838	29,559	28,838
Credit facilities	14,647	14,797	14,647	14,797
Agency	38,419	30,333	38,419	30,333
Others	5,687	9,846	5,572	9,457
	112,723	111,672	112,608	111,283
Fee and commission expense				
Debit/credit cards	(9,332)	(20,328)	(9,332)	(20,328)
Interbank and clearing	(426)	(204)	(426)	(204)
Brokerage	(808)	(471)	(808)	(471)
Cash management	(251)	(471)	(251)	(471)
Others	(3,552)	(3,432)	(3,552)	(3,432)
	(14,369)	(24,906)	(14,369)	(24,906)
Net fee and commission income	98,354	86,766	98,239	86,377

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Net Trading Income

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021 RM'000	31 Mar 2020 RM'000	31 Mar 2021 RM'000	31 Mar 2020 RM'000
Realised (losses)/gains on financial assets/liabilities at FVTPL and other financial instruments	(5,024)	18,161	(6,181)	18,463
Net interest income from financial assets at FVTPL	7,166	17,203	7,166	17,203
Net unrealised (losses)/gains on revaluation of financial assets at FVTPL	(6,858)	13,158	(5,648)	9,317
Net realised gains/(losses) arising from dealing in foreign currency	57,459	(25,770)	59,506	(25,442)
Net unrealised (losses)/gains from dealing in foreign currency	(140,639)	79,071	64,273	148,423
Net realised gains arising from dealing in derivatives	64,697	5,723	73,705	5,726
Net unrealised (losses)/gains on revaluation of derivatives	(62,094)	16,454	(68,067)	12,133
(Losses)/Gains arising from fair value hedges	(111)	327	(111)	327
	(85,404)	124,327	124,643	186,150

Net trading income for the Group is presented in both Note 30 and Note 31. A reconciliation of the net trading income for the Group is as follows:

	<i>Group</i>	
	31 Mar 2021 RM'000	31 Mar 2020 RM'000
Total net trading income (net of elimination with subsidiary)	124,643	202,911
of which:		
- is disclosed in Note 30	(85,404)	124,327
- is included under Income from Islamic Banking operations of the Group (Note 31)	210,047	78,584

31 Income from Islamic Banking operations

For consolidation with the conventional banking operations, the income from Islamic Banking operations as shown in the face of the consolidated statements of profit or loss and other comprehensive income, consists of the following items:

	<i>Group</i>	
	31 Mar 2021 RM'000	31 Mar 2020 RM'000
Income derived from investment of depositor funds and others ⁽¹⁾	146,426	186,828
Income derived from investment of shareholders funds	37,836	51,348
Total income before allowance for impairment losses on financing and advances	184,262	238,176
Income attributable to the depositors	(45,379)	(92,418)
	138,883	145,758
Elimination of intercompany income and expenses	214,424	69,388
Income from Islamic Banking operations reported in the statement of profit or loss of the Group	353,307	215,146
	(2,869)	(23,766)

⁽¹⁾ Included in the Income derived from investment of depositors' funds and others are net losses on financial instruments designated at fair value through profit or loss for the period ended 31 March

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Other Operating Income

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of financial investments at FVOCI	22,524	9,263	22,524	9,263
Rental income	1,192	1,786	1,192	1,786
Net gain on disposal of property and equipment	-	23	-	23
Income recharges from subsidiary	-	-	38,013	31,447
Other operating income	6,775	4,132	6,775	4,132
	30,491	15,204	68,504	46,651

33 Impairment Allowance/Provisions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	19,129	167,872	33,703	91,147
Recoveries	(32,393)	(26,395)	(15,340)	(13,580)
Written off	422	73	422	72
Total (write-back from) / charge to statement of profit or loss	(12,842)	141,550	18,785	77,639

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

(i) Loans, advances and financing

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	19,554	155,402	34,174	82,103
Recoveries	(32,393)	(26,395)	(15,340)	(13,580)
Written off	422	73	422	72
Total (write-back from) / charge to statement of profit or loss	(12,417)	129,080	19,256	68,595

(ii) Deposits and placements with banks and other financial institutions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000
(Net release) / net increase in allowance / provisions	(16)	32	(15)	10

(iii) Debt securities - FVOCI

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000
(Net release) / net increase in allowance / provisions	(41)	118	(55)	120

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Impairment Allowance/Provisions (Cont'd)

Breakdown of the impairment allowance/provisions by financial instruments type (Cont'd)

(iv) Financial investments at amortised costs

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000
(Net release) / net increase in allowance / provisions	(22)	-	(22)	-

(v) Loan commitments and contingencies

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000
(Net release) / net increase in allowance / provisions	(346)	12,320	(379)	8,914

34 Other Operating Expenses

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	180,948	184,890	170,753	173,217
Promotion and marketing related expenses	6,417	12,751	5,309	9,830
Establishment related expenses	24,012	37,116	20,476	32,669
General administrative expenses	36,377	38,677	29,220	29,765
Related company charges	151,153	140,518	148,740	138,963
	398,907	413,952	374,498	384,444
Personnel expenses				
Salaries, allowances and bonuses	140,018	141,678	131,808	132,399
Employees Provident Fund contributions	23,191	23,470	21,704	21,835
Share based payment	2,611	2,359	2,577	2,205
Others	15,128	17,383	14,664	16,778
	180,948	184,890	170,753	173,217

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Other Operating Expenses (Cont'd)

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000
Establishment related expenses				
Depreciation of property and equipment	5,548	6,150	4,922	5,655
Depreciation of ROU assets	5,595	8,011	4,037	5,569
Amortisation of intangible assets	1,875	2,515	1,875	2,515
Impairment of intangible assets	(1)	83	(1)	83
Information technology costs	2,229	7,952	2,046	7,493
Property and equipment written off	1,835	5	1,714	5
General repairs and maintenance	4,150	5,145	3,421	4,751
Utilities	2,207	3,875	1,858	3,383
Others	574	3,380	604	3,215
	24,012	37,116	20,476	32,669
Related company charges				
(i) Type of service				
- Information technology related cost	60,523	64,866	60,523	64,866
- Non information technology related cost	90,630	75,652	88,217	74,097
	151,153	140,518	148,740	138,963
(ii) Countries/territories				
- Hong Kong	92,975	92,798	92,970	92,798
- United Kingdom	40,064	32,354	39,565	32,208
- Malaysia	16,466	14,320	14,557	12,911
- Others	1,648	1,046	1,648	1,046
	151,153	140,518	148,740	138,963

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Capital Adequacy

	<i>Group</i>	
	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	8,391,394	8,550,171
Other reserves	1,016,929	904,446
Regulatory adjustments	(1,153,677)	(870,026)
Total CET1 capital	9,300,521	9,630,466
Tier 1 capital		
Additional Tier 1 capital	500,000	500,000
Total Tier 1 capital	9,800,521	10,130,466
Tier 2 capital		
Subordinated liabilities	100,000	200,000
Subordinated term loan	-	-
Impairment allowance (unimpaired portion) & regulatory reserves	654,655	519,281
Regulatory adjustments	101,551	101,886
Total Tier 2 capital	856,206	821,167
Capital base	10,656,727	10,951,633
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	15.721%	17.030%
Tier 1 Capital ratio	16.566%	17.914%
Total Capital ratio	18.013%	19.366%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	15.403%	16.697%
Tier 1 Capital ratio	16.248%	17.581%
Total Capital ratio	17.695%	19.033%

The total capital and capital adequacy ratios of the Group and the Bank have been computed based on Standardised Approach in accordance with the Capital Adequacy Framework (Capital Components).

For HBMS, a wholly owned subsidiary of the Bank, the total capital and capital adequacy ratios have been computed in accordance with the Capital Adequacy Framework for Islamic Banks (CAFIB). HBMS has adopted Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

Breakdown of risk-weighted assets (RWA) in the various risk categories:

	<i>Group</i>	
	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Total RWA for credit risk	52,372,378 ⁽¹⁾	49,671,803 ⁽¹⁾
Total RWA for market risk	1,210,310	1,215,604
Total RWA for operational risk	5,577,936	5,662,957
	59,160,624	56,550,364

⁽¹⁾ The risk weighted amount for credit risk relating to the SIAF/IAA (refer Note 17(i) for more details) are as follows:

	<i>Group</i>	
	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Under SIAF/IAA arrangement	2,877,618	2,743,531

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	7,136,491	7,200,136
Other reserves	909,359	883,486
Regulatory adjustments	(1,630,558)	(1,534,219)
Total CET1 capital	7,461,167	7,595,278
Tier 1 capital		
Additional Tier 1 capital	500,000	500,000
Total Tier 1 capital	7,961,167	8,095,278
Tier 2 capital		
Subordinated liabilities	100,000	200,000
Subordinated term loan	-	-
Impairment allowance (unimpaired portion) & regulatory reserves	472,177	398,668
Regulatory adjustments	(432,149)	(414,399)
Total Tier 2 capital	140,028	184,269
Capital base	8,101,195	8,279,547
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	15.925%	17.033%
Tier 1 Capital ratio	16.992%	18.155%
Total Capital ratio	17.291%	18.568%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	15.524%	16.612%
Tier 1 Capital ratio	16.591%	17.733%
Total Capital ratio	16.890%	18.146%

The total capital and capital adequacy ratios have been computed based on Standardised Approach in accordance with the Capital Adequacy Framework (Capital Components).

Breakdown of RWA in the various risk categories:

	<i>Bank</i>	
	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Total RWA for credit risk	40,780,637 ⁽¹⁾	38,424,645 ⁽¹⁾
Total RWA for market risk	1,158,304	1,163,047
Total RWA for operational risk	4,912,337	5,002,558
	46,851,278	44,590,250

⁽¹⁾ The risk weighted amount for credit risk relating to the SIAF/IAA (refer Note 17(i) for more details) are as follows:

	<i>Bank</i>	
	31 Mar 2021	31 Dec 2020
	RM'000	RM'000
Under SIAF/IAA arrangement	2,877,618	2,743,531

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Capital Adequacy (Cont'd)

Pursuant to BNM's Guidelines on Capital Adequacy Framework (Capital Component) issued on 9 December 2020 (the Guidelines), the Group and 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.

Group	With Transitional Arrangement		Without Transitional Arrangement	
	(%)		(%)	
<u>Before deducting proposed dividend</u>	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
CET1 Capital Ratio	15.721%	17.030%	15.717%	16.750%
Tier 1 Capital Ratio	16.566%	17.914%	16.562%	17.634%
Total Capital Ratio	18.013%	19.366%	18.009%	19.266%
Bank	With Transitional Arrangement		Without Transitional Arrangement	
	(%)		(%)	
<u>Before deducting proposed dividend</u>	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
CET1 Capital Ratio	15.925%	17.033%	15.819%	16.790%
Tier 1 Capital Ratio	16.992%	18.155%	16.886%	17.912%
Total Capital Ratio	17.291%	18.568%	17.265%	18.508%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Commitments and Contingencies

The table below shows the contracts or underlying principal amounts, 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 Group and of the Bank.

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
Principal amount	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	627,759	571,769	615,700	551,207
Transaction-related contingent items	9,946,863	9,001,843	8,526,181	7,727,208
Short-term self-liquidating trade-related contingencies	437,727	536,055	393,920	460,390
Formal standby facilities and credit lines				
- Maturity not exceeding one year	7,641,143	7,229,606	6,400,471	5,840,490
- Maturity exceeding one year	14,166,426	14,090,402	11,654,284	11,779,180
Other unconditionally cancellable	15,553,192	15,927,899	13,385,590	13,633,727
Unutilised credit card lines	13,274,451	13,347,584	9,633,346	9,658,284
Foreign exchange related contracts:				
- Less than one year	77,726,557	79,984,757	77,685,688	79,946,550
- Over one year to less than five years	5,482,106	4,400,810	5,290,208	4,478,825
- Over five years	752,977	1,043,567	752,977	1,043,567
Interest/profit rate related contracts:				
- Less than one year	11,858,074	10,115,382	12,286,581	10,569,974
- Over one year to less than five years	21,222,896	22,496,732	22,022,396	23,356,232
- Over five years	1,621,547	2,151,934	1,621,547	2,151,934
Gold and other precious metals contracts:				
- Less than one year	9,571	15,559	9,571	15,559
Equity related contracts:				
- Less than one year	739,010	629,277	1,016,087	957,558
- Over one year to less than five years	907,596	1,006,580	1,460,171	1,504,231
	181,967,895	182,549,756	172,754,718	173,674,916

of which the amount related to SIAF/IAA arrangement (refer Note17(i) for more detail) are as below:

Formal standby facilities and credit lines:

- Maturity not exceeding one year	38,601	50,516	38,601	50,516
- Maturity exceeding one year	16,548	15,083	16,548	15,083
	55,149	65,599	55,149	65,599

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 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:

Group At 31 Mar 2021	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
Trading derivatives:												
Foreign exchange contracts												
- Forwards	73,977,410	1,293,569	-	75,270,979	595,827	10,532	-	606,359	599,340	3,258	-	602,598
- Swaps	3,022,814	4,188,221	752,977	7,964,012	85,219	193,799	73,517	352,535	119,827	27,933	27,394	175,154
- Options	726,333	316	-	726,649	6,290	9	-	6,299	663	-	-	663
Interest/profit rate related contracts												
- Options	515,917	165,010	-	680,927	2,465	1,324	-	3,789	3,169	-	-	3,169
- Swaps	10,942,157	19,937,886	1,621,547	32,501,590	65,483	304,067	42,426	411,976	61,320	274,617	49,706	385,643
Equity related contracts												
- Options	739,010	907,596	-	1,646,606	10,255	21,584	-	31,839	22,189	13,089	-	35,278
Precious metal contracts												
- Options	9,571	-	-	9,571	2	-	-	2	31	-	-	31
Sub- total	89,933,212	26,492,598	2,374,524	118,800,334	765,541	531,315	115,943	1,412,799	806,539	318,897	77,100	1,202,536
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	400,000	1,120,000	-	1,520,000	-	-	-	-	2,152	33,453	-	35,605
Sub- total	400,000	1,120,000	-	1,520,000	-	-	-	-	2,152	33,453	-	35,605
Total	90,333,212	27,612,598	2,374,524	120,320,334	765,541	531,315	115,943	1,412,799	808,691	352,350	77,100	1,238,141

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Derivative Financial Instruments (Cont'd)

Details of derivative financial instruments outstanding are as follows (Cont'd):

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (Cont'd):

Group	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total
At 31 Dec 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	75,909,799	552,972	-	76,462,771	923,016	2,409	-	925,425	976,257	9,002	-	985,259
- Swaps	3,572,306	3,847,838	1,043,567	8,463,711	182,779	257,764	72,198	512,741	85,871	100,520	33,247	219,638
- Options	502,652	-	-	502,652	1,459	-	-	1,459	2,978	-	-	2,978
Interest/profit rate related contracts												
- Options	955,008	193,346	-	1,148,354	4,393	2,456	-	6,849	6,639	-	-	6,639
- Swaps	8,760,374	21,183,386	2,151,934	32,095,694	41,096	415,524	99,597	556,217	37,936	386,468	91,102	515,506
Equity related contracts												
- Options	629,277	1,006,580	-	1,635,857	14,041	16,688	-	30,729	22,564	38,264	-	60,828
Precious metal contracts												
- Options	15,559	-	-	15,559	9	-	-	9	36	-	-	36
Sub- total	90,344,975	26,784,122	3,195,501	120,324,598	1,166,793	694,841	171,795	2,033,429	1,132,281	534,254	124,349	1,790,884
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	400,000	1,120,000	-	1,520,000	-	-	-	-	4,440	44,928	-	49,368
Sub- total	400,000	1,120,000	-	1,520,000	-	-	-	-	4,440	44,928	-	49,368
Total	90,744,975	27,904,122	3,195,501	121,844,598	1,166,793	694,841	171,795	2,033,429	1,136,721	579,182	124,349	1,840,252

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Derivative Financial Instruments (Cont'd)

Details of derivative financial instruments outstanding are as follows (Cont'd):

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (Cont'd):

Bank At 31 Mar 2021	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
Trading derivatives:												
Foreign exchange contracts												
- Forwards	74,058,663	1,023,656	-	75,082,319	590,825	10,672	-	601,497	599,837	3,258	-	603,095
- Swaps	2,900,692	4,266,236	752,977	7,919,905	85,219	195,631	73,517	354,367	115,756	28,075	27,394	171,225
- Options	726,333	316	-	726,649	6,290	9	-	6,299	663	-	-	663
Interest rate related contracts												
- Options	736,424	165,010	-	901,434	2,465	1,324	-	3,789	5,830	-	-	5,830
- Swaps	11,150,157	20,737,386	1,621,547	33,509,090	65,483	303,962	42,426	411,871	61,905	298,486	49,706	410,097
Equity related contracts												
- Options	1,016,087	1,460,171	-	2,476,258	10,255	21,584	-	31,839	30,367	30,942	-	61,309
Precious metal contracts												
- Options	9,571	-	-	9,571	2	-	-	2	31	-	-	31
Sub- total	90,597,927	27,652,775	2,374,524	120,625,226	760,539	533,182	115,943	1,409,664	814,389	360,761	77,100	1,252,250
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	400,000	1,120,000	-	1,520,000	-	-	-	-	2,152	33,453	-	35,605
Sub- total	400,000	1,120,000	-	1,520,000	-	-	-	-	2,152	33,453	-	35,605
Total	90,997,927	28,772,775	2,374,524	122,145,226	760,539	533,182	115,943	1,409,664	816,541	394,214	77,100	1,287,855

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Derivative Financial Instruments (Cont'd)

Details of derivative financial instruments outstanding are as follows (Cont'd):

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (Cont'd):

Bank	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total
At 31 Dec 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	75,871,592	552,972	-	76,424,564	922,628	2,409	-	925,037	974,754	9,002	-	983,756
- Swaps	3,572,306	3,925,853	1,043,567	8,541,726	182,765	262,095	72,198	517,058	85,871	100,520	33,247	219,638
- Options	502,652	-	-	502,652	1,459	-	-	1,459	2,978	-	-	2,978
Interest rate related contracts												
- Options	1,198,600	193,346	-	1,391,946	4,393	2,456	-	6,849	10,510	-	-	10,510
- Swaps	8,971,374	22,042,886	2,151,934	33,166,194	41,096	415,347	99,597	556,040	38,982	419,128	91,102	549,212
Equity related contracts												
- Options	957,558	1,504,231	-	2,461,789	14,041	16,736	-	30,777	32,343	51,563	-	83,906
Precious metal contracts												
- Options	15,559	-	-	15,559	9	-	-	9	36	-	-	36
Sub- total	91,089,641	28,219,288	3,195,501	122,504,430	1,166,391	699,043	171,795	2,037,229	1,145,474	580,213	124,349	1,850,036
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	400,000	1,120,000	-	1,520,000	-	-	-	-	4,440	44,928	-	49,368
Sub- total	400,000	1,120,000	-	1,520,000	-	-	-	-	4,440	44,928	-	49,368
Total	91,489,641	29,339,288	3,195,501	124,024,430	1,166,391	699,043	171,795	2,037,229	1,149,914	625,141	124,349	1,899,404

<i>Group and Bank</i>		
31 Mar 2021	31 Mar 2020	
RM'000	RM'000	
Gain/(loss) on hedging instruments	11,852	(27,251)
(Loss)/gain on the hedged items attributable to the hedged risk	(11,963)	27,578
Net (loss)/gain from fair value hedges	(111)	327

Included in the net non-interest income is the net losses arising from fair value hedges during the financial period as follows:

Gain/(loss) on hedging instruments
(Loss)/gain on the hedged items attributable to the hedged risk

Net (loss)/gain from fair value hedges

As at 31 Mar 2021, RM1.5 billion (31 Dec 2020: RM1.5 billion) of the notional amounts of the interest rate derivatives designated in hedge accounting relationships represent the extent of the risk exposure managed by the Group and the Bank that is impacted by market-wide IBORs reform.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 Performance Review, Economy and Prospects

Performance Review

The Group recorded a profit before tax of RM311.4 million for the financial period ended 31 March 2021, an increase of RM72.8 million compared to the corresponding period in 2020. The increase was mainly due to a net write-back of impairment allowance/provisions of RM12.8 million, compared to a net charge of RM141.6 million last year due to the onset of COVID-19 pandemic, largely offset by lower operating income of RM96.6 million.

For the period ended 31 March 2021, the net write-back of impairment was due to the partial release in judgmental overlay for expected credit loss (ECL) as customers gradually exited from the COVID-19 related relief programmes coupled with expected improvement in economic outlook. Operating income was impacted by lower net interest income due to the spillover impact of the 2020 rate cuts in both USD and MYR in 2021 as well as lower trading income.

Total balance sheet size as at 31 March 2021 has increased by 2.8% or RM2.4 billion to RM88.7 billion (31 December 2020: RM86.3 billion). The Group's capital and liquidity coverage ratios continue to remain strong and well above regulatory requirements.

Economy and Prospects

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

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

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

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

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

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

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

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

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