

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**30 JUNE 2019**

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

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

**UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION**  
**AT 30 JUNE 2019**

	Note	<i>Group</i>		<i>Bank</i>	
		<b>30 Jun 2019</b>	31 Dec 2018	<b>30 Jun 2019</b>	31 Dec 2018
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Assets</b>					
Cash and short-term funds	13	<b>8,407,450</b>	7,908,159	<b>5,047,912</b>	5,137,240
Securities purchased under resale agreements		<b>3,637,345</b>	2,557,198	<b>3,637,345</b>	2,557,198
Deposits and placements with banks and other financial institutions	14	-	227,535	<b>1,016,974</b>	1,369,248
Financial assets at fair value through profit and loss (FVTPL)	15	<b>3,001,672</b>	2,327,385	<b>3,001,672</b>	2,327,385
Financial investments at fair value through other comprehensive income (FVOCI)	16	<b>13,022,536</b>	13,720,317	<b>10,069,020</b>	10,994,634
Loans, advances and financing	17	<b>51,598,401</b>	53,308,493	<b>37,964,498</b>	39,171,156
Derivative financial assets	38	<b>1,177,783</b>	1,299,939	<b>1,176,829</b>	1,303,262
Other assets	20	<b>1,212,215</b>	634,695	<b>1,257,096</b>	658,356
Statutory deposits with Bank Negara Malaysia	21	<b>1,207,340</b>	1,200,662	<b>856,678</b>	836,000
Investments in subsidiary companies		-	-	<b>660,021</b>	660,021
Property and equipment		<b>733,331</b>	467,730	<b>726,091</b>	460,862
Intangible assets		<b>40,143</b>	39,691	<b>40,143</b>	39,691
Tax recoverable		<b>20,850</b>	20,850	<b>20,850</b>	20,850
Deferred tax assets		<b>175,141</b>	208,895	<b>151,731</b>	191,532
<b>Total assets</b>		<b>84,234,207</b>	83,921,549	<b>65,626,860</b>	65,727,435
<b>Liabilities</b>					
Deposits from customers	22	<b>57,397,188</b>	57,147,153	<b>44,904,684</b>	45,702,597
Deposits and placements from banks and other financial institutions	23	<b>3,972,425</b>	5,518,751	<b>2,243,977</b>	2,798,088
Repurchase agreement		<b>501,349</b>	147,871	<b>501,349</b>	147,871
Bills payable		<b>237,520</b>	250,704	<b>218,940</b>	232,110
Derivative financial liabilities	38	<b>987,661</b>	1,116,285	<b>1,029,404</b>	1,134,562
Structured liabilities designated at fair value through profit and loss	24	<b>4,838,131</b>	4,158,241	<b>3,695,012</b>	3,273,364
Other liabilities	25	<b>2,904,405</b>	2,389,097	<b>2,641,579</b>	2,192,462
Provision for taxation		<b>58,692</b>	164,706	<b>31,427</b>	135,186
Multi-Currency Sukuk Programme	26	<b>1,760,275</b>	1,755,281	-	-
Subordinated liabilities	27	<b>1,095,987</b>	1,095,987	<b>1,095,987</b>	1,095,987
<b>Total liabilities</b>		<b>73,753,633</b>	73,744,076	<b>56,362,359</b>	56,712,227
<b>Equity</b>					
Share capital		<b>1,045,875</b>	1,045,875	<b>1,045,875</b>	1,045,875
Reserves		<b>9,434,699</b>	9,131,598	<b>8,218,626</b>	7,969,333
<b>Total equity attributable to owner of the Bank</b>		<b>10,480,574</b>	10,177,473	<b>9,264,501</b>	9,015,208
<b>Total liabilities and equity</b>		<b>84,234,207</b>	83,921,549	<b>65,626,860</b>	65,727,435
<b>Commitments and contingencies</b>	37	<b>197,122,503</b>	188,548,995	<b>191,174,906</b>	183,918,046

*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 2018 and the accompanying explanatory notes on pages 13 to 61 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 17 July 2019.*

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

**UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	<i>Note</i>	<i>Group</i>			
		<b>Second Quarter</b>		<b>Six Months Ended</b>	
		<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
			(Restated)		(Restated)
Interest income	28	<b>596,317</b>	584,172	<b>1,203,014</b>	1,165,459
Interest expense	28	<b>(207,064)</b>	(182,766)	<b>(409,943)</b>	(364,196)
Net interest income	28	<b>389,253</b>	401,406	<b>793,071</b>	801,263
Fee and commission income	29	<b>106,374</b>	117,789	<b>220,833</b>	238,593
Fee and commission expense	29	<b>(21,965)</b>	(13,673)	<b>(31,144)</b>	(35,418)
Net fee and commission income	29	<b>84,409</b>	104,116	<b>189,689</b>	203,175
Net trading income	30	<b>167,016</b>	72,142	<b>367,257</b>	211,790
Income from Islamic banking operations	31	<b>146,948</b>	209,106	<b>261,677</b>	370,233
Net expenses from Financial Liabilities Designated at Fair Value		<b>(34,192)</b>	(15,889)	<b>(67,439)</b>	(30,842)
Other operating income	32	<b>21,871</b>	9,685	<b>28,956</b>	21,840
Operating income before impairment losses		<b>775,305</b>	780,565	<b>1,573,211</b>	1,577,458
Impairment allowance/provisions	33	<b>(42,387)</b>	(29,792)	<b>(70,206)</b>	(70,647)
Net operating income		<b>732,918</b>	750,773	<b>1,503,005</b>	1,506,811
Other operating expenses	34	<b>(423,484)</b>	(395,839)	<b>(797,746)</b>	(763,663)
Profit before tax		<b>309,434</b>	354,935	<b>705,259</b>	743,148
Tax expense		<b>(74,243)</b>	(91,496)	<b>(170,673)</b>	(178,978)
<b>Profit for the period</b>		<b>235,191</b>	263,439	<b>534,586</b>	564,170

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**UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (Cont'd)**

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Other comprehensive income/(expense)</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Own credit reserve:				
Change in fair value	<b>(3,638)</b>	8,397	<b>(4,472)</b>	4,697
Income tax effect	<b>873</b>	(2,015)	<b>1,073</b>	(1,127)
<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>42,750</b>	(4,200)	<b>87,067</b>	(19,059)
Amount transferred to profit or loss	<b>(33,686)</b>	(3,112)	<b>(45,714)</b>	(5,984)
Impairment	<b>20</b>	225	<b>346</b>	113
Income tax effect	<b>(4,470)</b>	1,701	<b>(12,219)</b>	5,983
Financial assets designated as fair value through other comprehensive income				
Change in fair value	<b>9,557</b>	-	<b>9,557</b>	-
Other comprehensive income for the financial period, net of income tax	<b>11,406</b>	996	<b>35,638</b>	(15,377)
<b>Total comprehensive income for the period</b>	<b>246,597</b>	264,435	<b>570,224</b>	548,793
Profit attributable to owner of the Bank	<b>235,191</b>	263,439	<b>534,586</b>	564,170
Total comprehensive income attributable to owner of the Bank	<b>246,597</b>	264,435	<b>570,224</b>	548,793
Basic earnings per RM0.50 ordinary share	<b>102.7 sen</b>	115.0 sen	<b>233.4 sen</b>	246.4 sen
Dividends per RM0.50 ordinary share (net)				
- interim dividend paid in respect of the period	-	87.3 sen	-	87.3 sen
- final dividend paid in respect of prior period	<b>115.7 sen</b>	87.3 sen	<b>115.7 sen</b>	87.3 sen
- special dividend paid in respect of current period	<b>218.3 sen</b>	-	<b>218.3 sen</b>	-

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**UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (Cont'd)**

	<i>Note</i>	<i>Bank</i>			
		<b>Second Quarter</b>		<b>Six Months Ended</b>	
		<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
			(Restated)		(Restated)
Interest income	28	<b>606,072</b>	595,696	<b>1,223,225</b>	1,197,243
Interest expense	28	<b>(207,064)</b>	(182,766)	<b>(409,943)</b>	(364,196)
Net interest income	28	<b>399,008</b>	412,930	<b>813,282</b>	833,047
Fee and commission income	29	<b>106,374</b>	117,789	<b>220,833</b>	238,593
Fee and commission expense	29	<b>(21,965)</b>	(13,673)	<b>(31,144)</b>	(35,418)
Net fee and commission income	29	<b>84,409</b>	104,116	<b>189,689</b>	203,175
Net trading income	30	<b>164,315</b>	136,175	<b>336,722</b>	284,298
Net expenses from Financial Liabilities Designated at Fair Value		<b>(34,192)</b>	(15,889)	<b>(67,439)</b>	(30,842)
Other operating income	32	<b>95,965</b>	52,128	<b>133,461</b>	95,924
Operating income before impairment losses		<b>709,505</b>	689,460	<b>1,405,715</b>	1,385,602
Impairment allowance/provisions	33	<b>(20,128)</b>	(13,328)	<b>(29,511)</b>	(28,464)
Net operating income		<b>689,377</b>	676,132	<b>1,376,204</b>	1,357,138
Other operating expenses	34	<b>(392,428)</b>	(365,483)	<b>(742,013)</b>	(701,426)
Profit before tax		<b>296,949</b>	310,649	<b>634,191</b>	655,712
Tax expense		<b>(60,295)</b>	(80,436)	<b>(146,044)</b>	(159,006)
<b>Profit for the period</b>		<b>236,654</b>	230,213	<b>488,147</b>	496,706

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**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (Cont'd)**

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Other comprehensive income/(expense)</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Own credit reserve:				
Change in fair value	(4,121)	5,171	(5,984)	3,426
Income tax effect	989	(1,241)	1,436	(822)
<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	33,173	(2,140)	72,985	(13,870)
Amount transferred to profit or loss	(27,138)	(3,182)	(39,204)	(6,354)
Impairment	(12)	200	222	130
Income tax effect	(3,742)	1,230	(10,401)	4,823
Financial assets designated as fair value through other comprehensive income				
Change in fair value	9,557	-	9,557	-
Other comprehensive income for the financial period, net of income tax	8,706	38	28,611	(12,667)
<b>Total comprehensive income for the period</b>	<b>245,360</b>	230,251	<b>516,758</b>	484,039
Profit attributable to owner of the Bank	236,654	230,213	488,147	496,706
Total comprehensive income attributable to owner of the Bank	245,360	230,251	516,758	484,039
Basic earnings per RM0.50 ordinary share	103.3 sen	100.5 sen	213.2 sen	216.9 sen
Dividends per RM0.50 ordinary share (net)				
- interim dividend paid in respect of the period	-	87.3 sen	-	87.3 sen
- final dividend paid in respect of prior period	115.7 sen	87.3 sen	115.7 sen	87.3 sen
- special dividend paid in respect of current period	218.3 sen	-	218.3 sen	-

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2018 and the accompanying explanatory notes on pages 13 to 61 attached to the unaudited condensed interim financial statements.*

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**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

**Group (RM'000)**

	<i>Share capital</i>	<i>Other equity instrument<sup>[1]</sup></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>	<i>Total equity</i>
<b>2019</b>									
Balance at 1 January	1,045,875	-	204,890	125,969	(6,863)	99,586	559,200	8,148,816	10,177,473
<b>Total comprehensive income for the financial period</b>									
Profit for the financial period	-	-	-	-	-	-	-	534,586	534,586
<b>Other comprehensive income, net of income tax</b>									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(1,174)	-	-	-	-	1,174	-
Fair value through other comprehensive income reserve:									
Net change in fair value	-	-	-	73,434	(3,399)	-	-	-	70,035
Net amount transferred to profit or loss	-	-	-	(34,743)	-	-	-	-	(34,743)
Transfer to retained profits upon realisation of unquoted investments	-	-	-	(57)	-	-	-	57	-
Impairment charges	-	-	-	346	-	-	-	-	346
<i>Total other comprehensive income</i>	-	-	(1,174)	38,980	(3,399)	-	-	1,231	35,638
Total comprehensive income for the financial period	-	-	(1,174)	38,980	(3,399)	-	-	535,817	570,224
Net change in regulatory reserves	-	-	-	-	-	-	(28,000)	28,000	-
<b>Transactions with the owner, recorded directly in equity</b>									
Share based payment transactions	-	-	-	-	-	(556)	-	(1,567)	(2,123)
Other equity instrument issued	-	500,000	-	-	-	-	-	-	500,000
Dividends paid to owner - 2018 final	-	-	-	-	-	-	-	(265,000)	(265,000)
Dividends paid to owner - 2019 special	-	-	-	-	-	-	-	(500,000)	(500,000)
Balance at 30 June	<b>1,045,875</b>	<b>500,000</b>	<b>203,716</b>	<b>164,949</b>	<b>(10,262)</b>	<b>99,030</b>	<b>531,200</b>	<b>7,946,066</b>	<b>10,480,574</b>

<sup>[1]</sup> On 21 June 2019, the Group and the Bank issued RM500.0 million Additional Tier 1 Perpetual Capital Term Loan. Details of the issuance are set out in Note 9.

*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 2018 and the accompanying explanatory notes on pages 13 to 61 attached to the unaudited condensed interim financial statements.*

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**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (Cont'd)**

<b>Group (RM'000)</b>	<i>Share capital</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>	<i>Total equity</i>
2018								
Balance at 1 January	1,045,875	216,937	132,183	1,123	94,583	284,000	7,661,549	9,436,250
<b>Total comprehensive income for the financial period</b>								
Profit for the financial period	-	-	-	-	-	-	564,170	564,170
<b>Other comprehensive income, net of income tax</b>								
Revaluation reserve:								
Transfer to retained profits upon realisation of depreciation	-	(1,218)	-	-	-	-	1,218	-
Fair value through other comprehensive income reserve:								
Net change in fair value	-	-	(14,485)	3,570	-	-	-	(10,915)
Net amount transferred to profit or loss	-	-	(4,548)	-	-	-	-	(4,548)
Impairment release	-	-	86	-	-	-	-	86
<i>Total other comprehensive income</i>	-	(1,218)	(18,947)	3,570	-	-	1,218	(15,377)
Total comprehensive income for the financial period	-	(1,218)	(18,947)	3,570	-	-	565,388	548,793
Net change in regulatory reserves	-	-	-	-	-	166,000	(166,000)	-
<b>Transactions with the owner, recorded directly in equity</b>								
Share based payment transactions	-	-	-	-	18,165	-	(3,685)	14,480
Dividends paid to owner - 2017 final	-	-	-	-	-	-	(200,000)	(200,000)
Balance at 30 June	<u>1,045,875</u>	<u>215,719</u>	<u>113,236</u>	<u>4,693</u>	<u>112,748</u>	<u>450,000</u>	<u>7,857,252</u>	<u>9,799,523</u>

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**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (Cont'd)**

<b>Bank (RM'000)</b>	<i>Non-distributable</i>						<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Other equity instrument<sup>[1]</sup></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>	
<b>2019</b>									
Balance at 1 January	1,045,875	-	204,890	125,490	(3,876)	99,087	468,100	7,075,642	9,015,208
<b>Total comprehensive income for the financial period</b>									
Profit for the financial period	-	-	-	-	-	-	-	488,147	488,147
<b>Other comprehensive income, net of income tax</b>									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(1,174)	-	-	-	-	1,174	-
Fair value through other comprehensive income reserve:									
Net change in fair value	-	-	-	62,732	(4,548)	-	-	-	58,184
Net amount transferred to profit or loss	-	-	-	(29,795)	-	-	-	-	(29,795)
Transfer to retained profits upon realisation of unquoted investments	-	-	-	(57)	-	-	-	57	-
Impairment charges	-	-	-	222	-	-	-	-	222
<i>Total other comprehensive income</i>	-	-	(1,174)	33,102	(4,548)	-	-	1,231	28,611
Total comprehensive income for the financial period	-	-	(1,174)	33,102	(4,548)	-	-	489,378	516,758
Net change in regulatory reserves	-	-	-	-	-	-	(17,000)	17,000	-
<b>Transactions with the owner, recorded directly in equity</b>									
Share based payment transactions	-	-	-	-	-	(873)	-	(1,592)	(2,465)
Other equity instrument issued	-	500,000	-	-	-	-	-	-	500,000
Dividends paid to owner - 2018 final	-	-	-	-	-	-	-	(265,000)	(265,000)
Dividends paid to owner - 2019 special	-	-	-	-	-	-	-	(500,000)	(500,000)
Balance at 30 June	<b>1,045,875</b>	<b>500,000</b>	<b>203,716</b>	<b>158,592</b>	<b>(8,424)</b>	<b>98,214</b>	<b>451,100</b>	<b>6,815,428</b>	<b>9,264,501</b>

<sup>[1]</sup> On 21 June 2019, the Group and the Bank issued RM500.0 million Additional Tier 1 Perpetual Capital Term Loan. Details of the issuance are set out in Note 9.

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**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (Cont'd)**

<b>Bank (RM'000)</b>	<i>Non-distributable</i>					<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</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>	
2018								
Balance at 1 January	1,045,875	216,937	131,878	267	94,175	250,000	6,696,014	8,435,146
<b>Total comprehensive income for the financial period</b>								
Profit for the financial period	-	-	-	-	-	-	496,706	496,706
<b>Other comprehensive income, net of income tax</b>								
Revaluation reserve:								
Transfer to retained profits upon realisation of depreciation	-	(1,218)	-	-	-	-	1,218	-
Fair value through other comprehensive income reserve:								
Net change in fair value	-	-	(10,541)	2,604	-	-	-	(7,937)
Net amount transferred to profit or loss	-	-	(4,829)	-	-	-	-	(4,829)
Impairment release	-	-	99	-	-	-	-	99
<i>Total other comprehensive income</i>	-	(1,218)	(15,271)	2,604	-	-	1,218	(12,667)
Total comprehensive income for the financial period	-	(1,218)	(15,271)	2,604	-	-	497,924	484,039
<b>Transactions with the owner, recorded directly in equity</b>								
Share based payment transactions	-	-	-	-	18,062	-	(3,694)	14,368
Dividends paid to owner - 2017 final	-	-	-	-	-	-	(200,000)	(200,000)
Balance at 30 June	1,045,875	215,719	116,607	2,871	112,237	400,000	6,840,244	8,733,553

*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 2018 and the accompanying explanatory notes on pages 13 to 61 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 17 July 2019.*

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

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2019</b> RM'000	30 Jun 2018 RM'000	<b>30 Jun 2019</b> RM'000	30 Jun 2018 RM'000
Profit before tax	<b>705,259</b>	743,148	<b>634,191</b>	655,712
Adjustments for non-operating and non-cash items	<b>135,690</b>	(59,271)	<b>160,312</b>	(205,870)
Operating profit before working capital changes	<b>840,949</b>	683,877	<b>794,503</b>	449,842
Changes in working capital:				
Net changes in operating assets	<b>(353,337)</b>	2,078,164	<b>(851,671)</b>	4,549,092
Net changes in operating liabilities	<b>73,572</b>	(590,200)	<b>(304,304)</b>	(4,053,469)
Income tax paid	<b>(254,078)</b>	(113,050)	<b>(218,967)</b>	(106,262)
<b>Net cash generated from/(used in) operations</b>	<b>307,106</b>	2,058,791	<b>(580,439)</b>	839,203
<b>Net cash generated from/(used in) investing activities</b>	<b>516,595</b>	(1,281,359)	<b>779,820</b>	(1,150,732)
<b>Net cash used in financing activities</b>	<b>(324,410)</b>	(247,812)	<b>(288,709)</b>	(223,156)
	<b>192,185</b>	(1,529,171)	<b>491,111</b>	(1,373,888)
<b>Net changes in cash and cash equivalents</b>	<b>499,291</b>	529,620	<b>(89,328)</b>	(534,685)
<b>Cash and cash equivalents at 1 January</b>	<b>7,908,159</b>	10,313,776	<b>5,137,240</b>	8,879,053
<b>Cash and cash equivalents at 30 June</b>	<b>8,407,450</b>	10,843,396	<b>5,047,912</b>	8,344,368
<b>Analysis of cash and cash equivalents</b>				
Cash and short-term funds	<b>8,407,450</b>	10,843,396	<b>5,047,912</b>	8,344,368

*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 2018 and the accompanying explanatory notes on pages 13 to 61 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 17 July 2019.*

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

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (Cont'd)**

**Change in liabilities arising from financing activities**

**Group (RM'000)**

<b>2019</b>	<b>At 1 January</b>	<b>Cash inflow/ (outflow)</b>	<b>Foreign exchange adjustment</b>	<b>Fair value movement</b>	<b>Interest/ Profit accrual</b>	<b>At 30 June</b>
Multi-Currency Sukuk Programme	1,755,281	-	-	4,994	-	1,760,275
Subordinated liabilities	1,095,987	-	-	-	-	1,095,987
Other liabilities of which:						
Profit paid on Multi-Currency Sukuk	18,175	(35,701)	-	-	35,585	18,059
Interest paid on Subordinated liabilities	4,458	(23,709)	-	-	26,731	7,480
Other equity instrument	-	500,000	-	-	-	500,000
Dividend paid	-	(765,000)	-	-	-	-
	<b>2,873,901</b>	<b>(324,410)</b>	<b>-</b>	<b>4,994</b>	<b>62,316</b>	<b>3,381,801</b>
<b>2018</b>						
Multi-Currency Sukuk Programme	1,252,829	-	-	(1,230)	-	1,251,599
Subordinated liabilities	1,083,903	-	(2,250)	-	-	1,081,653
Other liabilities of which:						
Profit paid on Multi-Currency Sukuk	12,815	(24,656)	-	-	24,598	12,757
Interest paid on Subordinated liabilities	6,521	(23,156)	-	-	23,904	7,269
Dividend paid	-	(200,000)	-	-	-	-
	<b>2,356,068</b>	<b>(247,812)</b>	<b>(2,250)</b>	<b>(1,230)</b>	<b>48,502</b>	<b>2,353,278</b>

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

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (Cont'd)**

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

**Bank (RM'000)**

	<b>At 1 January</b>	<b>Cash inflow/ (outflow)</b>	<b>Foreign exchange adjustment</b>	<b>Fair value movement</b>	<b>Interest accrual</b>	<b>At 30 June</b>
<b>2019</b>						
Subordinated liabilities	1,095,987	-	-	-	-	1,095,987
Other liabilities of which:						
Interest paid on Subordinated liabilities	4,458	(23,709)	-	-	26,731	7,480
Other equity instrument	-	500,000	-	-	-	500,000
Dividend paid	-	(765,000)	-	-	-	-
	<u>1,100,445</u>	<u>(288,709)</u>	<u>-</u>	<u>-</u>	<u>26,731</u>	<u>1,603,467</u>
<b>2018</b>						
Subordinated liabilities	1,083,903	-	(2,250)	-	-	1,081,653
Other liabilities of which:						
Interest paid on Subordinated liabilities	6,521	(23,156)	-	-	23,904	7,269
Dividend paid	-	(200,000)	-	-	-	-
	<u>1,090,424</u>	<u>(223,156)</u>	<u>(2,250)</u>	<u>-</u>	<u>23,904</u>	<u>1,088,922</u>

*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 2018 and the accompanying explanatory notes on pages 13 to 61 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 17 July 2019.*

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

**NOTES TO THE FINANCIAL STATEMENTS**

**1 General Information**

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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, North 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 17 July 2019.

**2 Basis of Preparation**

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The unaudited condensed interim financial statements for the financial period ended 30 June 2019 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets at fair value through profit and loss, 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 30 June 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). 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 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 Group and 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 Group and 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" (ROU) 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 Group and 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 had increased assets (ROU assets) and increased financial liabilities with no other impact on net assets or retained earnings. The detailed impact of changes in accounting policies for MFRS 16 are set out in Note 3.

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

- Financial investments
- Property and equipment
- 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

(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 Group and the Bank's Statement of Financial Position from MFRS 117 to MFRS 16 as at 1 January 2019:

	MFRS 117 carrying	MFRS 16 adjustments		MFRS 16 carrying	Retained profits
	amount as at 31 December 2018	Reclassification	Remeasurement	amount as at 1 January 2019	impact as at 1 January 2019
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>					
<b>Assets</b>					
Cash and short term funds	7,908,159	-	-	7,908,159	-
Securities purchased under resale agreements	2,557,198	-	-	2,557,198	-
Deposits and placements with banks and other financial institutions	227,535	-	-	227,535	-
Financial assets at fair value through profit and loss (FVTPL)	2,327,385	-	-	2,327,385	-
Financial investments at fair value through own comprehensive income (FVOCI)	13,720,317	-	-	13,720,317	-
Loans, advances and financing	53,308,493	-	-	53,308,493	-
Derivative financial assets	1,299,939	-	-	1,299,939	-
Statutory deposits with Bank Negara Malaysia	1,200,662	-	-	1,200,662	-
Other assets	634,695	(4,982)	108,926	738,639	-
Deferred tax assets	208,895	-	-	208,895	-
<b>Total change to financial asset balances, reclassification and remeasurement at 1 January 2019</b>	<b>83,393,278</b>	<b>(4,982)</b>	<b>108,926</b>	<b>83,497,222</b>	<b>-</b>
<b>Liabilities</b>					
Deposits from customers	57,147,153	-	-	57,147,153	-
Deposits and placements from banks and other financial institutions	5,518,751	-	-	5,518,751	-
Repurchase agreement	147,871	-	-	147,871	-
Bills payable	250,704	-	-	250,704	-
Multi-Currency Sukuk Programme	1,755,281	-	-	1,755,281	-
Subordinated liabilities	1,095,987	-	-	1,095,987	-
Derivative financial liabilities	1,116,285	-	-	1,116,285	-
Structured liabilities designated at fair value through profit and loss	4,158,241	-	-	4,158,241	-
Other liabilities	2,389,097	(4,982)	108,926	2,493,041	-
Provision for taxation	164,706	-	-	164,706	-
<b>Total change to financial liabilities balances, reclassification and remeasurement at 1 January 2019</b>	<b>73,744,076</b>	<b>(4,982)</b>	<b>108,926</b>	<b>73,848,020</b>	<b>-</b>



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 (Cont'd)

	MFRS 117 carrying	MFRS 16 adjustments		MFRS 16 carrying	Retained profits
	amount as at 31 December 2018	Reclassification	Remeasurement	amount as at 1 January 2019	impact as at 1 January 2019
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>					
<b>Assets</b>					
Cash and short term funds	5,137,240	-	-	5,137,240	-
Securities purchased under resale agreements	2,557,198	-	-	2,557,198	-
Deposits and placements with banks and other financial institutions	1,369,248	-	-	1,369,248	-
Financial assets at fair value through profit and loss (FVPL)	2,327,385	-	-	2,327,385	-
Financial investments at fair value through own comprehensive income (FVOCI)	10,994,634	-	-	10,994,634	-
Loans, advances and financing	39,171,156	-	-	39,171,156	-
Derivative financial assets	1,303,262	-	-	1,303,262	-
Statutory deposits with Bank Negara Malaysia	836,000	-	-	836,000	-
Other assets	658,356	(4,982)	77,193	730,567	-
Deferred tax assets	191,532	-	-	191,532	-
<b>Total change to financial asset balances, reclassification and remeasurement at 1 January 2019</b>	<b>64,546,011</b>	<b>(4,982)</b>	<b>77,193</b>	<b>64,618,222</b>	<b>-</b>
<b>Liabilities</b>					
Deposits from customers	45,702,597	-	-	45,702,597	-
Deposits and placements from banks and other financial institutions	2,798,088	-	-	2,798,088	-
Repurchase agreement	147,871	-	-	147,871	-
Bills payable	232,110	-	-	232,110	-
Subordinated liabilities	1,095,987	-	-	1,095,987	-
Derivative financial liabilities	1,134,562	-	-	1,134,562	-
Structured liabilities designated at fair value through profit and loss	3,273,364	-	-	3,273,364	-
Other liabilities	2,192,462	(4,982)	77,193	2,264,673	-
Provision for taxation	135,186	-	-	135,186	-
<b>Total change to financial liabilities balances, reclassification and remeasurement at 1 January 2019</b>	<b>56,712,227</b>	<b>(4,982)</b>	<b>77,193</b>	<b>56,784,438</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 Group's and the Bank's reserves as at 1 January 2019 are as follows:

**Retained profits**

There is no impact on retained profits arising from the adoption of MFRS 16.

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

	<b>Group</b>	<b>Bank</b>
	<b>RM'000</b>	<b>RM'000</b>
Operating lease commitments disclosed as at 31 December 2018	89,017	75,613
Discounted using incremental borrowing rate	(4,312)	(3,702)
Less: services and other charges not in scope for MFRS 16	(18,296)	(18,296)
Less: short-term leases recognised on a straight-line basis as expense	(1,545)	(1,342)
Less: low-value leases recognised on a straight-line basis as expense	(13)	(13)
Add: adjustments as a result of a different treatment on extension and termination options	44,999	26,106
Less: others	(924)	(1,173)
Lease liability recognised as at 1 January 2019	<u>108,926</u>	<u>77,193</u>
Of which:		
- Current lease liability	26,364	20,344
- Non-current lease liability	82,562	56,849
	<u>108,926</u>	<u>77,193</u>

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

### **4 Functional and Presentation 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 annual 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 Group and 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 Group and Bank for the financial period ended 30 June 2019.

### **8 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 30 June 2019.

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

---

On 21 June 2019, the Group and the Bank issued a perpetual capital term loan with nominal amounting to RM500 million. The capital instrument qualifies to constitute as Additional Tier 1 capital of the Group and the Bank as per the Capital Adequacy Framework (Capital Components) issued by Bank Negara Malaysia (BNM). Distribution payments are non-cumulative and may be cancelled at the sole discretion of the Group and the Bank. On the occurrence of a trigger event as defined by BNM, the capital instruments will be written down at the point of non-viability. They rank higher than ordinary shares in the event of a wind-up.

There were no other issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 30 June 2019.

### **10 Dividend**

---

Since the end of the previous financial year, the Bank paid the following:

- (a) Final dividend of RM1.16 per ordinary share amounting to RM265 million. The dividend was paid on 26 April 2019.
- (b) Special dividend of RM2.18 per ordinary share amounting to RM500 million in respect of the current financial period on the fully issued and paid up ordinary shares of the Bank. The payment is made in conjunction with the issuance of Additional Tier 1 perpetual capital term loan as detailed in Note 9.

The Directors now recommend an interim dividend of RM1.07 per ordinary share amounting to RM244 million in respect of the current financial period on the fully issued and paid up ordinary shares of the Bank.

### **11 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 30 June 2019.

### **12 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)**

**13 Cash and Short-Term Funds**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2019</b>	31 Dec 2018	<b>30 Jun 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>709,191</b>	851,050	<b>525,882</b>	685,654
Money at call and interbank placements maturing within one month	<b>7,698,259</b>	7,057,109	<b>4,522,030</b>	4,451,586
	<b>8,407,450</b>	7,908,159	<b>5,047,912</b>	5,137,240

Money at call and interbank placements maturing within one month is within Stage 1 allocation (12 -months ECL) with RM3,000 impairment allowance as at 30 June 2019 (31 December 2018: RM15,000).

**14 Deposits and Placements with Banks and Other Financial Institutions**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2019</b>	31 Dec 2018	<b>30 Jun 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Licensed banks	-	20,685	<b>1,016,974</b>	1,162,398
Bank Negara Malaysia	-	206,850	-	206,850
Net deposit and placements	-	227,535	<b>1,016,974</b>	1,369,248

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 RM1,017.0 million (31 December 2018: RM1,141.7 million). The balance is within Stage 1 allocation (12 -months ECL) with nil impairment allowance as at 30 June 2019 (31 December 2018: nil).

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

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2019</b>	31 Dec 2018	<b>30 Jun 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Money market instruments:				
Malaysian Government treasury bills	<b>648,406</b>	573,248	<b>648,406</b>	573,248
Islamic treasury bills	<b>286,292</b>	-	<b>286,292</b>	-
Malaysian Government securities	<b>1,612,609</b>	1,355,514	<b>1,612,609</b>	1,355,514
Malaysian Government Islamic Sukuk	<b>312,627</b>	315,653	<b>312,627</b>	315,653
Cagamas bonds and notes	<b>14,090</b>	9,115	<b>14,090</b>	9,115
	<b>2,874,024</b>	2,253,530	<b>2,874,024</b>	2,253,530
Unquoted:				
Corporate bonds and Sukuk	<b>111,780</b>	73,855	<b>111,780</b>	73,855
Loans, advances and financing <sup>[1]</sup>	<b>15,868</b>	-	<b>15,868</b>	-
	<b>3,001,672</b>	2,327,385	<b>3,001,672</b>	2,327,385

<sup>[1]</sup> Loans, advances and financing were held for the purpose of selling in the near term.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2019</b>	31 Dec 2018	<b>30 Jun 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Debt instruments</b>				
Money market instruments:				
Bank Negara Malaysia bills and notes	<b>2,472,395</b>	3,281,519	<b>2,472,395</b>	3,281,519
Islamic Bank Negara bills	-	411,266	-	411,266
Malaysian Government securities	<b>5,040,343</b>	4,442,265	<b>5,040,343</b>	4,442,265
Malaysian Government Islamic Sukuk	<b>4,864,562</b>	4,118,043	<b>1,911,046</b>	1,591,674
Malaysian Government Islamic treasury bills	-	199,314	-	-
Cagamas bonds and notes	<b>70,122</b>	419,789	<b>70,122</b>	419,789
US treasury bond	<b>371,511</b>	654,097	<b>371,511</b>	654,097
	<b>12,818,933</b>	13,526,293	<b>9,865,417</b>	10,800,610
Unquoted:				
Corporate bonds and Sukuk	<b>6,582</b>	6,560	<b>6,582</b>	6,560
<b>Financial Investments Designated as FVOCI</b>				
<b>Equity instruments</b>				
Unquoted:				
Shares	<b>197,021</b>	187,464	<b>197,021</b>	187,464
<i>of which</i>				
<i>Cagamas Holdings Berhad</i>	<b>159,741</b>	150,667	<b>159,741</b>	150,667
<i>Credit Guarantee Corporation Malaysia Berhad</i>	<b>31,196</b>	30,388	<b>31,196</b>	30,388
<i>Others</i>	<b>6,084</b>	6,409	<b>6,084</b>	6,409
	<b>13,022,536</b>	13,720,317	<b>10,069,020</b>	10,994,634

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 during the financial period.

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

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2019</b>	31 Dec 2018	<b>30 Jun 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Maturing within one year	<b>6,013,922</b>	5,784,454	<b>4,561,070</b>	4,844,009
More than one year to three years	<b>5,135,214</b>	5,867,787	<b>3,634,550</b>	4,313,785
More than three years to five years	<b>1,104,065</b>	1,321,194	<b>1,104,065</b>	1,089,958
Over five years	<b>565,732</b>	552,858	<b>565,732</b>	552,858
	<b>12,818,933</b>	13,526,293	<b>9,865,417</b>	10,800,610

Included in the FVOCI balances are Malaysian Government securities pledged against the Repurchase Agreement amounted to RM502.7 million as at 30 June 2019 (31 December 2018: RM150.8 million).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2019</b>	31 Dec 2018	<b>30 Jun 2019</b>	31 Dec 2018
<b>At amortised cost</b>	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
		(Restated)		(Restated)
Overdrafts/cash line	<b>1,022,708</b>	952,685	<b>934,295</b>	877,351
Term loans/financing:				
Housing loans/financing	<b>18,146,747</b>	18,570,714	<b>13,903,085</b>	14,241,494
Syndicated term loans/financing <sup>[1]</sup>	<b>4,115,556</b>	3,674,894	<b>2,762,691</b>	2,340,238
Factoring receivables	<b>475,156</b>	509,453	<b>475,156</b>	509,453
Hire purchase receivables	<b>196,154</b>	195,636	-	-
Lease receivables	<b>150</b>	539	-	-
Other term loans/financing	<b>9,752,782</b>	10,154,802	<b>5,824,379</b>	5,837,382
Bills receivable	<b>2,434,837</b>	3,449,649	<b>2,124,639</b>	2,993,071
Trust receipts	<b>2,253,768</b>	2,140,273	<b>1,613,115</b>	1,616,648
Claims on customers under acceptance credits	<b>1,402,927</b>	1,579,135	<b>1,042,581</b>	1,156,842
Staff loans/financing	<b>82,046</b>	90,539	<b>79,358</b>	87,395
Credit/charge cards	<b>3,651,758</b>	3,663,256	<b>2,543,603</b>	2,587,622
Revolving financing <sup>[1]</sup>	<b>8,560,760</b>	8,806,637	<b>6,918,607</b>	7,172,272
Other loans/financing	<b>13,313</b>	12,159	<b>9,759</b>	8,733
Gross loans, advances and financing	<b>52,108,662</b>	53,800,371	<b>38,231,268</b>	39,428,501
Less: - Impairment allowances	<b>(510,261)</b>	(491,878)	<b>(266,770)</b>	(257,345)
Total net loans, advances and financing	<b>51,598,401</b>	53,308,493	<b>37,964,498</b>	39,171,156

<sup>[1]</sup> Included in the loans, advances and financing of the Bank at 30 June 2019 are financing which are disclosed as "Asset under Management" in the financial statements of HBMS. These details are as follows:

	<i>Bank</i>	
	<b>30 Jun 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Syndicated term loans/financing	<b>2,008,219</b>	1,820,336
Other term loans/financing	<b>5,040</b>	-
Revolving financing	<b>751,047</b>	751,515
	<b>2,764,306</b>	2,571,851

Syndicated Investment Account for Financing/Investment Agency Account (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.

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

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>	
	<b>30 Jun 2019</b> <b>RM'000</b>	31 Dec 2018 RM'000 (Restated)	<b>30 Jun 2019</b> <b>RM'000</b>	31 Dec 2018 RM'000 (Restated)
Domestic non-bank financial institutions	<b>1,165,690</b>	1,198,133	<b>549,574</b>	578,712
Domestic business enterprises:				
Small medium enterprises	<b>6,500,661</b>	6,498,801	<b>4,503,004</b>	4,515,578
Others	<b>16,768,582</b>	17,020,804	<b>13,175,794</b>	13,239,148
Government and statutory bodies	<b>3,222</b>	4,527	-	-
Individuals	<b>21,573,998</b>	22,010,122	<b>15,479,208</b>	15,867,488
Other domestic entities	<b>4,552</b>	4,804	<b>3,369</b>	3,546
Foreign entities	<b>6,091,957</b>	7,063,180	<b>4,520,319</b>	5,224,029
	<b>52,108,662</b>	53,800,371	<b>38,231,268</b>	39,428,501

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2019</b> <b>RM'000</b>	31 Dec 2018 RM'000 (Restated)	<b>30 Jun 2019</b> <b>RM'000</b>	31 Dec 2018 RM'000 (Restated)
Maturity within one year	<b>24,455,827</b>	26,228,589	<b>18,622,277</b>	20,332,762
More than one year to three years	<b>3,005,672</b>	2,526,451	<b>2,023,794</b>	1,360,321
More than three years to five years	<b>3,164,184</b>	2,999,636	<b>1,931,972</b>	1,710,272
More than five years	<b>21,482,979</b>	22,045,695	<b>15,653,225</b>	16,025,146
	<b>52,108,662</b>	53,800,371	<b>38,231,268</b>	39,428,501

(iv) By interest/profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2019</b> <b>RM'000</b>	31 Dec 2018 RM'000 (Restated)	<b>30 Jun 2019</b> <b>RM'000</b>	31 Dec 2018 RM'000 (Restated)
Fixed rate:				
Housing loans/financing	<b>184</b>	194	<b>184</b>	194
Hire purchase receivables	<b>196,154</b>	195,636	-	-
Other fixed rate loans/financing	<b>13,101,043</b>	13,491,626	<b>9,866,703</b>	10,191,085
Variable rate:				
Base Rate/Base Lending/Financing Rate plus	<b>21,702,530</b>	22,218,713	<b>16,405,647</b>	16,826,043
Cost-plus	<b>17,108,751</b>	17,894,202	<b>11,958,734</b>	12,411,179
	<b>52,108,662</b>	53,800,371	<b>38,231,268</b>	39,428,501

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Loans, Advances and Financing (Cont'd)

(v) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000 (Restated)	30 Jun 2019 RM'000	31 Dec 2018 RM'000 (Restated)
Agricultural, hunting, forestry and fishing	206,588	224,321	187,624	205,335
Mining and quarrying	365,993	353,554	156,173	121,880
Manufacturing	7,542,452	7,512,804	6,124,740	6,017,712
Electricity, gas and water	188,049	156,677	27,675	28,415
Construction	3,553,561	3,354,705	2,678,816	2,571,017
Real estate	4,492,457	4,297,149	3,498,306	3,161,642
Wholesale & retail trade and restaurants & hotels	3,749,878	3,984,139	2,743,944	2,988,570
Transport, storage and communication	402,322	484,495	248,714	270,204
Finance, insurance and business services	3,109,336	3,624,914	2,106,438	2,584,242
Household-retail	24,632,535	25,169,688	17,996,993	18,463,543
Others	3,865,491	4,637,925	2,461,845	3,015,941
	<b>52,108,662</b>	<b>53,800,371</b>	<b>38,231,268</b>	<b>39,428,501</b>

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000 (Restated)	30 Jun 2019 RM'000	31 Dec 2018 RM'000 (Restated)
Purchase of property:				
Residential	18,200,156	18,629,663	13,954,964	14,298,874
Non residential	1,465,164	1,515,174	660,214	679,307
Purchase of securities	3,748	4,215	3,748	4,215
Purchase of transport vehicles	18,994	21,661	18,027	20,406
Purchase of fixed assets excluding land & building	-	740	-	740
Consumption credit	5,999,031	6,069,767	3,845,857	3,942,490
Construction	2,688,767	2,798,190	2,044,279	2,230,805
Working capital	20,685,219	20,843,932	15,690,704	15,614,802
Other purpose	3,047,583	3,917,029	2,013,475	2,636,862
	<b>52,108,662</b>	<b>53,800,371</b>	<b>38,231,268</b>	<b>39,428,501</b>

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000 (Restated)	30 Jun 2019 RM'000	31 Dec 2018 RM'000 (Restated)
Northern Region	6,612,878	6,719,839	5,181,128	5,222,530
Southern Region	6,056,101	6,334,271	4,540,566	4,870,102
Central Region	37,227,989	38,380,783	26,681,458	27,369,954
Eastern Region	2,211,694	2,365,478	1,828,116	1,965,915
	<b>52,108,662</b>	<b>53,800,371</b>	<b>38,231,268</b>	<b>39,428,501</b>

Concentration by location for loans, advances and financing is based on the location of the borrower.

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>	
	<b>30 Jun 2019</b> <b>RM'000</b>	31 Dec 2018 RM'000 (Restated)	<b>30 Jun 2019</b> <b>RM'000</b>	31 Dec 2018 RM'000 (Restated)
Gross carrying amount as at 1 January	973,287	888,267	616,975	606,218
Transfer within stages	134,872	195,005	97,509	123,315
Net remeasurement due to changes in credit risk	8,620	130,268	(12,993)	14,557
Written-off	(106,663)	(240,278)	(52,397)	(127,122)
Others	-	25	-	7
<b>Gross carrying amount as at 30 June/31 December</b>	<b>1,010,116</b>	<b>973,287</b>	<b>649,094</b>	<b>616,975</b>

(ii) By sector

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2019</b> <b>RM'000</b>	31 Dec 2018 RM'000 (Restated)	<b>30 Jun 2019</b> <b>RM'000</b>	31 Dec 2018 RM'000 (Restated)
Mining and quarrying	2,002	2,704	1,921	2,000
Manufacturing	80,930	41,970	64,649	24,616
Construction	34,490	41,263	31,149	38,121
Real estate	13,501	12,855	12,694	12,855
Wholesale & retail trade, restaurants & hotels	36,395	29,776	19,227	18,637
Transport, storage and communication	18,822	22,007	17,855	17,854
Finance, insurance and business services	27,734	32,875	1,080	4,214
Household-retail	759,792	755,218	490,129	489,885
Others	36,450	34,619	10,390	8,793
<b>Total</b>	<b>1,010,116</b>	<b>973,287</b>	<b>649,094</b>	<b>616,975</b>

(iii) By purpose

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2019</b> <b>RM'000</b>	31 Dec 2018 RM'000 (Restated)	<b>30 Jun 2019</b> <b>RM'000</b>	31 Dec 2018 RM'000 (Restated)
Purchase of property:				
Residential	429,033	446,416	313,887	321,427
Non residential	52,098	43,517	33,146	31,693
Purchase of transport vehicles	250	207	55	61
Consumption credit	321,045	297,811	167,774	159,584
Construction	21,865	26,565	19,113	24,163
Working capital	162,171	133,931	115,099	80,029
Other purpose	23,654	24,840	20	18
<b>Total</b>	<b>1,010,116</b>	<b>973,287</b>	<b>649,094</b>	<b>616,975</b>

(iv) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2019</b> <b>RM'000</b>	31 Dec 2018 RM'000 (Restated)	<b>30 Jun 2019</b> <b>RM'000</b>	31 Dec 2018 RM'000 (Restated)
Northern Region	125,173	129,940	91,070	92,192
Southern Region	130,637	115,479	89,091	76,026
Central Region	696,691	670,297	418,906	397,236
Eastern Region	57,615	57,571	50,027	51,521
<b>Total</b>	<b>1,010,116</b>	<b>973,287</b>	<b>649,094</b>	<b>616,975</b>

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	Lifetime ECL credit impaired Specific provision RM'000	Collective provision RM'000	Total RM'000
<b>Group</b>						
Balance at 1 January 2019	99,954	132,892	259,032	-	-	491,878
Changes due to financial assets recognised in the opening balance that have:						
- Transferred to Stage 1	45,054	(37,510)	(7,544)	-	-	-
- Transferred to Stage 2	(8,426)	21,031	(12,605)	-	-	-
- Transferred to Stage 3	(517)	(12,739)	13,256	-	-	-
New financial assets originated or purchased	16,588	-	-	-	-	16,588
Net remeasurement due to changes in credit risk	(47,494)	25,212	131,559	-	-	109,277
Asset written-off	-	-	(106,663)	-	-	(106,663)
Others	(819)	-	-	-	-	(819)
<b>Balance at 30 June 2019</b>	<b>104,340</b>	<b>128,886</b>	<b>277,035</b>	<b>-</b>	<b>-</b>	<b>510,261</b>
Balance at 1 January 2018 <sup>[1]</sup>	-	-	-	208,249	518,836	727,085
- adoption of MFRS 9 <sup>[1]</sup>	137,218	135,296	269,048	(208,249)	(518,836)	(185,523)
Balance restated <sup>[1]</sup>	137,218	135,296	269,048	-	-	541,562
Changes due to financial assets recognised in the opening balance that have:						
- Transferred to Stage 1	39,936	(35,006)	(4,930)	-	-	-
- Transferred to Stage 2	(10,019)	22,902	(12,883)	-	-	-
- Transferred to Stage 3	(967)	(8,878)	9,845	-	-	-
New financial assets originated or purchased	32,948	-	-	-	-	32,948
Net remeasurement due to changes in credit risk	(97,894)	18,578	237,931	-	-	158,615
Asset written-off	-	-	(240,278)	-	-	(240,278)
Others <sup>[1]</sup>	(1,268)	-	299	-	-	(969)
Balance at 31 December 2018 <sup>[1]</sup>	99,954	132,892	259,032	-	-	491,878

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.

The total ECL allowances increased by RM18.4 million for the Group compared to the balance at the beginning of the year. This net increase was mainly contributed by remeasurement due to changes in credit risk (at RM109.3 million) and new financial assets originated or purchased (at RM16.6 million), partially offset by asset written-off (at RM106.7 million).

- 12-months ECL not credit impaired (Stage 1) – increased by RM4.4 million for the Group, mainly from migration of loans to Stages 2 and 3 as a result of credit quality deterioration, as well as new financial assets originated or purchased. This was partially offset by remeasurement due to changes in credit risk based on HSBC Group's model.
- Lifetime ECL not credit-impaired (Stage 2) – decreased by RM4.0 million for the Group, mainly from net migration of loans to stage 1 as a result of improved credit quality and partially offset by remeasurement due to changes in credit risk.
- Lifetime ECL credit-impaired (Stage 3) – increased by RM18.0 million for the Group, primarily due to remeasurement due to changes in credit risk offset by asset written-off and transfers to stage 1 as a result of credit quality improvement.

<sup>[1]</sup> Balances have been restated as disclosed in Note 42.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances (Cont'd)

(i) Movements in ECL allowances for loans, advances and financing (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	Lifetime ECL credit impaired	Specific provision RM'000	Collective provision RM'000	Total RM'000
<b>Bank</b>							
Balance at 1 January 2019	55,966	68,428	132,951		-	-	257,345
Changes due to financial assets recognised in the opening balance that have:							
- Transferred to Stage 1	28,035	(22,641)	(5,394)		-	-	-
- Transferred to Stage 2	(4,509)	13,235	(8,726)		-	-	-
- Transferred to Stage 3	(212)	(6,824)	7,036		-	-	-
New financial assets originated or purchased	7,679	-	-		-	-	7,679
Net remeasurement due to changes in credit risk	(34,313)	14,452	74,648		-	-	54,787
Asset written-off	-	-	(52,397)		-	-	(52,397)
Others	(644)	-	-		-	-	(644)
<b>Balance at 30 June 2019</b>	<b>52,002</b>	<b>66,650</b>	<b>148,118</b>		-	-	<b>266,770</b>
Balance at 1 January 2018 <sup>[1]</sup>	-	-	-		133,984	277,928	411,912
- adoption of MFRS 9 <sup>[1]</sup>	76,084	69,776	158,912		(133,984)	(277,928)	(107,140)
Balance restated <sup>[1]</sup>	76,084	69,776	158,912		-	-	304,772
Changes due to financial assets recognised in the opening balance that have:							
- Transferred to Stage 1	25,897	(22,456)	(3,441)		-	-	-
- Transferred to Stage 2	(5,352)	12,891	(7,539)		-	-	-
- Transferred to Stage 3	(329)	(5,057)	5,386		-	-	-
New financial assets originated or purchased	13,808	-	-		-	-	13,808
Net remeasurement due to changes in credit risk	(53,470)	13,274	106,697		-	-	66,501
Asset written-off	-	-	(127,122)		-	-	(127,122)
Others <sup>[1]</sup>	(672)	-	58		-	-	(614)
Balance at 31 December 2018 <sup>[1]</sup>	55,966	68,428	132,951		-	-	257,345

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 RM9.4 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 (at RM54.8 million) and new financial assets originated or purchased (RM7.7 million), partially offset by asset written-off (at RM52.4 million).

- 12-months ECL not credit impaired (Stage 1) – decreased by RM4.0 million for the Bank, primarily contributed by remeasurement due to changes in credit risk based on the HSBC Group's model and partially offset by loans migrated back to Stage 1 due to improved credit quality.
- Lifetime ECL not credit-impaired (Stage 2) – decreased by RM1.8 million for the Bank, mainly from net migration of loans to stage 1 due to credit quality improvement and remeasurement due to changes in credit risk.
- Lifetime ECL credit-impaired (Stage 3) – Stage 3 ECL increased by RM15.2 million, primarily contributed by remeasurement due to changes in credit risk, offset by impaired loans written off and loans migration to stage 1 and 2 arising from improved credit quality.

<sup>[1]</sup> Balances have been restated as disclosed in Note 42.

**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:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL	Lifetime ECL		
	not credit	not credit	Lifetime ECL	
	impaired	impaired	credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Balance at 1 January 2019	<b>4,415</b>	<b>3,358</b>	<b>825</b>	<b>8,598</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>501</b>	<b>(501)</b>	-	-
- Transferred to Stage 2	<b>(181)</b>	<b>181</b>	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	<b>832</b>	-	-	<b>832</b>
Net remeasurement due to changes in credit risk	<b>(1,261)</b>	<b>352</b>	<b>(471)</b>	<b>(1,380)</b>
Asset written-off	-	-	-	-
Others	<b>18</b>	-	-	<b>18</b>
<b>Balance at 30 June 2019</b>	<b>4,324</b>	<b>3,390</b>	<b>354</b>	<b>8,068</b>
Balance at 1 January 2018	-	-	-	-
- adoption of MFRS 9	3,984	5,618	1,006	10,608
Balance restated	3,984	5,618	1,006	10,608
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	574	(574)	-	-
- Transferred to Stage 2	(223)	227	(4)	-
- Transferred to Stage 3	(2)	(2)	4	-
New financial assets originated or purchased	1,102	-	-	1,102
Net remeasurement due to changes in credit risk	(906)	(1,911)	(181)	(2,998)
Asset written-off	-	-	-	-
Others	(114)	-	-	(114)
Balance at 31 December 2018	4,415	3,358	825	8,598

**19 ECL allowances movement (Cont'd)**

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

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	12-month ECL	Lifetime ECL	Lifetime ECL	
	not credit	not credit	credit impaired	Total
	impaired	impaired	credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Balance at 1 January 2019	<b>3,306</b>	<b>2,433</b>	-	<b>5,739</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>340</b>	<b>(340)</b>	-	-
- Transferred to Stage 2	<b>(130)</b>	<b>130</b>	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	<b>663</b>	-	-	<b>663</b>
Net remeasurement due to changes in credit risk	<b>(924)</b>	<b>258</b>	-	<b>(666)</b>
Asset written-off	-	-	-	-
Others	<b>17</b>	-	-	<b>17</b>
<b>Balance at 30 June 2019</b>	<b>3,272</b>	<b>2,481</b>	-	<b>5,753</b>
Balance at 1 January 2018	-	-	-	-
- adoption of MFRS 9	3,038	3,738	9	6,785
Balance restated	3,038	3,738	9	6,785
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	422	(422)	-	-
- Transferred to Stage 2	(167)	171	(4)	-
- Transferred to Stage 3	(1)	-	1	-
New financial assets originated or purchased	862	-	-	862
Net remeasurement due to changes in credit risk	(807)	(1,054)	(6)	(1,867)
Asset written-off	-	-	-	-
Others	(41)	-	-	(41)
Balance at 31 December 2018	3,306	2,433	-	5,739

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

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

**20 Other Assets**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2019</b> <b>RM'000</b>	31 Dec 2018 RM'000	<b>30 Jun 2019</b> <b>RM'000</b>	31 Dec 2018 RM'000
Settlements	<b>739,769</b>	6,257	<b>713,751</b>	2,826
Interest/profit receivable	<b>131,115</b>	129,644	<b>107,197</b>	109,063
Income receivable	<b>39,409</b>	53,578	<b>30,654</b>	45,845
Deposits and prepayments	<b>14,271</b>	27,004	<b>10,538</b>	26,814
Amount due from subsidiary company	-	-	<b>161,511</b>	73,163
ROU assets	<b>92,964</b>	-	<b>63,091</b>	-
Cash collateral	<b>45,389</b>	289,271	<b>45,389</b>	289,271
Other receivables	<b>149,298</b>	128,941	<b>124,965</b>	111,374
	<b>1,212,215</b>	634,695	<b>1,257,096</b>	658,356

**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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22 Deposits from Customers

(i) By type of deposit	<i>Group</i>		<i>Bank</i>	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2018 RM'000
<b>At amortised cost</b>				
Demand deposits	19,795,497	20,716,131	17,521,615	18,945,779
Savings deposits	12,172,453	12,061,066	10,399,476	10,371,643
Fixed deposits	25,429,238	24,369,956	16,983,593	16,385,175
	<b>57,397,188</b>	<b>57,147,153</b>	<b>44,904,684</b>	<b>45,702,597</b>

The maturity structure of fixed deposits is as follows:

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Due within six months	20,318,498	19,229,277	13,224,499	12,626,859
More than six months to one year	4,529,350	4,540,646	3,444,472	3,497,763
More than one year to three years	342,480	415,621	179,946	151,171
More than three years to five years	238,910	184,412	134,676	109,382
	<b>25,429,238</b>	<b>24,369,956</b>	<b>16,983,593</b>	<b>16,385,175</b>

(ii) By type of customer	<i>Group</i>		<i>Bank</i>	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Government and statutory bodies	21,511	15,677	11,180	11,897
Business enterprises	21,714,583	21,664,510	18,783,331	19,314,594
Individuals	23,049,364	23,405,773	16,768,701	17,121,672
Others	12,611,730	12,061,193	9,341,472	9,254,434
	<b>57,397,188</b>	<b>57,147,153</b>	<b>44,904,684</b>	<b>45,702,597</b>

23 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Licensed banks	308	3,539	308	3,539
Bank Negara Malaysia	26,224	27,971	1,850	-
Other financial institutions	3,945,893	5,487,241	2,241,819	2,794,549
	<b>3,972,425</b>	<b>5,518,751</b>	<b>2,243,977</b>	<b>2,798,088</b>

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

**24 Structured Liabilities Designated at Fair Value through Profit or Loss**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2019</b>	31 Dec 2018	<b>30 Jun 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Structured liabilities	<b>4,838,131</b>	4,158,241	<b>3,695,012</b>	3,273,364

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>	
	<b>30 Jun 2019</b>	31 Dec 2018	<b>30 Jun 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>At amortised cost</b>				
Settlements	<b>583,386</b>	31,095	<b>562,701</b>	31,095
Interest/profit payable	<b>266,643</b>	254,430	<b>175,130</b>	167,386
Deferred income	<b>100,523</b>	108,296	<b>88,025</b>	96,472
Marginal deposit	<b>106,442</b>	48,358	<b>94,824</b>	44,113
Amount due to subsidiary company	-	-	<b>1,718</b>	360
Accrued expenses	<b>843,238</b>	1,014,982	<b>811,626</b>	982,054
Lease liabilities	<b>97,550</b>	-	<b>66,842</b>	-
Cash collateral	<b>302,723</b>	255,078	<b>302,723</b>	255,078
Other creditors	<b>595,833</b>	668,260	<b>532,238</b>	610,165
Provisions on loan and credit related commitments; and financial guarantees	<b>8,067</b>	8,598	<b>5,752</b>	5,739
	<b>2,904,405</b>	2,389,097	<b>2,641,579</b>	2,192,462



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**26 Multi-Currency Sukuk Programme**

	<i>Group</i>	
	<b>30 Jun 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Multi-Currency Sukuk Programme (MCSP)	<b>1,760,275</b>	1,755,281

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>	<b>Nominal Value (RM'000)</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Carrying Value (RM'000)</b>	
				<b>30 Jun 2019</b>	31 Dec 2018
<b>At fair value</b>					
2nd series	500,000	16 Oct 2014	16 Oct 2019	<b>500,969</b>	501,173
3rd series	750,000	27 Mar 2015	27 Mar 2020	<b>752,699</b>	751,993
4th series	500,000	2 Oct 2018	2 Oct 2023	<b>506,607</b>	502,115
Total	<u>1,750,000</u>			<u><b>1,760,275</b></u>	<u>1,755,281</u>

Movement in MCSP

	<b>2nd series</b>	<b>3rd series</b>	<b>4th series</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>(674)</b>	<b>1,423</b>	<b>7,360</b>
Change in fair value from own credit risk	<b>470</b>	<b>(717)</b>	<b>(2,868)</b>
Balance at 30 June	<u><b>500,969</b></u>	<u><b>752,699</b></u>	<u><b>506,607</b></u>

	2nd series	3rd series	4th series
	RM'000	RM'000	RM'000
<u>2018</u>			
Balance at 1 January	501,201	751,628	-
New issuance during the financial year	-	-	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>

	<i>Group</i>	
	<b>30 Jun 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>(3,115)</b>	2,764

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**27 Subordinated Liabilities**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2019</b>	31 Dec 2018	<b>30 Jun 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Subordinated Liabilities	<b>1,095,987</b>	1,095,987	<b>1,095,987</b>	1,095,987
(i) Subordinated liabilities, at par				
- Second tranche issued on 2 November 2007 <sup>[1]</sup>	<b>500,000</b>	500,000	<b>500,000</b>	500,000

<sup>[1]</sup> 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 are 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.

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2019</b>	31 Dec 2018	<b>30 Jun 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
(ii) Subordinated term loan				
- First tranche issued on 25 June 2014	<b>321,395</b>	321,395	<b>321,395</b>	321,395
- Second tranche issued on 30 June 2015	<b>274,592</b>	274,592	<b>274,592</b>	274,592
	<b>595,987</b>	595,987	<b>595,987</b>	595,987

The subordinated term loans comprised two tranches of Basel III compliant Tier 2 subordinated loans of USD equivalent of RM250 million each from the Bank's immediate holding company, HBAP. The tenor for both the subordinated term loans is 10 years from the utilisation date with interest payable quarterly in arrears.

The subordinated term loans constitute direct, unsecured and subordinated obligations of the Bank. The Bank further invested a similar amount into HBMS.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28 Net Interest Income

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
		(Restated)		(Restated)
<b>Interest income</b>				
Loans and advances				
- Interest income other than from impaired loans	<b>442,052</b>	442,764	<b>893,906</b>	876,735
- Interest income recognised from impaired loans	<b>8,618</b>	10,110	<b>18,344</b>	28,217
Money at call and deposit placements with financial institutions	<b>46,613</b>	71,995	<b>93,058</b>	143,955
Financial investments at FVOCI	<b>99,034</b>	59,303	<b>197,706</b>	116,552
	<b>596,317</b>	584,172	<b>1,203,014</b>	1,165,459
<b>Interest expense</b>				
Deposits and placements of banks and other financial institutions	<b>(13,094)</b>	(8,392)	<b>(24,122)</b>	(18,050)
Deposits from customers	<b>(179,756)</b>	(161,700)	<b>(357,204)</b>	(322,137)
Subordinated liabilities	<b>(13,328)</b>	(12,569)	<b>(26,731)</b>	(23,904)
Lease liabilities	<b>(696)</b>	-	<b>(1,547)</b>	-
Others	<b>(190)</b>	(105)	<b>(339)</b>	(105)
	<b>(207,064)</b>	(182,766)	<b>(409,943)</b>	(364,196)
<b>Net interest income</b>	<b>389,253</b>	401,406	<b>793,071</b>	801,263
	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
		(Restated)		(Restated)
<b>Interest income</b>				
Loans and advances				
- Interest income other than from impaired loans	<b>442,052</b>	442,764	<b>893,906</b>	876,735
- Interest income recognised from impaired loans	<b>8,618</b>	10,110	<b>18,344</b>	28,217
Money at call and deposit placements with financial institutions	<b>56,368</b>	83,519	<b>113,269</b>	175,739
Financial investments at FVOCI	<b>99,034</b>	59,303	<b>197,706</b>	116,552
	<b>606,072</b>	595,696	<b>1,223,225</b>	1,197,243
<b>Interest expense</b>				
Deposits and placements of banks and other financial institutions	<b>(13,094)</b>	(8,392)	<b>(24,122)</b>	(18,050)
Deposits from customers	<b>(179,756)</b>	(161,700)	<b>(357,204)</b>	(322,137)
Subordinated liabilities	<b>(13,328)</b>	(12,569)	<b>(26,731)</b>	(23,904)
Lease liabilities	<b>(696)</b>	-	<b>(1,547)</b>	-
Others	<b>(190)</b>	(105)	<b>(339)</b>	(105)
	<b>(207,064)</b>	(182,766)	<b>(409,943)</b>	(364,196)
<b>Net interest income</b>	<b>399,008</b>	412,930	<b>813,282</b>	833,047

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29 Net Fee and Commission Income

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000	30 Jun 2019 RM'000	30 Jun 2018 RM'000
<b>Fee and commission income</b>				
Credit cards	27,165	35,456	63,240	70,652
Service charges and fees	29,692	30,749	63,559	65,592
Fees on credit facilities	14,298	14,316	29,140	29,481
Agency fee	26,937	30,022	48,392	57,589
Others	8,282	7,246	16,502	15,279
	<b>106,374</b>	117,789	<b>220,833</b>	238,593
<b>Fee and commission expense</b>				
Debit/credit cards	(17,088)	(9,609)	(17,980)	(26,576)
Interbank and clearing fees	(305)	(341)	(720)	(856)
Brokerage	(510)	(322)	(936)	(868)
Cash management	(203)	(105)	(203)	(1,149)
Others	(3,859)	(3,296)	(11,305)	(5,969)
	<b>(21,965)</b>	(13,673)	<b>(31,144)</b>	(35,418)
<b>Net fee and commission income</b>	<b>84,409</b>	104,116	<b>189,689</b>	203,175

	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000	30 Jun 2019 RM'000	30 Jun 2018 RM'000
<b>Fee and commission income</b>				
Credit cards	27,165	35,456	63,240	70,652
Service charges and fees	29,692	30,749	63,559	65,592
Fees on credit facilities	14,298	14,316	29,140	29,481
Agency fee	26,937	30,022	48,392	57,589
Others	8,282	7,246	16,502	15,279
	<b>106,374</b>	117,789	<b>220,833</b>	238,593
<b>Fee and commission expense</b>				
Debit/credit cards	(17,088)	(9,609)	(17,980)	(26,576)
Interbank and clearing fees	(305)	(341)	(720)	(856)
Brokerage	(510)	(322)	(936)	(868)
Cash management	(203)	(105)	(203)	(1,149)
Others	(3,859)	(3,296)	(11,305)	(5,969)
	<b>(21,965)</b>	(13,673)	<b>(31,144)</b>	(35,418)
<b>Net fee and commission income</b>	<b>84,409</b>	104,116	<b>189,689</b>	203,175

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Net Trading Income

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000	30 Jun 2019 RM'000	30 Jun 2018 RM'000
Realised gain/(loss) on financial assets/liabilities at FVTPL and other financial instruments	5,183	(6,588)	17,542	(1,879)
Net interest income from financial assets at FVTPL	29,842	25,826	55,614	47,265
Net unrealised gain/(loss) on revaluation of financial assets at FVTPL	3,520	(5,797)	16,670	(7,218)
Net realised gain/(loss) arising from dealing in foreign currency	95,787	(86,572)	223,015	29,213
Net unrealised gain from dealing in foreign currency	16,696	128,031	35,821	109,809
Net realised gain/(loss) arising from dealing in derivatives	(2,432)	(196,955)	(41,646)	(77,676)
Net unrealised (loss)/gain on revaluation of derivatives	18,324	215,045	60,134	113,943
Gain/(loss) arising from fair value hedges	96	(848)	107	(1,667)
	<b>167,016</b>	<b>72,142</b>	<b>367,257</b>	<b>211,790</b>

  

	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000	30 Jun 2019 RM'000	30 Jun 2018 RM'000
Realised gains on financial assets/liabilities at FVTPL and other financial instruments	4,201	(7,687)	17,201	(2,567)
Net interest income from financial assets at FVTPL	29,842	25,826	55,614	47,265
Net unrealised gain/(loss) on revaluation of financial assets at FVTPL	3,516	(5,098)	14,223	(6,994)
Net realised gain/(loss) arising from dealing in foreign currency	95,270	(83,758)	223,119	27,788
Net unrealised gain from dealing in foreign currency	14,352	193,115	4,643	196,062
Net gain/(loss) realised gains arising from dealing in derivatives	116,391	(197,265)	81,457	(75,455)
Net unrealised (loss)/gain on revaluation of derivatives	(99,353)	211,890	(59,642)	99,866
Gain/(loss) arising from fair value hedges	96	(848)	107	(1,667)
	<b>164,315</b>	<b>136,175</b>	<b>336,722</b>	<b>284,298</b>

31 Income from Islamic Banking operations

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000 (Restated)	30 Jun 2019 RM'000	30 Jun 2018 RM'000 (Restated)
Income derived from investment of depositor funds and others <sup>[1]</sup>	212,206	208,627	419,689	400,930
Income derived from investment of shareholders funds <sup>[1]</sup>	41,876	35,762	81,591	72,947
Total income before allowance for impairment losses on financing and advances	254,082	244,389	501,280	473,877
Income attributable to the depositors	(113,632)	(110,238)	(228,074)	(206,681)
	<b>140,450</b>	<b>134,151</b>	<b>273,206</b>	<b>267,196</b>
Elimination of intercompany income and expenses	6,498	74,955	(11,529)	103,037
Income from Islamic Banking operations reported in statement of profit or loss of the Group	<b>146,948</b>	<b>209,106</b>	<b>261,677</b>	<b>370,233</b>

<sup>[1]</sup> Included in the following funds are net losses on financial instruments designated at fair value through profit or loss for the period ending 30 June:

Income derived from investment of depositors' funds and others	(19,349)	(4,215)
Income derived from investment of shareholder's funds	(2,166)	(376)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Other Operating Income

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
Disposal of financial investments at FVOCI	14,912	2,027	14,912	8,335
Dividend income from financial investments at FVOCI				
- Unquoted in Malaysia	930	930	930	930
Rental income	1,981	2,106	3,850	3,955
Net (loss)/gain on disposal of property and equipment	(4)	-	5	-
Other operating income	4,052	4,622	9,259	8,620
	<b>21,871</b>	<b>9,685</b>	<b>28,956</b>	<b>21,840</b>

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
Disposal of financial investments at FVOCI	14,912	2,027	14,912	8,335
Dividend income from financial investments at FVOCI				
- Unquoted in Malaysia	930	930	930	930
Dividend income from subsidiary	40,000	10,000	40,000	10,000
Rental income	1,981	2,106	3,850	3,955
Net (loss)/gain on disposal of property and equipment	(4)	-	5	-
Income recharges from subsidiary	34,094	32,443	64,505	64,084
Other operating income	4,052	4,622	9,259	8,620
	<b>95,965</b>	<b>52,128</b>	<b>133,461</b>	<b>95,924</b>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Impairment Allowance/Provisions

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	<b>68,529</b>	58,069	<b>125,655</b>	129,203
Recoveries of specific provisions	<b>(24,412)</b>	(28,422)	<b>(53,887)</b>	(58,703)
Written off	<b>(1,730)</b>	145	<b>(1,562)</b>	147
<b>Total charge to the statements of profit or loss</b>	<b>42,387</b>	29,792	<b>70,206</b>	70,647

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	<b>35,145</b>	31,782	<b>62,677</b>	66,210
Recoveries of specific provisions	<b>(14,273)</b>	(18,569)	<b>(32,553)</b>	(37,863)
Written off	<b>(744)</b>	115	<b>(613)</b>	117
<b>Total charge to the statements of profit or loss</b>	<b>20,128</b>	13,328	<b>29,511</b>	28,464

Breakdown of the expected credit losses allowance by financial instruments type:

(i) Loan, advances and financing

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	<b>69,837</b>	52,771	<b>125,865</b>	128,255
Recoveries of specific provisions	<b>(24,412)</b>	(28,422)	<b>(53,887)</b>	(58,703)
Written off	<b>(1,730)</b>	145	<b>(1,562)</b>	147
<b>Total charge to the statements of profit or loss</b>	<b>43,695</b>	24,494	<b>70,416</b>	69,699

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	<b>36,337</b>	27,535	<b>62,466</b>	64,632
Recoveries of specific provisions	<b>(14,273)</b>	(18,569)	<b>(32,553)</b>	(37,863)
Written off	<b>(744)</b>	115	<b>(613)</b>	117
<b>Total charge to the statements of profit or loss</b>	<b>21,320</b>	9,081	<b>29,300</b>	26,886

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

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	<b>1</b>	11	<b>(7)</b>	(19)
<b>Total charge to the statements of profit or loss</b>	<b>1</b>	11	<b>(7)</b>	(19)

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	<b>(1)</b>	11	<b>(7)</b>	(19)
<b>Total charge to the statements of profit or loss</b>	<b>(1)</b>	11	<b>(7)</b>	(19)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Impairment Allowance/Provisions (Cont'd)

(iii) Debt securities - FVOCI

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	19	171	345	87
<b>Total charge to the statements of profit or loss</b>	<b>19</b>	<b>171</b>	<b>345</b>	<b>87</b>

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	(13)	152	221	100
<b>Total charge to the statements of profit or loss</b>	<b>(13)</b>	<b>152</b>	<b>221</b>	<b>100</b>

(iv) Loan Commitments and Contingencies

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
New and increased provisions (net of releases)	(1,328)	5,116	(548)	880
<b>Total charge to the statements of profit or loss</b>	<b>(1,328)</b>	<b>5,116</b>	<b>(548)</b>	<b>880</b>

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2019</b>	30 Jun 2018	<b>30 Jun 2019</b>	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
New and increased provisions (net of releases)	(1,178)	4,084	(3)	1,497
<b>Total charge to the statements of profit or loss</b>	<b>(1,178)</b>	<b>4,084</b>	<b>(3)</b>	<b>1,497</b>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Other Operating Expenses

	<i>Group</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000 (Restated)	30 Jun 2019 RM'000	30 Jun 2018 RM'000 (Restated)
Personnel expenses	<b>200,760</b>	191,979	<b>389,318</b>	377,321
Promotion and marketing related expenses	<b>22,953</b>	9,942	<b>34,818</b>	31,746
Establishment related expenses	<b>29,154</b>	31,953	<b>61,557</b>	69,062
General administrative expenses	<b>39,562</b>	45,347	<b>73,694</b>	87,188
Related company charges	<b>131,055</b>	116,618	<b>238,359</b>	198,346
	<b>423,484</b>	395,839	<b>797,746</b>	763,663
Personnel expenses				
Salaries, allowances and bonuses	<b>148,998</b>	146,711	<b>296,891</b>	292,310
Employees Provident Fund contributions	<b>25,310</b>	24,947	<b>49,995</b>	48,727
Share based payment	<b>4,463</b>	3,330	<b>6,408</b>	6,500
Others	<b>21,989</b>	16,991	<b>36,024</b>	29,784
	<b>200,760</b>	191,979	<b>389,318</b>	377,321
Promotion and marketing related expenses	<b>22,953</b>	9,942	<b>34,818</b>	31,746
Establishment related expenses				
Depreciation of property and equipment	<b>5,650</b>	5,380	<b>11,223</b>	10,744
Depreciation of RoU assets	<b>5,843</b>	-	<b>12,561</b>	-
Amortisation of intangible assets	<b>2,825</b>	4,791	<b>5,987</b>	10,467
Impairment of Intangible asset	-	52	-	52
Information technology costs	<b>3,371</b>	2,487	<b>7,508</b>	8,661
Hire of equipment	<b>2,391</b>	1,941	<b>4,779</b>	4,434
Rental of premises	<b>453</b>	9,451	<b>949</b>	18,734
Property and equipment written off	<b>8</b>	15	<b>24</b>	19
General repairs and maintenance	<b>3,875</b>	3,345	<b>8,354</b>	5,577
Utilities	<b>3,778</b>	3,664	<b>7,238</b>	7,570
Others	<b>960</b>	827	<b>2,934</b>	2,804
	<b>29,154</b>	31,953	<b>61,557</b>	69,062
General administrative expenses	<b>39,562</b>	45,347	<b>73,694</b>	87,188
Related company charges	<b>131,055</b>	116,618	<b>238,359</b>	198,346
Of which by:				
Type of service				
- Information technology related cost	<b>54,492</b>	41,123	<b>103,200</b>	72,583
- Non information technology related cost	<b>76,563</b>	75,495	<b>135,159</b>	125,763
Geographical distribution				
Countries				
- Hong Kong	<b>84,736</b>	65,911	<b>151,723</b>	117,208
- United Kingdom	<b>33,462</b>	31,819	<b>61,088</b>	46,422
- Malaysia	<b>12,127</b>	18,307	<b>23,868</b>	33,483
- Others	<b>730</b>	581	<b>1,680</b>	1,233

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Other Operating Expenses (Cont'd)

	<i>Bank</i>			
	Second Quarter		Six Months Ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000 (Restated)	30 Jun 2019 RM'000	30 Jun 2018 RM'000 (Restated)
Personnel expenses	<b>187,628</b>	179,669	<b>364,829</b>	353,472
Promotion and marketing related expenses	<b>20,921</b>	7,736	<b>31,587</b>	24,707
Establishment related expenses	<b>25,294</b>	27,718	<b>53,644</b>	60,785
General administrative expenses	<b>29,357</b>	35,339	<b>56,648</b>	66,488
Intercompany charges	<b>129,228</b>	115,021	<b>235,305</b>	195,974
	<b>392,428</b>	365,483	<b>742,013</b>	701,426
Personnel expenses				
Salaries, allowances and bonuses	<b>138,756</b>	137,220	<b>277,657</b>	273,482
Employees Provident Fund contributions	<b>23,497</b>	23,260	<b>46,583</b>	45,374
Share based payment	<b>4,122</b>	3,295	<b>6,019</b>	6,435
Others	<b>21,253</b>	15,894	<b>34,570</b>	28,181
	<b>187,628</b>	179,669	<b>364,829</b>	353,472
Promotion and marketing related expenses	<b>20,921</b>	7,736	<b>31,587</b>	24,707
Establishment related expenses				
Depreciation of property and equipment	<b>5,133</b>	4,820	<b>10,210</b>	9,518
Depreciation of RoU assets	<b>4,036</b>	-	<b>8,728</b>	-
Amortisation of intangible assets	<b>2,825</b>	4,791	<b>5,987</b>	10,467
Impairment of Intangible asset	-	52	-	52
Information technology costs	<b>2,758</b>	1,892	<b>6,206</b>	7,297
Hire of equipment	<b>2,327</b>	1,941	<b>4,701</b>	4,434
Rental of premises	<b>397</b>	7,234	<b>787</b>	14,649
Property and equipment written off	<b>8</b>	15	<b>24</b>	19
General repairs and maintenance	<b>3,638</b>	2,899	<b>7,982</b>	5,131
Utilities	<b>3,283</b>	3,149	<b>6,243</b>	6,535
Others	<b>889</b>	925	<b>2,776</b>	2,683
	<b>25,294</b>	27,718	<b>53,644</b>	60,785
General administrative expenses	<b>29,357</b>	35,339	<b>56,648</b>	66,488
Related company charges	<b>129,228</b>	115,021	<b>235,305</b>	195,974
Of which by:				
Type of service				
- Information technology related cost	<b>54,492</b>	41,104	<b>103,200</b>	72,583
- Non information technology related cost	<b>74,736</b>	73,917	<b>132,105</b>	123,391
Geographical distribution				
Countries				
- Hong Kong	<b>84,736</b>	65,911	<b>151,723</b>	117,208
- United Kingdom	<b>33,217</b>	31,716	<b>60,680</b>	46,214
- Malaysia	<b>10,545</b>	16,813	<b>21,222</b>	31,319
- Others	<b>730</b>	581	<b>1,680</b>	1,233

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**35 Credit exposure to connected parties**

	Group		Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Aggregate value of outstanding credit exposures to connected parties	<b>4,732,028</b>	4,759,397	<b>3,651,321</b>	3,785,509
As a percentage of total credit exposures	<b>6.8%</b>	6.4%	<b>6.5%</b>	6.6%
Aggregate value of total outstanding credit exposures to connected parties which is impaired or in default	-	-	-	-
As a percentage of total credit exposures	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Capital Adequacy

	<i>Group</i>	
	<b>30 Jun 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
<b>Common Equity Tier 1 (CET1) capital</b>		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	7,946,066	8,148,816
Other reserves	1,075,364	1,058,737
Regulatory adjustments	(1,238,620)	(1,229,423)
Total CET1 capital	<b>8,828,685</b>	9,024,005
<b>Tier 1 capital</b>		
Additional Tier 1 capital	500,000	-
Total Tier 1 capital	<b>9,328,685</b>	9,024,005
<b>Tier 2 capital</b>		
Subordinated liabilities	300,000	400,000
Subordinated term loan	595,987	595,987
Collective impairment allowance (unimpaired portion) & regulatory reserves	625,396	636,819
Regulatory adjustments	108,863	109,557
Total Tier 2 capital	<b>1,630,246</b>	1,742,363
<b>Capital base</b>	<b>10,958,931</b>	10,766,368
<u>Inclusive of proposed dividend</u>		
CET 1 Capital ratio	15.497%	15.475%
Tier 1 Capital ratio	16.375%	15.475%
Total Capital ratio	19.236%	18.463%
<u>Net of proposed dividend</u>		
CET 1 Capital ratio	15.069%	15.021%
Tier 1 Capital ratio	15.947%	15.021%
Total Capital ratio	18.808%	18.009%

The total capital and capital adequacy ratios of the Group 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 categories of risk-weights:

	<i>Group</i>	
	<b>30 Jun 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Total RWA for credit risk	50,031,646 <sup>[1]</sup>	50,945,497 <sup>[1]</sup>
Total RWA for market risk	1,282,123	1,712,316
Total RWA for operational risk	5,655,764	5,655,153
	<b>56,969,533</b>	58,312,966

<sup>[1]</sup> 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>	
	<b>30 Jun 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Under SIAF/IAA arrangement	2,294,017	2,129,589

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	<b>30 Jun 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
<b>Common Equity Tier 1 (CET1) capital</b>		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	6,815,428	7,075,642
Other reserves	988,589	970,486
Regulatory adjustments	<b>(1,790,693)</b>	<b>(1,794,661)</b>
Total CET1 capital	<b>7,059,199</b>	7,297,342
<b>Tier 1 capital</b>		
Additional Tier 1 capital	<b>500,000</b>	-
Total Tier 1 capital	<b>7,559,199</b>	7,297,342
<b>Tier 2 capital</b>		
Subordinated liabilities	<b>300,000</b>	400,000
Subordinated term loan	<b>595,987</b>	595,987
Collective impairment allowance (unimpaired portion) & regulatory reserves	<b>482,115</b>	488,880
Regulatory adjustments	<b>(487,124)</b>	<b>(486,430)</b>
Total Tier 2 capital	<b>890,978</b>	998,437
<b>Capital base</b>	<b>8,450,177</b>	<b>8,295,779</b>
<u>Inclusive of proposed dividend</u>		
CET 1 Capital ratio	<b>15.751%</b>	15.948%
Tier 1 Capital ratio	<b>16.867%</b>	15.948%
Total Capital ratio	<b>18.855%</b>	18.129%
<u>Net of proposed dividend</u>		
CET 1 Capital ratio	<b>15.207%</b>	15.368%
Tier 1 Capital ratio	<b>16.323%</b>	15.368%
Total Capital ratio	<b>18.311%</b>	17.550%

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 categories of risk-weights:

	<i>Bank</i>	
	<b>30 Jun 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Total RWA for credit risk	<b>38,569,227</b> <sup>[1]</sup>	39,110,393 <sup>[1]</sup>
Total RWA for market risk	<b>1,222,668</b>	1,620,465
Total RWA for operational risk	<b>5,024,412</b>	5,027,602
	<b>44,816,307</b>	45,758,460

<sup>[1]</sup> 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>	
	<b>30 Jun 2019</b>	31 Dec 2018
	<b>RM'000</b>	RM'000
Under SIAF/IAA arrangement	<b>2,294,017</b>	2,129,589

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

**37 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.

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2019</b>	31 Dec 2018	<b>30 Jun 2019</b>	31 Dec 2018
<b>Principal amount</b>	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Direct credit substitutes	<b>2,152,479</b>	2,289,301	<b>1,671,703</b>	1,797,498
Transaction-related contingent items	<b>9,198,318</b>	9,402,996	<b>7,959,068</b>	8,264,405
Short-term self-liquidating trade-related contingencies	<b>412,993</b>	374,060	<b>334,002</b>	310,949
Formal standby facilities and credit lines				
- Maturity not exceeding one year	<b>5,808,197</b>	6,064,570	<b>4,401,109</b>	4,689,703
- Maturity exceeding one year	<b>12,303,006</b>	12,067,621	<b>10,282,529</b>	9,911,365
Other unconditionally cancellable	<b>14,688,613</b>	14,109,814	<b>12,857,920</b>	12,568,266
Unutilised credit card lines	<b>13,351,619</b>	12,699,419	<b>9,623,127</b>	9,246,569
Foreign exchange related contracts:				
- Less than one year	<b>88,332,285</b>	83,850,057	<b>89,915,898</b>	86,707,857
- Over one year to less than five years	<b>7,017,580</b>	7,157,153	<b>7,017,580</b>	7,157,153
- Over five years	<b>1,277,879</b>	1,039,804	<b>1,277,879</b>	1,039,804
Interest/profit rate related contracts:				
- Less than one year	<b>8,183,540</b>	8,647,061	<b>9,674,846</b>	9,227,061
- Over one year to less than five years	<b>30,793,198</b>	27,940,646	<b>31,831,798</b>	29,611,812
- Over five years	<b>1,721,984</b>	1,386,770	<b>1,721,984</b>	1,386,770
Gold and other precious metals contracts:				
- Less than one year	<b>4,708</b>	6,559	<b>4,708</b>	6,559
Equity related contracts:				
- Less than one year	<b>890,946</b>	471,745	<b>1,341,954</b>	588,628
- Over one year to less than five years	<b>985,158</b>	1,041,419	<b>1,258,801</b>	1,403,647
	<b>197,122,503</b>	188,548,995	<b>191,174,906</b>	183,918,046

of which the amount related to SIAF/IAA arrangement (refer Note 17(i) for more detail) are as below:

*Formal standby facilities and credit lines:*

- Maturity not exceeding one year	<b>652,750</b>	794,750	<b>652,750</b>	794,750
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NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**38 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 30 Jun 2019	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>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	83,004,851	948,643	-	83,953,494	363,944	7,383	-	371,327	372,621	12,435	-	385,056
- Swaps	4,620,759	6,068,937	1,277,879	11,967,575	116,615	302,952	123,980	543,547	88,094	231,386	34,983	354,463
- Options	706,675	-	-	706,675	1,424	-	-	1,424	2,605	-	-	2,605
Interest/profit rate related contracts												
- Options	393,040	1,208,034	-	1,601,074	944	12,298	-	13,242	728	3,194	-	3,922
- Swaps	7,640,500	27,895,164	1,721,984	37,257,648	12,114	157,157	32,891	202,162	10,920	139,382	38,350	188,652
Equity related contracts												
- Options	890,946	985,158	-	1,876,104	12,181	33,868	-	46,049	16,033	12,543	-	28,576
Precious metal contracts												
- Options	4,708	-	-	4,708	32	-	-	32	89	-	-	89
Sub- total	97,261,479	37,105,936	2,999,863	137,367,278	507,254	513,658	156,871	1,177,783	491,090	398,940	73,333	963,363
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest/profit rate related contracts												
- Swaps	150,000	1,690,000	-	1,840,000	-	-	-	-	322	23,976	-	24,298
Sub- total	150,000	1,690,000	-	1,840,000	-	-	-	-	322	23,976	-	24,298
<b>Total</b>	<b>97,411,479</b>	<b>38,795,936</b>	<b>2,999,863</b>	<b>139,207,278</b>	<b>507,254</b>	<b>513,658</b>	<b>156,871</b>	<b>1,177,783</b>	<b>491,412</b>	<b>422,916</b>	<b>73,333</b>	<b>987,661</b>

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

**38 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 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	77,928,953	552,750	-	78,481,703	448,545	2,949	-	451,494	460,640	13,481	-	474,121
- Swaps	5,571,728	6,604,403	1,039,804	13,215,935	209,031	345,023	142,627	696,681	158,710	251,729	34,035	444,474
- Options	349,376	-	-	349,376	1,773	-	-	1,773	335	-	-	335
Interest/profit rate related contracts												
- Options	297,827	1,157,812	-	1,455,639	55	5,619	-	5,674	4,537	74	-	4,611
- Swaps	8,199,234	25,012,834	1,386,770	34,598,838	14,752	97,750	11,242	123,744	13,918	93,691	25,019	132,628
Equity related contracts												
- Options	471,745	1,041,419	-	1,513,164	3,180	17,048	-	20,228	14,861	35,519	-	50,380
Precious metal contracts												
- Options	6,559	-	-	6,559	16	-	-	16	50	-	-	50
Sub- total	92,825,422	34,369,218	2,426,574	129,621,214	677,352	468,389	153,869	1,299,610	653,051	394,494	59,054	1,106,599
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest/profit rate related contracts												
- Swaps	150,000	1,770,000	-	1,920,000	-	329	-	329	158	9,528	-	9,686
Sub- total	150,000	1,770,000	-	1,920,000	-	329	-	329	158	9,528	-	9,686
<b>Total</b>	<b>92,975,422</b>	<b>36,139,218</b>	<b>2,426,574</b>	<b>131,541,214</b>	<b>677,352</b>	<b>468,718</b>	<b>153,869</b>	<b>1,299,939</b>	<b>653,209</b>	<b>404,022</b>	<b>59,054</b>	<b>1,116,285</b>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 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 30 Jun 2019	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>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	84,588,464	948,643	-	85,537,107	363,342	7,383	-	370,725	372,862	12,435	-	385,297
- Swaps	4,620,759	6,068,937	1,277,879	11,967,575	116,458	302,952	123,980	543,390	88,112	231,386	34,983	354,481
- Options	706,675	-	-	706,675	1,424	-	-	1,424	2,605	-	-	2,605
Interest rate related contracts												
- Options	429,346	1,590,634	-	2,019,980	944	12,298	-	13,242	1,026	7,841	-	8,867
- Swaps	9,095,500	28,551,164	1,721,984	39,368,648	12,114	156,921	32,891	201,926	14,179	147,291	38,350	199,820
Equity related contracts												
- Options	1,341,954	1,258,801	-	2,600,755	12,310	33,780	-	46,090	26,971	26,976	-	53,947
Precious metal contracts												
- Options	4,708	-	-	4,708	32	-	-	32	89	-	-	89
Sub- total	100,787,406	38,418,179	2,999,863	142,205,448	506,624	513,334	156,871	1,176,829	505,844	425,929	73,333	1,005,106
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	150,000	1,690,000	-	1,840,000	-	-	-	-	322	23,976	-	24,298
Sub- total	150,000	1,690,000	-	1,840,000	-	-	-	-	322	23,976	-	24,298
<b>Total</b>	<b>100,937,406</b>	<b>40,108,179</b>	<b>2,999,863</b>	<b>144,045,448</b>	<b>506,624</b>	<b>513,334</b>	<b>156,871</b>	<b>1,176,829</b>	<b>506,166</b>	<b>449,905</b>	<b>73,333</b>	<b>1,029,404</b>

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

**38 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 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	80,786,753	552,750	-	81,339,503	449,477	2,949	-	452,426	460,779	13,481	-	474,260
- Swaps	5,571,728	6,604,403	1,039,804	13,215,935	209,817	344,425	142,627	696,869	158,710	251,729	34,035	444,474
- Options	349,376	-	-	349,376	1,773	-	-	1,773	335	-	-	335
Interest rate related contracts												
- Options	297,827	1,578,978	-	1,876,805	55	6,561	-	6,616	4,537	3,515	-	8,052
- Swaps	8,859,234	26,262,834	1,386,770	36,508,838	14,763	97,750	11,000	123,513	14,412	95,537	25,058	135,007
Equity related contracts												
- Options	588,628	1,403,647	-	1,992,275	3,180	18,540	-	21,720	16,894	45,804	-	62,698
Precious metal contracts												
- Options	6,559	-	-	6,559	16	-	-	16	50	-	-	50
Sub- total	96,460,105	36,402,612	2,426,574	135,289,291	679,081	470,225	153,627	1,302,933	655,717	410,066	59,093	1,124,876
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	70,000	1,770,000	-	1,840,000	-	329	-	329	158	9,528	-	9,686
Sub- total	70,000	1,770,000	-	1,840,000	-	329	-	329	158	9,528	-	9,686
<b>Total</b>	<b>96,530,105</b>	<b>38,172,612</b>	<b>2,426,574</b>	<b>137,129,291</b>	<b>679,081</b>	<b>470,554</b>	<b>153,627</b>	<b>1,303,262</b>	<b>655,875</b>	<b>419,594</b>	<b>59,093</b>	<b>1,134,562</b>

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

	Group		Bank	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
(Loss)/gain on hedging instruments	(14,777)	1,534	(14,777)	1,534
Gain/(loss) on the hedged items attributable to the hedged risk	14,884	(3,201)	14,884	(3,201)
Net Gain/(loss) from fair value hedges	107	(1,667)	107	(1,667)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39 Interest/Profit Rate Risk

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest/profit rates on its financial position and cash flows. The following tables summarise the Group and the Bank's exposure to interest/profit rate risk. The assets and liabilities at carrying amount are allocated to time bands by reference to the earlier of the next contractual repricing dates and maturity dates.

Group 30 June 2019	Non-trading book					Non- interest/profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
<b>ASSETS</b>									
Cash and short term funds	7,989,638	-	-	-	-	417,837	-	8,407,475	3.03
- impairment allowances	-	-	-	-	-	(25)	-	(25)	-
Securities purchased									
under resale agreements	1,846,595	1,693,962	96,788	-	-	-	-	3,637,345	3.45
Financial assets at FVTPL	-	-	-	-	-	-	3,001,672	3,001,672	3.57
Financial investments at FVOCI	825,911	1,189,522	3,998,531	6,245,861	565,690	197,021	-	13,022,536	3.36
Loans, advances and financing									
- performing	19,634,328	29,567,565	950,751	598,336	347,566	-	-	51,098,546	4.99
- impaired <sup>[1]</sup>	-	-	-	-	-	1,010,116	-	1,010,116	-
- impairment allowances	-	-	-	-	-	(510,261)	-	(510,261)	-
Derivative financial assets	-	-	-	-	-	-	1,177,783	1,177,783	-
Other assets	-	-	-	-	-	176,149	786,667	962,816	-
<b>Total Financial Assets</b>	<b>30,296,472</b>	<b>32,451,049</b>	<b>5,046,070</b>	<b>6,844,197</b>	<b>913,256</b>	<b>1,290,837</b>	<b>4,966,122</b>	<b>81,808,003</b>	
<b>LIABILITIES AND EQUITY</b>									
Deposits from customers	33,512,603	5,614,415	8,240,416	582,992	196	9,446,566	-	57,397,188	2.13
Deposits and placements									
from banks and other									
financial institutions	2,422,535	146,578	864,367	518,004	-	20,941	-	3,972,425	2.05
Repurchase agreement	501,349	-	-	-	-	-	-	501,349	-
Bills payable	-	-	-	-	-	237,520	-	237,520	-
Multi-Currency Sukuk Programme	-	-	1,253,668	506,607	-	-	-	1,760,275	4.08
Subordinated liabilities	-	-	-	821,395	274,592	-	-	1,095,987	4.89
Derivative financial liabilities	-	99	223	23,976	-	-	963,363	987,661	-
Structured liabilities designated at FVTPL	138,174	167,238	1,412,233	2,992,951	127,535	-	-	4,838,131	3.07
Other liabilities	-	-	-	-	-	1,364,339	349,025	1,713,364	-
- provision for credit commitments	-	-	-	-	-	8,068	-	8,068	-
<b>Total Financial Liabilities</b>	<b>36,574,661</b>	<b>5,928,330</b>	<b>11,770,907</b>	<b>5,445,925</b>	<b>402,323</b>	<b>11,077,434</b>	<b>1,312,388</b>	<b>72,511,968</b>	
<b>Total Equity</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	
<b>Total Liabilities and Equity</b>	<b>36,574,661</b>	<b>6,428,330</b>	<b>11,770,907</b>	<b>5,445,925</b>	<b>402,323</b>	<b>11,077,434</b>	<b>1,312,388</b>	<b>73,011,968</b>	
<b>Total interest/profit sensitivity gap</b>	<b>(6,278,189)</b>	<b>26,522,719</b>	<b>(6,724,837)</b>	<b>1,398,272</b>	<b>510,933</b>	<b>(9,786,597)</b>	<b>3,653,734</b>	<b>9,296,035</b>	

<sup>[1]</sup> This is arrived at after deducting Stage 3 credit impaired allowance from impaired loans/financing.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39 Interest/Profit Rate Risk (Cont'd)

Group 31 December 2018	Non-trading book					Non- interest/profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
<b>ASSETS</b>									
Cash and short term funds	7,457,392	-	-	-	-	450,799	-	7,908,191	2.97
- impairment allowances	-	-	-	-	-	(32)	-	(32)	-
Securities purchased under resale agreements	1,532,477	345,434	679,287	-	-	-	-	2,557,198	3.41
Deposits and placements with banks and other financial institutions	-	227,535	-	-	-	-	-	227,535	3.00
- Impaired	-	-	-	-	-	-	-	-	-
Financial assets at FVTPL	-	-	-	-	-	-	2,327,385	2,327,385	3.71
Financial investments at FVOCI	1,332,680	2,732,401	1,719,485	7,195,625	552,662	187,464	-	13,720,317	3.42
Loans, advances and financing									
- performing	20,045,730	30,996,559	826,778	609,401	348,617	-	-	52,827,085	5.01
- impaired <sup>[1]</sup>	-	-	-	-	-	973,286	-	973,286	-
- impairment allowances	-	-	-	-	-	(491,878)	-	(491,878)	-
Derivative financial assets	-	-	-	329	-	-	1,299,610	1,299,939	-
Other assets	-	-	-	-	-	207,502	298,252	505,754	-
<b>Total Financial Assets</b>	<b>30,368,279</b>	<b>34,301,929</b>	<b>3,225,550</b>	<b>7,805,355</b>	<b>901,279</b>	<b>1,327,141</b>	<b>3,925,247</b>	<b>81,854,780</b>	
<b>LIABILITIES AND EQUITY</b>									
Deposits from customers	32,415,305	5,878,925	8,386,793	600,191	289	9,865,650	-	57,147,153	2.06
Deposits and placements from banks and other financial institutions	3,261,079	154,107	383,972	1,695,153	-	24,440	-	5,518,751	1.85
Repurchase agreement	147,871	-	-	-	-	-	-	147,871	-
Bills payable	-	-	-	-	-	250,704	-	250,704	-
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	-	-	-	-	-
Multi-Currency Sukuk Programme	-	-	501,173	1,254,108	-	-	-	1,755,281	4.02
Subordinated liabilities	-	-	-	500,000	595,987	-	-	1,095,987	4.53
Derivative financial liabilities	-	-	158	9,528	-	-	1,106,599	1,116,285	-
Structured liabilities designated at FVTPL	73,538	93,299	841,123	3,142,764	7,517	-	-	4,158,241	2.93
Other liabilities	-	-	-	-	-	1,426,574	281,598	1,708,172	-
- provision for credit commitments	-	-	-	-	-	8,598	-	8,598	-
<b>Total Financial Liabilities</b>	<b>35,897,793</b>	<b>6,126,331</b>	<b>10,113,219</b>	<b>7,201,744</b>	<b>603,793</b>	<b>11,575,966</b>	<b>1,388,197</b>	<b>72,907,043</b>	
<b>Total interest/profit sensitivity gap</b>	<b>(5,529,514)</b>	<b>28,175,598</b>	<b>(6,887,669)</b>	<b>603,611</b>	<b>297,486</b>	<b>(10,248,825)</b>	<b>2,537,050</b>	<b>8,947,737</b>	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39 Interest/Profit Rate Risk (Cont'd)

Bank 30 June 2019	Non-trading book					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	← Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
<b>ASSETS</b>									
Cash and short term funds	4,737,296	-	-	-	-	310,638	-	5,047,934	2.85
- impairment allowances	-	-	-	-	-	(22)	-	(22)	-
Securities purchased under resale agreements	1,846,595	1,693,962	96,788	-	-	-	-	3,637,345	3.45
Deposits and placements with banks and other financial institutions	-	211	420,776	321,395	274,592	-	-	1,016,974	3.07
Financial assets at FVTPL	-	-	-	-	-	-	3,001,672	3,001,672	3.57
Financial investments at FVOCI	825,911	1,039,387	2,695,814	4,745,197	565,690	197,021	-	10,069,020	3.31
Loans, advances and financing									
- performing	15,442,931	21,353,764	755,958	29,146	375	-	-	37,582,174	4.84
- impaired <sup>[1]</sup>	-	-	-	-	-	649,094	-	649,094	-
- impairment allowances	-	-	-	-	-	(266,770)	-	(266,770)	-
Derivative financial assets	-	-	-	-	-	-	1,176,829	1,176,829	-
Other assets	-	-	-	-	-	308,392	760,649	1,069,041	-
<b>Total Financial Assets</b>	<b>22,852,733</b>	<b>24,087,324</b>	<b>3,969,336</b>	<b>5,095,738</b>	<b>840,657</b>	<b>1,198,353</b>	<b>4,939,150</b>	<b>62,983,291</b>	
<b>LIABILITIES AND EQUITY</b>									
Deposits from customers	26,527,273	3,531,871	5,788,740	314,622	-	8,742,178	-	44,904,684	1.97
Deposits and placements from banks and other financial institutions	1,818,455	318	177,139	248,065	-	-	-	2,243,977	1.67
Repurchase agreement	501,349	-	-	-	-	-	-	501,349	3.27
Bills payable	-	-	-	-	-	218,940	-	218,940	-
Subordinated liabilities	-	-	-	821,395	274,592	-	-	1,095,987	4.93
Derivative financial liabilities	-	99	223	23,976	-	-	1,005,106	1,029,404	-
Structured liabilities designated at FVTPL	120,165	128,080	945,216	2,397,211	104,340	-	-	3,695,012	2.86
Other liabilities	-	-	-	-	-	1,099,285	349,025	1,448,310	-
- provision for credit commitments	-	-	-	-	-	5,753	-	5,753	-
<b>Total Financial Liabilities</b>	<b>28,967,242</b>	<b>3,660,368</b>	<b>6,911,318</b>	<b>3,805,269</b>	<b>378,932</b>	<b>10,066,156</b>	<b>1,354,131</b>	<b>55,143,416</b>	
<b>Total Equity</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	
<b>Total Liabilities and Equity</b>	<b>28,967,242</b>	<b>4,160,368</b>	<b>6,911,318</b>	<b>3,805,269</b>	<b>378,932</b>	<b>10,066,156</b>	<b>1,354,131</b>	<b>55,643,416</b>	
<b>Total interest sensitivity gap</b>	<b>(6,114,509)</b>	<b>20,426,956</b>	<b>(2,941,982)</b>	<b>1,290,469</b>	<b>461,725</b>	<b>(8,867,803)</b>	<b>3,585,019</b>	<b>7,839,875</b>	

<sup>[1]</sup> This is arrived at after deducting Stage 3 credit impaired allowance from impaired loans/financing.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39 Interest/Profit Rate Risk (Cont'd)

Bank	Non-trading book					Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	1 - 5 years	Over 5 years				
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>									
Cash and short term funds	4,785,927	-	-	-	-	351,343	-	5,137,270	2.86
- impairment allowances	-	-	-	-	-	(30)	-	(30)	-
Securities purchased under resale agreements	1,532,477	345,434	679,287	-	-	-	-	2,557,198	3.41
Deposits and placements with banks and other financial institutions	-	349,247	424,015	-	595,986	-	-	1,369,248	3.00
Financial assets at FVTPL	-	-	-	-	-	-	2,327,385	2,327,385	3.71
Financial investments at FVOCI	1,332,680	2,533,087	978,354	5,410,387	552,662	187,464	-	10,994,634	3.39
Loans, advances and financing									
- performing	14,899,935	23,240,706	639,809	30,662	414	-	-	38,811,526	4.86
- impaired <sup>[1]</sup>	-	-	-	-	-	616,975	-	616,975	-
- impairment allowances	-	-	-	-	-	(257,345)	-	(257,345)	-
Derivative financial assets	-	-	-	329	-	-	1,302,933	1,303,262	-
Other assets	-	-	-	-	-	252,161	294,821	546,982	-
<b>Total Financial Assets</b>	<b>22,551,019</b>	<b>26,468,474</b>	<b>2,721,465</b>	<b>5,441,378</b>	<b>1,149,062</b>	<b>1,150,568</b>	<b>3,925,139</b>	<b>63,407,105</b>	
<b>LIABILITIES</b>									
Deposits from customers	26,677,812	3,627,538	5,977,006	260,293	259	9,159,689	-	45,702,597	1.88
Deposits and placements from banks and other financial institutions	2,330,855	624	177,122	289,487	-	-	-	2,798,088	1.40
Repurchase agreement	147,871	-	-	-	-	-	-	147,871	-
Bills payable	-	-	-	-	-	232,110	-	232,110	-
Subordinated liabilities	-	-	-	500,000	595,987	-	-	1,095,987	4.64
Derivative financial liabilities	-	-	158	9,528	-	-	1,124,876	1,134,562	-
Structured liabilities designated at FVTPL	73,538	93,299	711,185	2,395,342	-	-	-	3,273,364	2.78
Other liabilities	-	-	-	-	-	1,218,474	281,598	1,500,072	-
- provision for credit commitments	-	-	-	-	-	5,739	-	5,739	-
<b>Total Financial Liabilities</b>	<b>29,230,076</b>	<b>3,721,461</b>	<b>6,865,471</b>	<b>3,454,650</b>	<b>596,246</b>	<b>10,616,012</b>	<b>1,406,474</b>	<b>55,890,390</b>	
<b>Total interest sensitivity gap</b>	<b>(6,679,057)</b>	<b>22,747,013</b>	<b>(4,144,006)</b>	<b>1,986,728</b>	<b>552,816</b>	<b>(9,465,444)</b>	<b>2,518,665</b>	<b>7,516,715</b>	

<sup>[1]</sup> This is arrived at after deducting individual impairment allowance from impaired loans/financing.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

40 Liquidity Risk

The following tables summarise the Group and the Bank's exposure to liquidity risk. The asset and liabilities at carrying amount are allocated to time bands by reference to the remaining contractual maturity and/or their behavioural profile.

Group 30 June 2019	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
<b>ASSETS</b>								
Cash and short term funds	8,407,450	-	-	-	-	-	-	8,407,450
Securities purchased under resale agreements	1,846,595	1,693,962	96,788	-	-	-	-	3,637,345
Financial assets at FVTPL	-	-	-	-	-	-	3,001,672	3,001,672
Financial investments at FVOCI	825,911	1,189,522	3,998,531	6,245,861	565,690	197,021	-	13,022,536
Loans, advances and financing	15,026,463	6,575,458	2,630,551	6,078,446	21,287,483	-	-	51,598,401
Derivative financial assets	-	-	-	-	-	-	1,177,783	1,177,783
Others	9,813	8,936	21,736	145,652	37,751	2,378,465	786,667	3,389,020
<b>Total Assets</b>	<b>26,116,232</b>	<b>9,467,878</b>	<b>6,747,606</b>	<b>12,469,959</b>	<b>21,890,924</b>	<b>2,575,486</b>	<b>4,966,122</b>	<b>84,234,207</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	42,959,169	5,614,415	8,240,416	582,992	196	-	-	57,397,188
Deposits and placements from banks and other financial institutions	2,422,535	146,578	864,367	518,004	-	20,941	-	3,972,425
Repurchase agreement	501,349	-	-	-	-	-	-	501,349
Bills payable	237,520	-	-	-	-	-	-	237,520
Multi-Currency Sukuk Programme	-	-	1,253,668	506,607	-	-	-	1,760,275
Subordinated liabilities	-	-	-	821,395	274,592	-	-	1,095,987
Derivative financial liabilities	-	99	223	23,976	-	-	963,363	987,661
Structured liabilities designated at FVTPL	138,174	167,238	1,412,233	2,992,951	127,535	-	-	4,838,131
Others	681,049	57,749	125,361	49,817	60,061	1,640,035	349,025	2,963,097
<b>Total Liabilities</b>	<b>46,939,796</b>	<b>5,986,079</b>	<b>11,896,268</b>	<b>5,495,742</b>	<b>462,384</b>	<b>1,660,976</b>	<b>1,312,388</b>	<b>73,753,633</b>
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,480,574</b>	<b>-</b>	<b>10,480,574</b>
<b>Total Liabilities and Equity</b>	<b>46,939,796</b>	<b>5,986,079</b>	<b>11,896,268</b>	<b>5,495,742</b>	<b>462,384</b>	<b>12,141,550</b>	<b>1,312,388</b>	<b>84,234,207</b>
<b>Net maturity mismatches</b>	<b>(20,823,564)</b>	<b>3,481,799</b>	<b>(5,148,662)</b>	<b>6,974,217</b>	<b>21,428,540</b>	<b>(9,566,064)</b>	<b>3,653,734</b>	<b>-</b>
<b>Off-balance sheet liabilities</b>	<b>77,124,513</b>	<b>33,097,657</b>	<b>39,649,354</b>	<b>43,644,296</b>	<b>3,606,683</b>	<b>-</b>	<b>-</b>	<b>197,122,503</b>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

40 Liquidity Risk (Cont'd)

Group	Non-trading book						Trading book	Total
	Up to 1 month	>1 - 3 months	>3 - 12 months	1 - 5 years	Over 5 years	Non-specific maturity		
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>								
Cash and short term funds	7,908,159	-	-	-	-	-	-	7,908,159
Securities purchased								
under resale agreements	1,532,477	345,434	679,287	-	-	-	-	2,557,198
Deposits and placements with banks and other financial institutions	-	227,535	-	-	-	-	-	227,535
Financial assets held-for-trading	-	-	-	-	-	-	2,327,385	2,327,385
Financial investments available-for-sale	1,332,680	2,732,401	1,719,485	7,195,625	552,662	187,464	-	13,720,317
Loans, advances and financing	15,023,204	7,329,531	3,655,595	5,445,162	21,855,001	-	-	53,308,493
Derivative financial assets	-	-	-	329	-	-	1,299,610	1,299,939
Others	16,812	8,566	16,134	77,966	9,981	2,144,812	298,252	2,572,523
<b>Total Assets</b>	<b>25,813,332</b>	<b>10,643,467</b>	<b>6,070,501</b>	<b>12,719,082</b>	<b>22,417,644</b>	<b>2,332,276</b>	<b>3,925,247</b>	<b>83,921,549</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	42,280,955	5,878,925	8,386,793	600,191	289	-	-	57,147,153
Deposits and placements from banks and other financial institutions	3,261,079	154,107	383,972	1,695,153	-	24,440	-	5,518,751
Repurchase agreement	147,871	-	-	-	-	-	-	147,871
Bills payable	250,704	-	-	-	-	-	-	250,704
Multi-Currency Sukuk Programme	-	-	501,173	1,254,108	-	-	-	1,755,281
Subordinated liabilities	-	-	-	500,000	595,987	-	-	1,095,987
Derivative financial liabilities	-	-	158	9,528	-	-	1,106,599	1,116,285
Structured liabilities designated at FVTPL	73,538	93,299	841,123	3,142,764	7,517	-	-	4,158,241
Others	113,022	63,374	107,958	53,345	10,853	1,923,653	281,598	2,553,803
<b>Total Liabilities</b>	<b>46,127,169</b>	<b>6,189,705</b>	<b>10,221,177</b>	<b>7,255,089</b>	<b>614,646</b>	<b>1,948,093</b>	<b>1,388,197</b>	<b>73,744,076</b>
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,177,473</b>	<b>-</b>	<b>10,177,473</b>
<b>Total Liabilities and Equity</b>	<b>46,127,169</b>	<b>6,189,705</b>	<b>10,221,177</b>	<b>7,255,089</b>	<b>614,646</b>	<b>12,125,566</b>	<b>1,388,197</b>	<b>83,921,549</b>
<b>Net maturity mismatches</b>	<b>(20,313,837)</b>	<b>4,453,762</b>	<b>(4,150,676)</b>	<b>5,463,993</b>	<b>21,802,998</b>	<b>(9,793,290)</b>	<b>2,537,050</b>	<b>-</b>
<b>Off-balance sheet liabilities</b>	<b>68,699,461</b>	<b>31,771,969</b>	<b>43,279,576</b>	<b>41,706,313</b>	<b>3,091,676</b>	<b>-</b>	<b>-</b>	<b>188,548,995</b>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

40 Liquidity Risk (Cont'd)

Bank 30 June 2019	Non-trading book						Trading book RM'000	Total RM'000
	← Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
<b>ASSETS</b>								
Cash and short term funds	5,047,912	-	-	-	-	-	-	5,047,912
Securities purchased under resale agreements	1,846,595	1,693,962	96,788	-	-	-	-	3,637,345
Deposits and placements with banks and other financial institutions	-	211	420,776	321,395	274,592	-	-	1,016,974
Financial assets at FVTPL	-	-	-	-	-	-	3,001,672	3,001,672
Financial investments at FVOCI	825,911	1,039,387	2,695,814	4,745,197	565,690	197,021	-	10,069,020
Loans, advances and financing	12,066,044	4,738,837	1,680,034	3,894,654	15,584,929	-	-	37,964,498
Derivative financial assets	-	-	-	-	-	-	1,176,829	1,176,829
Others	170,680	6,700	14,868	108,022	31,338	2,620,353	760,649	3,712,610
<b>Total Assets</b>	<b>19,957,142</b>	<b>7,479,097</b>	<b>4,908,280</b>	<b>9,069,268</b>	<b>16,456,549</b>	<b>2,817,374</b>	<b>4,939,150</b>	<b>65,626,860</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	35,269,451	3,531,871	5,788,740	314,622	-	-	-	44,904,684
Deposits and placements from banks and other financial institutions	1,818,455	318	177,139	248,065	-	-	-	2,243,977
Repurchase agreement	501,349	-	-	-	-	-	-	501,349
Bills payable	218,940	-	-	-	-	-	-	218,940
Subordinated liabilities	-	-	-	821,395	274,592	-	-	1,095,987
Derivative financial liabilities	-	99	223	23,976	-	-	1,005,106	1,029,404
Structured liabilities designated at FVTPL	120,165	128,080	945,216	2,397,211	104,340	-	-	3,695,012
Others	628,336	39,617	83,764	36,047	60,061	1,476,156	349,025	2,673,006
<b>Total Liabilities</b>	<b>38,556,696</b>	<b>3,699,985</b>	<b>6,995,082</b>	<b>3,841,316</b>	<b>438,993</b>	<b>1,476,156</b>	<b>1,354,131</b>	<b>56,362,359</b>
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,264,501</b>	<b>-</b>	<b>9,264,501</b>
<b>Total Liabilities and Equity</b>	<b>38,556,696</b>	<b>3,699,985</b>	<b>6,995,082</b>	<b>3,841,316</b>	<b>438,993</b>	<b>10,740,657</b>	<b>1,354,131</b>	<b>65,626,860</b>
<b>Net maturity mismatches</b>	<b>(18,599,554)</b>	<b>3,779,112</b>	<b>(2,086,802)</b>	<b>5,227,952</b>	<b>16,017,556</b>	<b>(7,923,283)</b>	<b>3,585,019</b>	<b>-</b>
<b>Off-balance sheet liabilities</b>	<b>71,244,477</b>	<b>32,143,977</b>	<b>39,951,256</b>	<b>44,251,923</b>	<b>3,583,273</b>	<b>-</b>	<b>-</b>	<b>191,174,906</b>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

40 Liquidity Risk (Cont'd)

Bank 31 December 2018	Non-trading book						Trading book RM'000	Total RM'000
	← Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000		
<b>ASSETS</b>								
Cash and short term funds	5,137,240	-	-	-	-	-	-	5,137,240
Securities purchased under resale agreements	1,532,477	345,434	679,287	-	-	-	-	2,557,198
Deposits and placements with banks and other financial institutions	-	349,247	424,015	-	595,986	-	-	1,369,248
Financial assets at FVTPL	-	-	-	-	-	-	2,327,385	2,327,385
Financial investments at FVOCI	1,332,680	2,533,087	978,354	5,410,387	552,662	187,464	-	10,994,634
Loans, advances and financing	12,009,241	5,827,339	2,368,120	3,023,936	15,942,520	-	-	39,171,156
Derivative financial assets	-	-	-	329	-	-	1,302,933	1,303,262
Others	89,922	8,657	10,050	63,124	10,288	2,390,450	294,821	2,867,312
<b>Total Assets</b>	<b>20,101,560</b>	<b>9,063,764</b>	<b>4,459,826</b>	<b>8,497,776</b>	<b>17,101,456</b>	<b>2,577,914</b>	<b>3,925,139</b>	<b>65,727,435</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	35,837,501	3,627,538	5,977,006	260,293	259	-	-	45,702,597
Deposits and placements from banks and other financial institutions	2,330,855	624	177,122	289,487	-	-	-	2,798,088
Repurchase agreement	147,871	-	-	-	-	-	-	147,871
Bills payable	232,110	-	-	-	-	-	-	232,110
Subordinated liabilities	-	-	-	500,000	595,987	-	-	1,095,987
Derivative financial liabilities	-	-	158	9,528	-	-	1,124,876	1,134,562
Structured liabilities designated at FVTPL	73,538	93,299	711,185	2,395,342	-	-	-	3,273,364
Others	88,630	43,578	80,962	30,579	10,853	1,791,448	281,598	2,327,648
<b>Total Liabilities</b>	<b>38,710,505</b>	<b>3,765,039</b>	<b>6,946,433</b>	<b>3,485,229</b>	<b>607,099</b>	<b>1,791,448</b>	<b>1,406,474</b>	<b>56,712,227</b>
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,015,208</b>	<b>-</b>	<b>9,015,208</b>
<b>Total Liabilities and Equity</b>	<b>38,710,505</b>	<b>3,765,039</b>	<b>6,946,433</b>	<b>3,485,229</b>	<b>607,099</b>	<b>10,806,656</b>	<b>1,406,474</b>	<b>65,727,435</b>
<b>Net maturity mismatches</b>	<b>(18,608,945)</b>	<b>5,298,725</b>	<b>(2,486,607)</b>	<b>5,012,547</b>	<b>16,494,357</b>	<b>(8,228,742)</b>	<b>2,518,665</b>	<b>-</b>
<b>Off-balance sheet liabilities</b>	<b>64,834,441</b>	<b>31,357,398</b>	<b>41,654,387</b>	<b>42,998,654</b>	<b>3,073,166</b>	<b>-</b>	<b>-</b>	<b>183,918,046</b>

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

### 41 Performance Review and Business Prospects

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#### Performance Review

The Group recorded a profit before tax of RM705.3 million for the financial period ended 30 June 2019, a decrease of RM37.9 million compared to the corresponding period in 2018. The decrease was mainly due to lower operating income by RM3.8 million and higher operating expenses by RM34.1 million.

For the period ended 30 June 2019, operating expenses increased by 4.5%, mainly from intercompany recharges and partially offset by general administrative expenses. The Group continues to invest in IT and digital spend and place high emphasis in managing its operating expenses to ensure that the resources are spent in a sustainable manner.

Total balance sheet size at 30 June 2019 have increased by 0.4% or RM312.7 million to RM84.2 billion (31 December 2018: RM83.9 billion). The Group has also recently issued a perpetual capital term loan amounting to RM500 million in order to boost the Bank's Tier 1 capital position. The Group's capital and liquidity ratios continue to remain strong and well above regulatory requirements.

#### Business Prospects

The Malaysian economy grew moderately by 4.5% in 1Q 2019 (4Q 2018: 4.7%), driven mainly by the expansion in domestic demand. This is in line with BNM's earlier GDP growth rate projection of 4.3% to 4.8% in 2019.

The trajectory of headline inflation will continue to be primarily dependent on the global crude oil prices. Nevertheless, the overall headline inflation for 2019 is forecasted to be broadly stable with projected annual average of between 0.7% to 1.7%, supported by continued gradual expansion in the economic activity.

The Ringgit remained relatively flat against the USD dollar as at end of 2Q 2019. It will continue to be influenced by external uncertainties, especially the heightened trade tariff tension between the US and the China, which has sparked renewed fears of a slowdown.

Against the backdrop of a challenging global environment, the growth in the Malaysian economy is expected to remain broadly sustained for the year. Although consumer sentiments have moderated from its recent peak, household spending will be underpinned by continued income and employment growth. Bank Negara Malaysia (BNM) reduced the Overnight Policy Rate (OPR) by 25 basis points in May 2019, a first revision since January 2018, with the intention to support a steady growth path amid price stability and to further spur the economy.

From funding perspective, the banking system liquidity is expected to remain robust and sufficient to facilitate financial intermediation. However, competition among banks for deposits will remain as the requirement of complying with Basel III's Net Stable Funding Ratio is by 1 Jan 2020.

Separately, industry players are eagerly awaiting the release of the virtual banking licence requirement from BNM, which is expected to be issued by end of the year. Many local players are already eyeing the licence following from the recent issuance of digital banking licence in Singapore and Hong Kong, along with the successful set-up of a few digital banks in China, Australia and South Korea. Non-bank players from the FinTech sector are expected to join the crowd, leveraging on their well-established e-payment and e-wallet platforms. In time to come, the local banking industry will face an unprecedented, new breed of competitors.

Within HSBC Group, Malaysia is identified as a scalable market and an important footprint within ASEAN. The Group and 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 through both inbound and outbound business for customers of HSBC residing in other countries who are major trade partners with Malaysia including intra ASEAN corridors.

In attune to the rapid technology development, the Group and the Bank are also currently gearing up our technology frontier, by enhancing digital capabilities for mobile and internet banking to improve customer service and experience. In addition, the Group and the Bank will continue to deepen the relationship with existing customers and also to penetrate new customer segments including the tech-savvy group. In the spirit of putting customer's interest first and doing the right things, the Group and the Bank will also continue its journey in building the right culture for the organisation.

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

**42 Comparative Figures**

Presentation and classification of items in the financial statements are consistent with those in previous financial year except for those listed below. The Group's and the Bank's prior year profit and loss and retained profits brought forward are not affected by these reclassifications.

(i) Comparatives for loans, advances and financing, impaired loans, advances and financing, and ECL allowances were restated to align the presentation for certain portfolio of loans, advances and financing with industry practice.

**Notes to the Financial Statements**

31 December 2018

**a) Loans, advances and financing**

	<i>Group</i>		<i>Bank</i>	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
Gross loans, advances and financing	53,800,371	53,932,240	39,428,501	39,486,369
Impairment allowances (MFRS 9)	(491,878)	(623,747)	(257,345)	(315,213)
Total net loans, advances and financing	<u>53,308,493</u>	<u>53,308,493</u>	<u>39,171,156</u>	<u>39,171,156</u>

(of which the affected components are disclosed below) :

By type

Term loans/ financing:

Other term loans/ financing	10,154,802	10,286,671	5,837,382	5,895,250
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By type of customer

Individuals	22,010,122	22,141,739	15,867,488	15,925,155
Foreign entities	7,063,180	7,063,432	5,224,029	5,224,230

By residual contractual maturity

Maturity within one year	26,228,589	26,229,546	20,332,762	20,333,551
More than one year to three years	2,526,451	2,531,922	1,360,321	1,364,163
More than three years to five years	2,999,636	3,018,651	1,710,272	1,720,044
More than five years	22,045,695	22,152,121	16,025,146	16,068,611

By interest/ profit rate sensitivity

Fixed rate:

Other fixed rate loans/ financing	13,491,626	13,567,734	10,191,085	10,226,274
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Variable rate:

Cost-plus	17,894,202	17,949,963	12,411,179	12,433,858
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By sector

Household-retail	25,169,688	25,301,557	18,463,543	18,521,411
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By purpose

Consumption credit	6,069,767	6,201,636	3,942,490	4,000,358
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By geographical distribution

Northern Region	6,719,839	6,722,844	5,222,530	5,223,824
Southern Region	6,334,271	6,336,194	4,870,102	4,871,195
Central Region	38,380,783	38,506,545	27,369,954	27,424,841
Eastern Region	2,365,478	2,366,657	1,965,915	1,966,509

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

42 Comparative Figures (Cont'd)

**b) Impaired Loans, Advances and Financing**

(of which the affected components are disclosed below) :

Gross carrying amount movement of loans, advances and financing classified as credit impaired

	<i>Group</i>		<i>Bank</i>	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
Gross carrying amount as at 1 January	888,267	975,557	606,218	652,874
Others	25	44,604	7	11,219
Gross carrying amount as at 31 December	973,287	1,105,156	616,975	674,843

By sector

Household-retail	755,218	887,087	489,885	547,753
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By purpose

Consumption credit	297,811	429,680	159,584	217,452
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By geographical distribution

Northern Region	129,940	132,945	92,192	93,486
Southern Region	115,479	117,402	76,026	77,119
Central Region	670,297	796,059	397,236	452,123
Eastern Region	57,571	58,750	51,521	52,115

**c) ECL allowances**

(of which the affected components are disclosed below) :

Movements in ECL allowances for loans, advances and financing

	<b>Stage 3</b>		<b>Stage 3</b>	
	Lifetime ECL credit impaired RM'000 As restated	Lifetime ECL credit impaired Specific provision RM'000 As restated	Lifetime ECL credit impaired RM'000 As previously stated	Lifetime ECL credit impaired Specific provision RM'000 As previously stated
<b>Group</b>				
Balance at 1 January 2018	-	208,249	-	295,539
- adoption of MFRS 9	269,048	(208,249)	356,338	(295,539)
Balance restated	269,048	-	356,338	-
Others	299	-	44,878	-
Balance at 31 December 2018	259,032	-	390,901	-
<b>Bank</b>				
Balance at 1 January 2018	-	133,984	-	180,640
- adoption of MFRS 9	158,912	(133,984)	205,568	(180,640)
Balance restated	158,912	-	205,568	-
Others	58	-	11,270	-
Balance at 31 December 2018	132,951	-	190,819	-

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

**42 Comparative Figures (Cont'd)**

(ii) Comparatives for interest expense, other operating expenses and income from Islamic banking operations were restated to conform to the current financial year's presentation.

<b>Statement of Profit or Loss and Other Comprehensive Income</b> 30 June 2018	<i>Group</i>		<i>Bank</i>	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
<b>a) Net interest income</b> <i>(of which the affected components are disclosed below) :</i>	<b>801,263</b>	<b>796,010</b>	<b>833,047</b>	<b>827,794</b>
<u>Interest expense</u>				
Others	(105)	(5,358)	(105)	(5,358)
<b>b) Other operating expenses</b> <i>(of which the affected components are disclosed below) :</i>	<b>(763,663)</b>	<b>(755,246)</b>	<b>(701,426)</b>	<b>(696,173)</b>
General administrative expenses	(87,188)	(78,771)	(66,488)	(61,235)
<b>c) Income from Islamic banking operations</b> <i>(of which the affected components are disclosed below) :</i>	<b>370,233</b>	<b>367,068</b>	<b>-</b>	<b>-</b>
Income attributable to the depositors	(206,681)	(209,846)	-	-