

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019

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

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

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AT 30 SEPTEMBER 2019

	Note	<i>Group</i>		<i>Bank</i>	
		30 Sep 2019 RM'000	31 Dec 2018 RM'000	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Assets					
Cash and short-term funds	13	7,906,137	7,908,159	4,520,991	5,137,240
Securities purchased under resale agreements		2,910,962	2,557,198	2,910,962	2,557,198
Deposits and placements with banks and other financial institutions	14	119,344	227,535	1,012,808	1,369,248
Financial assets at fair value through profit and loss (FVTPL)	15	2,267,122	2,327,385	2,267,122	2,327,385
Financial investments at fair value through other comprehensive income (FVOCI)	16	14,047,984	13,720,317	11,327,066	10,994,634
Loans, advances and financing	17	52,255,275	53,308,493	38,559,512	39,171,156
Derivative financial assets	37	1,179,207	1,299,939	1,178,131	1,303,262
Other assets	20	1,263,233	634,695	1,280,737	658,356
Statutory deposits with Bank Negara Malaysia	21	1,191,740	1,200,662	856,078	836,000
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		778,234	467,730	771,284	460,862
Intangible assets		39,798	39,691	39,798	39,691
Tax recoverable		26,696	20,850	26,696	20,850
Deferred tax assets		178,438	208,895	152,244	191,532
Total assets		84,164,170	83,921,549	65,563,450	65,727,435
Liabilities					
Deposits from customers	22	57,212,567	57,147,153	44,713,439	45,702,597
Deposits and placements from banks and other financial institutions	23	4,960,976	5,518,751	3,225,560	2,798,088
Repurchase agreement		-	147,871	-	147,871
Bills payable		193,511	250,704	177,495	232,110
Derivative financial liabilities	37	965,669	1,116,285	1,006,264	1,134,562
Structured liabilities designated at fair value through profit and loss	24	4,920,559	4,158,241	3,720,548	3,273,364
Other liabilities	25	2,526,746	2,389,097	2,393,530	2,192,462
Provision for taxation		16,734	164,706	-	135,186
Multi-Currency Sukuk Programme	26	1,771,033	1,755,281	-	-
Subordinated liabilities	27	1,103,262	1,095,987	1,103,262	1,095,987
Total liabilities		73,671,057	73,744,076	56,340,098	56,712,227
Equity					
Share capital		1,045,875	1,045,875	1,045,875	1,045,875
Reserves		9,447,238	9,131,598	8,177,477	7,969,333
Total equity attributable to owner of the Bank		10,493,113	10,177,473	9,223,352	9,015,208
Total liabilities and equity		84,164,170	83,921,549	65,563,450	65,727,435
Commitments and contingencies	36	190,830,455	188,548,995	184,035,976	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 52 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 31 October 2019.

HSBC BANK MALAYSIA BERHAD
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**UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	<i>Note</i>	<i>Group</i>			
		Third Quarter		Nine Months Ended	
		30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
		RM'000	RM'000	RM'000	RM'000
			(Restated)		(Restated)
Interest income	28	577,463	596,952	1,780,477	1,762,411
Interest expense	28	(192,582)	(192,818)	(602,525)	(557,014)
Net interest income	28	384,881	404,134	1,177,952	1,205,397
Fee and commission income	29	117,377	115,726	338,210	354,319
Fee and commission expense	29	(8,762)	(19,535)	(39,905)	(54,953)
Net fee and commission income	29	108,615	96,191	298,305	299,366
Net trading income	30	146,648	98,295	513,905	310,085
Income from Islamic banking operations	31	145,459	187,743	407,136	557,976
Net expenses from Financial Liabilities Designated at Fair Value		(27,907)	(26,976)	(95,346)	(57,818)
Other operating income	32	10,770	9,884	39,726	31,724
Operating income before impairment losses		768,466	769,271	2,341,678	2,346,730
Impairment allowance/provisions	33	(25,381)	(25,429)	(95,587)	(96,076)
Net operating income		743,085	743,842	2,246,091	2,250,654
Other operating expenses	34	(417,295)	(377,720)	(1,215,042)	(1,141,383)
Profit before tax		325,790	366,123	1,031,049	1,109,271
Tax expense		(59,541)	(82,240)	(230,214)	(261,218)
Profit for the period		266,249	283,883	800,835	848,053

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

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(expense)				
<i>Items that will not be reclassified to profit or loss</i>				
Own credit reserve:				
Change in fair value	(16,356)	(8,610)	(20,828)	(3,913)
Income tax effect	3,926	2,066	4,999	939
<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	15,963	22,237	103,030	3,178
Amount transferred to profit or loss	(12,573)	(7,170)	(58,287)	(13,154)
Impairment	(85)	233	261	346
Income tax effect	(813)	(3,672)	(13,032)	2,311
Financial assets designated as fair value through other comprehensive income				
Change in fair value	-	-	9,557	-
Other comprehensive income for the financial period, net of income tax	(9,938)	5,084	25,700	(10,293)
Total comprehensive income for the period	256,311	288,967	826,535	837,760
Profit attributable to owner of the Bank	266,249	283,883	800,835	848,053
Total comprehensive income attributable to owner of the Bank	256,311	288,967	826,535	837,760
Basic earnings per RM0.50 ordinary share	116.3 sen	124.0 sen	349.7 sen	370.3 sen
Dividends per RM0.50 ordinary share (net)				
- interim dividend paid in respect of the period	106.6 sen	87.3 sen	106.6 sen	87.3 sen
- final dividend paid in respect of prior period	-	-	115.7 sen	87.3 sen
- special dividend paid in respect of current period	-	-	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 52 attached to the unaudited condensed interim financial statements.

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

	<i>Note</i>	<i>Bank</i>			
		Third Quarter		Nine Months Ended	
		30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
		RM'000	RM'000	RM'000	RM'000
			(Restated)		(Restated)
Interest income	28	586,289	605,843	1,809,514	1,803,086
Interest expense	28	(192,582)	(192,818)	(602,525)	(557,014)
Net interest income	28	393,707	413,025	1,206,989	1,246,072
Fee and commission income	29	115,290	115,726	336,123	354,319
Fee and commission expense	29	(8,762)	(19,535)	(39,905)	(54,953)
Net fee and commission income	29	106,528	96,191	296,218	299,366
Net trading income	30	146,095	146,553	482,817	430,851
Net expenses from Financial Liabilities Designated at Fair Value		(27,907)	(26,976)	(95,346)	(57,818)
Other operating income	32	44,063	42,557	177,524	138,481
Operating income before impairment losses		662,486	671,350	2,068,202	2,056,952
Impairment allowance/provisions	33	(16,272)	(11,034)	(45,783)	(39,498)
Net operating income		646,214	660,316	2,022,419	2,017,454
Other operating expenses	34	(387,796)	(347,346)	(1,129,810)	(1,048,772)
Profit before tax		258,418	312,970	892,609	968,682
Tax expense		(54,988)	(59,263)	(201,032)	(218,269)
Profit for the period		203,430	253,707	691,577	750,413

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

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(expense)				
<i>Items that will not be reclassified to profit or loss</i>				
Own credit reserve:				
Change in fair value	(5,234)	(5,446)	(11,218)	(2,020)
Income tax effect	1,256	1,307	2,692	485
<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	14,303	17,356	87,288	3,486
Amount transferred to profit or loss	(10,433)	(7,239)	(49,637)	(13,593)
Impairment	(49)	174	173	304
Income tax effect	(929)	(2,471)	(11,330)	2,352
Financial assets designated as fair value through other comprehensive income				
Change in fair value	-	-	9,557	-
Other comprehensive income for the financial period, net of income tax	(1,086)	3,681	27,525	(8,986)
Total comprehensive income for the period	202,344	257,388	719,102	741,427
Profit attributable to owner of the Bank	203,430	253,707	691,577	750,413
Total comprehensive income attributable to owner of the Bank	202,344	257,388	719,102	741,427
Basic earnings per RM0.50 ordinary share	88.8 sen	110.8 sen	302 sen	327.7 sen
Dividends per RM0.50 ordinary share (net)				
- interim dividend paid in respect of the period	106.6 sen	87.3 sen	106.6 sen	87.3 sen
- final dividend paid in respect of prior period	-	-	115.7 sen	87.3 sen
- special dividend paid in respect of current period	-	-	218.3 sen	-

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

Group (RM'000)

	<i>Share capital</i>	<i>Other equity instrument^[1]</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>
2019									
Balance at 1 January	1,045,875	-	204,890	125,969	(6,863)	99,586	559,200	8,148,816	10,177,473
Total comprehensive income for the financial period									
Profit for the financial period	-	-	-	-	-	-	-	800,835	800,835
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(1,761)	-	-	-	-	1,761	-
Fair value through other comprehensive income reserve:									
Net change in fair value	-	-	-	85,566	(15,829)	-	-	-	69,737
Net amount transferred to profit or loss	-	-	-	(44,298)	-	-	-	-	(44,298)
Transfer to retained profits upon realisation of unquoted investments	-	-	-	(57)	-	-	-	57	-
Impairment charges	-	-	-	261	-	-	-	-	261
<i>Total other comprehensive income</i>	-	-	(1,761)	41,472	(15,829)	-	-	1,818	25,700
Total comprehensive income for the financial period	-	-	(1,761)	41,472	(15,829)	-	-	802,653	826,535
Net change in regulatory reserves	-	-	-	-	-	-	(14,000)	14,000	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	1,419	-	(3,314)	(1,895)
Other equity instrument issued ^[1]	-	500,000	-	-	-	-	-	-	500,000
Dividends paid to owner - 2018 final	-	-	-	-	-	-	-	(265,000)	(265,000)
Dividends paid to owner - 2019 special	-	-	-	-	-	-	-	(500,000)	(500,000)
Dividends paid to owner - 2019 interim	-	-	-	-	-	-	-	(244,000)	(244,000)
Balance at 30 September	1,045,875	500,000	203,129	167,441	(22,692)	101,005	545,200	7,953,155	10,493,113

^[1] 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 to the financial statements.

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 52 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 SEPTEMBER 2019 (Cont'd)

Group (RM'000)

	<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
Total comprehensive income for the financial period								
Profit for the financial period	-	-	-	-	-	-	848,053	848,053
Other comprehensive income, net of income tax								
Revaluation reserve:								
Transfer to retained profits upon realisation of depreciation	-	(1,828)	-	-	-	-	1,828	-
Fair value through other comprehensive income reserve:								
Net change in fair value	-	-	2,358	(2,974)	-	-	57	(559)
Net amount transferred to profit or loss	-	-	(9,997)	-	-	-	-	(9,997)
Impairment release	-	-	263	-	-	-	-	263
<i>Total other comprehensive income</i>	-	(1,828)	(7,376)	(2,974)	-	-	1,885	(10,293)
Total comprehensive income for the financial period	-	(1,828)	(7,376)	(2,974)	-	-	849,938	837,760
Net change in regulatory reserves	-	-	-	-	-	134,000	(134,000)	-
Transactions with the owner, recorded directly in equity								
Share based payment transactions	-	-	-	-	5,804	-	(3,685)	2,119
Dividends paid to owner - 2017 final	-	-	-	-	-	-	(200,000)	(200,000)
Balance at 30 September	<u>1,045,875</u>	<u>215,109</u>	<u>124,807</u>	<u>(1,851)</u>	<u>100,387</u>	<u>418,000</u>	<u>8,173,802</u>	<u>10,076,129</u>

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

Bank (RM'000)	<i>Non-distributable</i>						<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Other equity instrument^[1]</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>	
2019									
Balance at 1 January	1,045,875	-	204,890	125,490	(3,876)	99,087	468,100	7,075,642	9,015,208
Total comprehensive income for the financial period									
Profit for the financial period	-	-	-	-	-	-	-	691,577	691,577
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(1,761)	-	-	-	-	1,761	-
Net change in fair value	-	-	-	73,602	(8,526)	-	-	-	65,076
Net amount transferred to profit or loss	-	-	-	(37,724)	-	-	-	-	(37,724)
Transfer to retained profits upon realisation of unquoted investments	-	-	-	(57)	-	-	-	57	-
Impairment charges	-	-	-	173	-	-	-	-	173
<i>Total other comprehensive income</i>	-	-	(1,761)	35,994	(8,526)	-	-	1,818	27,525
Total comprehensive income for the financial period	-	-	(1,761)	35,994	(8,526)	-	-	693,395	719,102
Net change in regulatory reserves	-	-	-	-	-	-	(7,000)	7,000	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	1,376	-	(3,334)	(1,958)
Other equity instrument issued ^[1]	-	500,000	-	-	-	-	-	-	500,000
Dividends paid to owner - 2018 final	-	-	-	-	-	-	-	(265,000)	(265,000)
Dividends paid to owner - 2019 special	-	-	-	-	-	-	-	(500,000)	(500,000)
Dividends paid to owner - 2019 interim	-	-	-	-	-	-	-	(244,000)	(244,000)
Balance at 30 September	1,045,875	500,000	203,129	161,484	(12,402)	100,463	461,100	6,763,703	9,223,352

^[1] 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 to the financial statements.

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

Bank (RM'000)	<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
Total comprehensive income for the financial period								
Profit for the financial period	-	-	-	-	-	-	750,413	750,413
Other comprehensive income, net of income tax								
Revaluation reserve:								
Transfer to retained profits upon realisation of depreciation	-	(1,828)	-	-	-	-	1,828	-
Fair value through other comprehensive income reserve:								
Net change in fair value	-	-	2,592	(1,535)	-	-	57	1,114
Net amount transferred to profit or loss	-	-	(10,331)	-	-	-	-	(10,331)
Impairment release	-	-	231	-	-	-	-	231
<i>Total other comprehensive income</i>	-	(1,828)	(7,508)	(1,535)	-	-	1,885	(8,986)
Total comprehensive income for the financial period	-	(1,828)	(7,508)	(1,535)	-	-	752,298	741,427
Net change in regulatory reserves	-	-	-	-	-	120,000	(120,000)	-
Transactions with the owner, recorded directly in equity								
Share based payment transactions	-	-	-	-	5,652	-	(3,694)	1,958
Dividends paid to owner - 2017 final	-	-	-	-	-	-	(200,000)	(200,000)
Balance at 30 September	1,045,875	215,109	124,370	(1,268)	99,827	370,000	7,124,618	8,978,531

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

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
Profit before tax	1,031,049	1,109,271	892,609	968,682
Adjustments for non-operating and non-cash items	(15,412)	(111,325)	(34,051)	(342,656)
Operating profit before working capital changes	1,015,637	997,946	858,558	626,026
Changes in working capital:				
Net changes in operating assets	286,924	158,584	18,349	3,459,317
Net changes in operating liabilities	165,647	1,463,909	(138,034)	(1,895,477)
Income tax paid	(361,626)	(235,666)	(311,413)	(222,756)
Net cash generated from operations	1,106,582	2,384,773	427,460	1,967,110
Net cash generated (used in)/from investing activities	(533,122)	(554,232)	(501,206)	189,172
Net cash used in financing activities	(575,482)	230,000	(542,503)	(229,758)
	(1,108,604)	(324,232)	(1,043,709)	(40,586)
Net changes in cash and cash equivalents	(2,022)	2,060,541	(616,249)	1,926,524
Cash and cash equivalents at 1 January	7,908,159	10,313,776	5,137,240	8,879,053
Cash and cash equivalents at 30 September	7,906,137	12,374,317	4,520,991	10,805,577
Analysis of cash and cash equivalents				
Cash and short-term funds	7,906,137	12,374,317	4,520,991	10,805,577

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The unaudited condensed interim financial statements were approved by the Board of Directors on 31 October 2019.

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

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

Change in liabilities arising from financing activities

Group (RM'000)

2019	At 1 Jan	Cash (outflow)/ inflow	Foreign exchange adjustment	Fair value movement	Interest/ Profit accrual	At 30 Sep
Multi-Currency Sukuk Programme	1,755,281	-	-	15,752	-	1,771,033
Subordinated liabilities	1,095,987	-	7,275	-	-	1,103,262
Other liabilities of which:						
Profit paid on Multi-Currency Sukuk	18,175	(32,979)	-	-	35,585	20,781
Interest paid on Subordinated liabilities	4,458	(33,503)	-	-	39,827	10,782
Other equity instrument	-	500,000	-	-	-	500,000
Dividend paid	-	(1,009,000)	-	-	-	(1,009,000)
	2,873,901	(575,482)	7,275	15,752	75,412	2,396,858
2018						
Multi-Currency Sukuk Programme	1,252,829	500,000	-	99	-	1,752,928
Subordinated liabilities	1,083,903	-	12,012	-	-	1,095,915
Other liabilities of which:						
Profit paid on Multi-Currency Sukuk	12,815	(40,242)	-	-	37,487	10,060
Interest paid on Subordinated liabilities	6,521	(29,758)	-	-	36,905	13,669
Dividend paid	-	(200,000)	-	-	-	-
	2,356,068	230,000	12,012	99	74,392	2,872,572

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 52 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 31 October 2019.

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

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

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

Bank (RM'000)

2019	At 1 Jan	Cash (outflow)/ inflow	Foreign exchange adjustment	Fair value movement	Interest accrual	At 30 Sep
Subordinated liabilities	1,095,987	-	7,275	-	-	1,103,262
Other liabilities of which:						
Interest paid on Subordinated liabilities	4,458	(33,503)	-	-	39,827	10,782
Other equity instrument	-	500,000	-	-	-	500,000
Dividend paid	-	(1,009,000)	-	-	-	(1,009,000)
	1,100,445	(542,503)	7,275	-	39,827	605,044
2018						
Subordinated liabilities	1,083,903	-	12,012	-	-	1,095,915
Other liabilities of which:						
Interest paid on Subordinated liabilities	6,521	(29,758)	-	-	36,905	13,669
Dividend paid	-	(200,000)	-	-	-	-
	1,090,424	(229,758)	12,012	-	36,905	1,109,584

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 52 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 31 October 2019.

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

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

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

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

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 10th Floor, 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 31 October 2019.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 30 September 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 September 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)

(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	MFRS 16 adjustments		MFRS 16	Retained
	carrying amount as at 31 December 2018	Reclassification	Remeasurement	carrying amount as at 1 January 2019	profits impact as at 1 January 2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
Assets					
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	-
Total change to financial asset balances, reclassification and remeasurement at 1 January 2019	83,393,278	(4,982)	108,926	83,497,222	-
Liabilities					
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	-
Total change to financial liabilities balances, reclassification and remeasurement at 1 January 2019	73,744,076	(4,982)	108,926	73,848,020	-

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	MFRS 16 adjustments		MFRS 16	Retained
	carrying amount as at 31 December 2018	Reclassification	Remeasurement	carrying amount as at 1 January 2019	profits impact as at 1 January 2019
Bank	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
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	-
Total change to financial asset balances, reclassification and remeasurement at 1 January 2019	64,546,011	(4,982)	77,193	64,618,222	-
Liabilities					
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	-
Total change to financial liabilities balances, reclassification and remeasurement at 1 January 2019	56,712,227	(4,982)	77,193	56,784,438	-

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

	Group	Bank
	RM'000	RM'000
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

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

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

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

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 September 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 September 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 September 2019.

Subsequent to the period ended 30 September 2019, the second series of Multi-Currency Sukuk Programme (MCSP) of RM500 million was redeemed upon maturity on 16 October 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.
- (c) Interim dividend of RM1.07 per ordinary share amounting to RM244 million in respect of the current financial period. The dividend was paid on 4 September 2019.

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 September 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, except for as disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

13 Cash and Short-Term Funds

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	697,434	851,050	536,522	685,654
Money at call and interbank placements maturing within one month	7,208,703	7,057,109	3,984,469	4,451,586
	7,906,137	7,908,159	4,520,991	5,137,240

Money at call and interbank placements maturing within one month is within Stage 1 allocation (12 -months ECL) with RM16,000 impairment allowance as at 30 September 2019 (31 December 2018: RM15,000).

14 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
Licensed banks	-	20,685	1,012,808	1,162,398
Bank Negara Malaysia	119,344	206,850	-	206,850
Net deposit and placements	119,344	227,535	1,012,808	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 RM1,012.8 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 September 2019 (31 December 2018: nil).

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

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government treasury bills	343,483	573,248	343,483	573,248
Islamic treasury bills	281,890	-	281,890	-
Malaysian Government securities	1,161,338	1,355,514	1,161,338	1,355,514
Malaysian Government Islamic Sukuk	381,342	315,653	381,342	315,653
Cagamas bonds and notes	13,489	9,115	13,489	9,115
	2,181,542	2,253,530	2,181,542	2,253,530
Unquoted:				
Corporate bonds and Sukuk	85,580	73,855	85,580	73,855
	2,267,122	2,327,385	2,267,122	2,327,385

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
Debt instruments				
Money market instruments:				
Bank Negara Malaysia bills and notes	3,944,074	3,281,519	3,944,074	3,281,519
Islamic Bank Negara bills	-	411,266	-	411,266
Malaysian Government securities	5,440,259	4,442,265	5,440,259	4,442,265
Malaysian Government Islamic Sukuk	4,325,127	4,118,043	1,604,209	1,591,674
Malaysian Government Islamic treasury bills	-	199,314	-	-
Cagamas bonds and notes	135,093	419,789	135,093	419,789
US treasury bond	-	654,097	-	654,097
	13,844,553	13,526,293	11,123,635	10,800,610
Unquoted:				
Corporate bonds and Sukuk	6,410	6,560	6,410	6,560
Financial Investments Designated as FVOCI				
Equity instruments				
Unquoted:				
Shares	197,021	187,464	197,021	187,464
<i>of which</i>				
<i>Cagamas Holdings Berhad</i>	159,741	150,667	159,741	150,667
<i>Credit Guarantee Corporation Malaysia Berhad</i>	31,196	30,388	31,196	30,388
<i>Others</i>	6,084	6,409	6,084	6,409
	14,047,984	13,720,317	11,327,066	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>	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	8,164,379	5,784,454	6,503,595	4,844,009
More than one year to three years	4,481,301	5,867,787	3,421,167	4,313,785
More than three years to five years	795,145	1,321,194	795,145	1,089,958
Over five years	403,728	552,858	403,728	552,858
	13,844,553	13,526,293	11,123,635	10,800,610

There are no Malaysian Government securities pledged against the Repurchase Agreement that are included in the FVOCI balances as at 30 September 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>	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000 (Restated)	30 Sep 2019 RM'000	31 Dec 2018 RM'000 (Restated)
At amortised cost				
Overdrafts/cash line	775,829	952,685	701,115	877,351
Term loans/financing:				
Housing loans/financing	17,952,286	18,570,714	13,747,750	14,241,494
Syndicated term loans/financing	3,923,221	3,674,894	2,664,406	2,340,238
Factoring receivables	416,728	509,453	416,728	509,453
Hire purchase receivables	184,442	195,636	-	-
Lease receivables	15	539	-	-
Other term loans/financing	9,785,055	10,154,802	5,843,927	5,837,382
Bills receivable	3,097,072	3,449,649	2,630,156	2,993,071
Trust receipts	2,510,453	2,140,273	2,005,744	1,616,648
Claims on customers under acceptance credits	1,398,131	1,579,135	1,001,740	1,156,842
Staff loans/financing	79,012	90,539	76,531	87,395
Credit/charge cards	3,799,817	3,663,256	2,632,571	2,587,622
Revolving financing	8,831,715	8,806,637	7,098,772	7,172,272
Other loans/financing	14,296	12,159	10,362	8,733
Gross loans, advances and financing ^[1]	52,768,072	53,800,371	38,829,802	39,428,501
Less: - Impairment allowances	(512,797)	(491,878)	(270,290)	(257,345)
Total net loans, advances and financing	52,255,275	53,308,493	38,559,512	39,171,156

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

	<i>Bank</i>	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Syndicated term financing	1,837,775	1,820,336
Other term financing	12,566	-
Revolving financing	750,898	751,515
	2,601,238	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>	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000 (Restated)	30 Sep 2019 RM'000	31 Dec 2018 RM'000 (Restated)
Domestic non-bank financial institutions	1,244,250	1,198,133	642,894	578,712
Domestic business enterprises:				
Small medium enterprises	6,690,333	6,498,801	4,607,885	4,515,578
Others	16,777,299	17,020,804	13,319,782	13,239,148
Government and statutory bodies	2,569	4,527	-	-
Individuals	21,563,770	22,010,122	15,397,692	15,867,488
Other domestic entities	4,531	4,804	3,375	3,546
Foreign entities/individuals	6,485,320	7,063,180	4,858,174	5,224,029
	52,768,072	53,800,371	38,829,802	39,428,501

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000 (Restated)	30 Sep 2019 RM'000	31 Dec 2018 RM'000 (Restated)
Maturity within one year	24,819,190	26,228,589	18,960,275	20,332,762
More than one year to three years	3,129,864	2,526,451	1,915,593	1,360,321
More than three years to five years	3,448,602	2,999,636	2,425,215	1,710,272
More than five years	21,370,416	22,045,695	15,528,719	16,025,146
	52,768,072	53,800,371	38,829,802	39,428,501

(iv) By interest/profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000 (Restated)	30 Sep 2019 RM'000	31 Dec 2018 RM'000 (Restated)
Fixed rate:				
Housing loans/financing	179	194	179	194
Hire purchase receivables	184,442	195,636	-	-
Other fixed rate loans/financing	13,565,967	13,491,626	10,188,174	10,191,085
Variable rate:				
Base Rate/Base Lending/Financing Rate plus	21,262,383	22,218,713	16,046,255	16,826,043
Cost-plus	17,755,101	17,894,202	12,595,194	12,411,179
	52,768,072	53,800,371	38,829,802	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 Sep 2019 RM'000	31 Dec 2018 RM'000 (Restated)	30 Sep 2019 RM'000	31 Dec 2018 RM'000 (Restated)
Agricultural, hunting, forestry and fishing	206,003	224,321	187,634	205,335
Mining and quarrying	358,944	353,554	153,825	121,880
Manufacturing	7,648,719	7,512,804	6,182,347	6,017,712
Electricity, gas and water	278,120	156,677	88,050	28,415
Construction	3,696,338	3,354,705	2,737,352	2,571,017
Real estate	4,229,312	4,297,149	3,321,586	3,161,642
Wholesale & retail trade and restaurants & hotels	3,808,468	3,984,139	2,918,135	2,988,570
Transport, storage and communication	403,206	484,495	254,723	270,204
Finance, insurance and business services	3,263,120	3,624,914	2,279,813	2,584,242
Household-retail	24,580,811	25,169,688	17,883,020	18,463,543
Others	4,295,031	4,637,925	2,823,317	3,015,941
	52,768,072	53,800,371	38,829,802	39,428,501

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000 (Restated)	30 Sep 2019 RM'000	31 Dec 2018 RM'000 (Restated)
Purchase of property:				
Residential	17,977,724	18,629,663	13,771,820	14,298,874
Non residential	1,427,603	1,515,174	642,736	679,307
Purchase of securities	3,242	4,215	3,242	4,215
Purchase of transport vehicles	18,599	21,661	17,843	20,406
Purchase of fixed assets excluding land & building	-	740	-	740
Consumption credit	6,175,549	6,069,767	3,923,250	3,942,490
Construction	2,852,988	2,798,190	2,130,663	2,230,805
Working capital	20,829,690	20,843,932	15,955,573	15,614,802
Other purpose	3,482,677	3,917,029	2,384,675	2,636,862
	52,768,072	53,800,371	38,829,802	39,428,501

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000 (Restated)	30 Sep 2019 RM'000	31 Dec 2018 RM'000 (Restated)
Northern Region	6,664,968	6,719,839	5,134,345	5,222,530
Southern Region	6,210,581	6,334,271	4,661,297	4,870,102
Central Region	37,722,656	38,380,783	27,240,752	27,369,954
Eastern Region	2,169,867	2,365,478	1,793,408	1,965,915
	52,768,072	53,800,371	38,829,802	39,428,501

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>	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Gross carrying amount as at 1 January	973,287	888,267	616,975	606,218
Transfer within stages	124,723	195,005	86,890	123,315
Net remeasurement due to changes in credit risk	61,451	130,268	8,781	14,557
Written-off	(158,087)	(240,278)	(80,818)	(127,122)
Others	-	25	-	7
Gross carrying amount as at 30 September/31 December	1,001,374	973,287	631,828	616,975

(ii) **By sector**

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Mining and quarrying	1,956	2,704	1,884	2,000
Manufacturing	82,095	41,970	66,258	24,616
Electricity, gas and water	638	-	638	-
Construction	35,270	41,263	30,141	38,121
Real estate	13,365	12,855	12,555	12,855
Wholesale & retail trade, restaurants & hotels	34,823	29,776	18,423	18,637
Transport, storage and communication	18,442	22,007	17,855	17,854
Finance, insurance and business services	27,682	32,875	997	4,214
Household-retail	750,949	755,218	472,955	489,885
Others	36,154	34,619	10,122	8,793
1,001,374	973,287	631,828	616,975	

(iii) **By purpose**

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Purchase of property:				
Residential	397,360	446,416	290,039	321,427
Non residential	51,968	43,517	32,911	31,693
Purchase of transport vehicles	109	207	38	61
Consumption credit	343,804	297,811	174,725	159,584
Construction	29,617	26,565	26,893	24,163
Working capital	154,810	133,931	107,172	80,029
Other purpose	23,706	24,840	50	18
1,001,374	973,287	631,828	616,975	

(iv) **By geographical distribution**

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Northern Region	122,515	129,940	88,212	92,192
Southern Region	126,915	115,479	87,788	76,026
Central Region	694,746	670,297	405,788	397,236
Eastern Region	57,198	57,571	50,040	51,521
1,001,374	973,287	631,828	616,975	

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
Group						
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	55,497	(46,168)	(9,329)	-	-	-
- Transferred to Stage 2	(7,370)	19,568	(12,198)	-	-	-
- Transferred to Stage 3	(628)	(10,769)	11,397	-	-	-
New financial assets originated or purchased	22,879	-	-	-	-	22,879
Net remeasurement due to changes in credit risk	(66,430)	28,603	194,688	-	-	156,861
Asset written-off	-	-	(158,087)	-	-	(158,087)
Others	(734)	-	-	-	-	(734)
Balance at 30 September 2019	103,168	124,126	285,503	-	-	512,797
Balance at 1 January 2018 ^[1]	-	-	-	208,249	518,836	727,085
- adoption of MFRS 9 ^[1]	137,218	135,296	269,048	(208,249)	(518,836)	(185,523)
Balance restated ^[1]	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 ^[1]	(1,268)	-	299	-	-	(969)
Balance at 31 December 2018 ^[1]	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 RM20.9 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 (RM156.9 million) and new financial assets originated or purchased (RM22.9 million), partially offset by asset written-off (RM158.1 million).

- 12-months ECL not credit impaired (Stage 1) – increased by RM3.2 million for the Group, mainly from migration of loans from Stages 2 and 3 as a result of credit quality improvement, 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 RM8.8 million for the Group, mainly from migration of loans mostly 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 RM26.5 million for the Group, primarily due to remeasurement due to changes in credit risk offset by asset written-off and transfers to stages 1 and 2 as a result of credit quality improvement.

^[1] Balances have been restated as disclosed in Note 39.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances (Cont'd)

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

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>			
	12-month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Lifetime ECL credit impaired Specific provision RM'000	Collective provision RM'000	Total RM'000
Bank						
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	35,031	(29,251)	(5,780)	-	-	-
- Transferred to Stage 2	(3,145)	10,967	(7,822)	-	-	-
- Transferred to Stage 3	(264)	(6,002)	6,266	-	-	-
New financial assets originated or purchased	10,521	-	-	-	-	10,521
Net remeasurement due to changes in credit risk	(37,265)	9,817	111,270	-	-	83,822
Asset written-off	-	-	(80,818)	-	-	(80,818)
Others	(580)	-	-	-	-	(580)
Balance at 30 September 2019	60,264	53,959	156,067	-	-	270,290
Balance at 1 January 2018 ^[1]	-	-	-	133,984	277,928	411,912
- adoption of MFRS 9 ^[1]	76,084	69,776	158,912	(133,984)	(277,928)	(107,140)
Balance restated ^[1]	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 ^[1]	(672)	-	58	-	-	(614)
Balance at 31 December 2018 ^[1]	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 RM12.9 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 (RM83.8 million) and new financial assets originated or purchased (RM10.5 million), partially offset by asset written-off (RM80.8 million).

- 12-months ECL not credit impaired (Stage 1) – increased by RM4.3 million for the Bank, primarily contributed by loans migrated back to Stage 1 due to improved credit quality, as well as new financial assets. This was partly offset by remeasurement due to changes in credit risk based on the HSBC Group's model.
- Lifetime ECL not credit-impaired (Stage 2) – decreased by RM14.5 million for the Bank, mainly from migration of loans mostly to stage 1 due to credit quality improvement and offset by remeasurement due to changes in credit risk.
- Lifetime ECL credit-impaired (Stage 3) – Stage 3 ECL increased by RM23.1 million, primarily contributed by remeasurement due to changes in credit risk and offset by impaired loans written off.

^[1] Balances have been restated as disclosed in Note 39.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances movement (Cont'd)

(ii) Movements in ECL allowances for loan commitments

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

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Group				
Balance at 1 January 2019	4,415	3,358	825	8,598
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	325	(325)	-	-
- Transferred to Stage 2	(372)	372	-	-
- Transferred to Stage 3	-	(1)	1	-
New financial assets originated or purchased	1,312	-	-	1,312
Net remeasurement due to changes in credit risk	(1,101)	669	(176)	(608)
Asset written-off	-	-	-	-
Others	42	-	-	42
Balance at 30 September 2019	4,621	4,073	650	9,344
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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances movement (Cont'd)

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

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month	Lifetime		
	ECL not	ECL not	Lifetime	
	credit	credit	ECL credit	
	impaired	impaired	impaired	Total
	RM'000	RM'000	RM'000	RM'000
Bank				
Balance at 1 January 2019	3,306	2,433	-	5,739
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	221	(221)	-	-
- Transferred to Stage 2	(293)	293	-	-
- Transferred to Stage 3	-	(1)	1	-
New financial assets originated or purchased	772	-	-	772
Net remeasurement due to changes in credit risk	(879)	615	247	(17)
Asset written-off	-	-	-	-
Others	35	-	-	35
Balance at 30 September 2019	3,162	3,119	248	6,529
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>	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
Settlements	728,816	6,257	619,091	2,826
Interest/profit receivable	103,084	129,644	82,578	109,063
Income receivable	30,554	53,578	30,452	45,845
Deposits and prepayments	8,003	27,004	6,073	26,814
Amount due from subsidiary company	-	-	203,896	73,163
ROU assets	93,292	-	65,718	-
Cash collateral	162,642	289,271	162,642	289,271
Other receivables	136,842	128,941	110,287	111,374
	1,263,233	634,695	1,280,737	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 Sep 2019 RM'000	31 Dec 2018 RM'000	30 Sep 2019 RM'000	31 Dec 2018 RM'000
At amortised cost				
Demand deposits	19,159,858	20,716,131	17,183,169	18,945,779
Savings deposits	12,125,014	12,061,066	10,308,029	10,371,643
Fixed deposits	25,927,695	24,369,956	17,222,241	16,385,175
	57,212,567	57,147,153	44,713,439	45,702,597

The maturity structure of fixed deposits is as follows:

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Due within six months	20,757,932	19,229,277	13,324,085	12,626,859
More than six months to one year	4,458,436	4,540,646	3,475,627	3,497,763
More than one year to three years	431,049	415,621	257,344	151,171
More than three years to five years	279,595	184,412	164,549	109,382
Over five years	683	-	636	-
	25,927,695	24,369,956	17,222,241	16,385,175

(ii) By type of customer	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Government and statutory bodies	49,847	15,677	42,998	11,897
Business enterprises	21,549,614	21,664,510	18,488,411	19,314,594
Individuals	23,582,007	24,049,104	17,315,289	17,765,003
Foreign entities/individuals	11,094,176	9,694,069	8,135,009	7,182,182
Others	936,923	1,723,793	731,732	1,428,921
	57,212,567	57,147,153	44,713,439	45,702,597

23 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Licensed banks	1,256	3,539	1,256	3,539
Bank Negara Malaysia	45,782	27,971	1,850	-
Other financial institutions	4,913,938	5,487,241	3,222,454	2,794,549
	4,960,976	5,518,751	3,225,560	2,798,088

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24 Structured Liabilities Designated at Fair Value through Profit or Loss

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
Structured liabilities	4,920,559	4,158,241	3,720,548	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>	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Settlements ¹¹⁾	168,912	31,095	267,055	31,095
Interest/profit payable	265,685	254,430	169,932	167,386
Deferred income	91,261	108,296	79,109	96,472
Marginal deposit	56,935	48,358	49,403	44,113
Amount due to subsidiary company	-	-	496	360
Accrued expenses	901,899	1,014,982	874,399	982,054
Lease liabilities	98,518	-	70,342	-
Cash collateral	281,092	255,078	281,092	255,078
Other creditors	653,100	668,260	595,173	610,165
Provisions on loan and credit related commitments; and financial guarantees	9,344	8,598	6,529	5,739
	2,526,746	2,389,097	2,393,530	2,192,462

¹¹⁾ Included in settlements of the Bank are outstanding due to the Bank's subsidiary, HSBC Amanah Malaysia Berhad, of RM101.0 million (31 December 2018: nil), which were cleared on 1 October 2019.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26 Multi-Currency Sukuk Programme

	<i>Group</i>	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Multi-Currency Sukuk Programme (MCSP)	1,771,033	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>	Nominal Value (RM'000)	Issue Date	Maturity Date	Carrying Value (RM'000)	
				30 Sep 2019	31 Dec 2018
At fair value					
2nd series ^[1]	500,000	16 Oct 2014	16 Oct 2019	500,238	501,173
3rd series	750,000	27 Mar 2015	27 Mar 2020	753,650	751,993
4th series	500,000	2 Oct 2018	2 Oct 2023	517,145	502,115
Total	<u>1,750,000</u>			<u>1,771,033</u>	<u>1,755,281</u>

Movement in MCSP

	2nd series	3rd series	4th series
	RM'000	RM'000	RM'000
<u>2019</u>			
Balance at 1 January	501,173	751,993	502,115
Change in fair value other than from own credit risk	(990)	402	9,854
Change in fair value from own credit risk	55	1,255	5,176
Balance at 30 September	<u>500,238</u>	<u>753,650</u>	<u>517,145</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>	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000
The cumulative change in fair value due to changes in own credit risk	6,486	2,764

^[1] Redeemed on 16 October 2019.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27 Subordinated Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
Subordinated Liabilities	1,103,262	1,095,987	1,103,262	1,095,987
(i) Subordinated liabilities, at par				
- Second tranche issued on 2 November 2007 ^[1]	500,000	500,000	500,000	500,000

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

The unsecured subordinated liabilities qualify as a component of Tier 2 capital of the Bank. Under the Capital Adequacy Framework (Capital Components), the par value of the subordinated liabilities 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>	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
(ii) Subordinated term loan				
- First tranche issued on 25 June 2014	325,318	321,395	325,318	321,395
- Second tranche issued on 30 June 2015	277,944	274,592	277,944	274,592
	603,262	595,987	603,262	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>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Interest income				
Loans and advances				
- Interest income other than from impaired loans	433,475	440,147	1,327,381	1,316,882
- Interest income recognised from impaired loans	8,486	10,492	26,830	38,709
Money at call and deposit placements with financial institutions	46,738	72,177	139,796	216,132
Financial investments at FVOCI	88,764	74,136	286,470	190,688
	577,463	596,952	1,780,477	1,762,411
Interest expense				
Deposits and placements of banks and other financial institutions	(14,045)	(11,162)	(38,167)	(29,212)
Deposits from customers	(164,334)	(168,535)	(521,538)	(490,672)
Subordinated liabilities	(13,096)	(13,001)	(39,827)	(36,905)
Lease liabilities	(937)	-	(2,484)	-
Others	(170)	(120)	(509)	(225)
	(192,582)	(192,818)	(602,525)	(557,014)
Net interest income	384,881	404,134	1,177,952	1,205,397

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Interest income				
Loans and advances				
- Interest income other than from impaired loans	433,475	440,147	1,327,381	1,316,882
- Interest income recognised from impaired loans	8,486	10,492	26,830	38,709
Money at call and deposit placements with financial institutions	55,564	81,068	168,833	256,807
Financial investments at FVOCI	88,764	74,136	286,470	190,688
	586,289	605,843	1,809,514	1,803,086
Interest expense				
Deposits and placements of banks and other financial institutions	(14,045)	(11,162)	(38,167)	(29,212)
Deposits from customers	(164,334)	(168,535)	(521,538)	(490,672)
Subordinated liabilities	(13,096)	(13,001)	(39,827)	(36,905)
Lease liabilities	(937)	-	(2,484)	-
Others	(170)	(120)	(509)	(225)
	(192,582)	(192,818)	(602,525)	(557,014)
Net interest income	393,707	413,025	1,206,989	1,246,072

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29 Net Fee and Commission Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019 RM'000	30 Sep 2018 RM'000	30 Sep 2019 RM'000	30 Sep 2018 RM'000
Fee and commission income				
Credit cards	33,787	36,903	97,027	107,555
Service charges and fees	27,977	31,137	91,536	96,729
Fees on credit facilities	15,213	14,713	44,353	44,194
Agency fee	32,030	24,865	80,422	82,454
Others	8,370	8,108	24,872	23,387
	117,377	115,726	338,210	354,319
Fee and commission expense				
Debit/credit cards	(2,713)	(15,899)	(20,693)	(42,475)
Interbank and clearing fees	(277)	(276)	(997)	(1,132)
Brokerage	(506)	(675)	(1,442)	(1,543)
Cash management	(497)	(85)	(700)	(1,234)
Others	(4,769)	(2,600)	(16,073)	(8,569)
	(8,762)	(19,535)	(39,905)	(54,953)
Net fee and commission income	108,615	96,191	298,305	299,366

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019 RM'000	30 Sep 2018 RM'000	30 Sep 2019 RM'000	30 Sep 2018 RM'000
Fee and commission income				
Credit cards	33,787	36,903	97,027	107,555
Service charges and fees	27,977	31,137	91,536	96,729
Fees on credit facilities	15,213	14,713	44,353	44,194
Agency fee	32,030	24,865	80,422	82,454
Others	6,283	8,108	22,785	23,387
	115,290	115,726	336,123	354,319
Fee and commission expense				
Debit/credit cards	(2,713)	(15,899)	(20,693)	(42,475)
Interbank and clearing fees	(277)	(276)	(997)	(1,132)
Brokerage	(506)	(675)	(1,442)	(1,543)
Cash management	(497)	(85)	(700)	(1,234)
Others	(4,769)	(2,600)	(16,073)	(8,569)
	(8,762)	(19,535)	(39,905)	(54,953)
Net fee and commission income	106,528	96,191	296,218	299,366

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Net Trading Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
Realised gain on financial assets/liabilities at FVTPL and other financial instruments	15,397	4,371	32,939	2,492
Net interest income from financial assets at FVTPL	27,187	21,713	82,801	68,978
Net unrealised (loss)/gain on revaluation of financial assets at FVTPL	(1,439)	4,329	15,231	(2,889)
Net realised gain/(loss) arising from dealing in foreign currency	26,179	(51,804)	249,194	(22,591)
Net unrealised gain from dealing in foreign currency	69,772	109,527	105,593	219,336
Net realised gain/(loss) arising from dealing in derivatives	2,351	(9,907)	(39,295)	(87,583)
Net unrealised gain on revaluation of derivatives	7,182	19,031	67,316	132,974
Gain/(loss) arising from fair value hedges	19	1,035	126	(632)
	146,648	98,295	513,905	310,085

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
Realised gains on financial assets/liabilities at FVTPL and other financial instruments	14,102	2,705	31,303	138
Net interest income from financial assets at FVTPL	27,187	21,713	82,801	68,978
Net unrealised (loss)/gain on revaluation of financial assets at FVTPL	(831)	6,098	13,392	(896)
Net realised gain/(loss) arising from dealing in foreign currency	26,301	(52,796)	249,420	(25,008)
Net unrealised gain from dealing in foreign currency	70,601	158,671	75,244	354,733
Net (loss)/gain realised gains arising from dealing in derivatives	(7,721)	(10,829)	73,736	(86,284)
Net unrealised gain/(loss) on revaluation of derivatives	16,437	19,956	(43,205)	119,822
Gain/(loss) arising from fair value hedges	19	1,035	126	(632)
	146,095	146,553	482,817	430,851

31 Income from Islamic Banking operations

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Income derived from investment of depositor funds and others ^[1]	209,963	209,017	628,956	609,947
Income derived from investment of shareholders funds ^[1]	40,564	35,601	122,851	108,548
Total income before allowance for impairment losses on financing and advances	250,527	244,618	751,807	718,495
Income attributable to the depositors	(110,645)	(113,445)	(338,719)	(320,126)
	139,882	131,173	413,088	398,369
Elimination of intercompany income and expenses	5,577	56,570	(5,952)	159,607
Income from Islamic Banking operations reported in statement of profit or loss of the Group	145,459	187,743	407,136	557,976

^[1] Included in the following funds are net losses on financial instruments designated at fair value through profit or loss for the period ending 30 September:

Income derived from investment of depositors' funds and others	(29,113)	(7,309)
Income derived from investment of shareholder's funds	(2,440)	(941)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Other Operating Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
Gain from disposal of financial investments at FVOCI	3,673	3,457	18,585	11,792
Dividend income from financial investments at FVOCI				
- Unquoted in Malaysia	433	123	1,363	1,053
Rental income	2,119	2,345	5,969	6,300
Net gain on disposal of property and equipment	40	90	45	90
Other operating income	4,505	3,869	13,764	12,489
	10,770	9,884	39,726	31,724

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
Gain from disposal of financial investments at FVOCI	3,673	3,457	18,585	11,792
Dividend income from financial investments at FVOCI				
- Unquoted in Malaysia	433	123	1,363	1,053
Dividend income from subsidiary	-	-	40,000	10,000
Rental income	2,119	2,345	5,969	6,300
Net gain on disposal of property and equipment	40	90	45	90
Income recharges from subsidiary	33,293	32,673	97,798	96,757
Other operating income	4,505	3,869	13,764	12,489
	44,063	42,557	177,524	138,481

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Impairment Allowance/Provisions

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	55,030	50,294	180,696	179,497
Recoveries	(29,649)	(24,993)	(85,343)	(83,696)
Written off	-	128	234	275
Total charge to the statements of profit or loss	25,381	25,429	95,587	96,076

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	32,580	26,364	95,257	92,574
Recoveries	(16,308)	(15,450)	(49,665)	(53,313)
Written off	-	120	191	237
Total charge to the statements of profit or loss	16,272	11,034	45,783	39,498

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

(i) Loan, advances and financing

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	53,864	51,034	179,740	179,289
Recoveries	(29,649)	(24,993)	(85,343)	(83,696)
Written off	-	128	234	275
Total charge to the statements of profit or loss	24,215	26,169	94,631	95,868

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	31,877	27,028	94,343	91,660
Recoveries	(16,308)	(15,450)	(49,665)	(53,313)
Written off	-	120	191	237
Total charge to the statements of profit or loss	15,569	11,698	44,869	38,584

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

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	(1)	(9)	(8)	(28)
Total charge to the statements of profit or loss	(1)	(9)	(8)	(28)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	(6)	(8)	(13)	(27)
Total charge to the statements of profit or loss	(6)	(8)	(13)	(27)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Impairment Allowance/Provisions (Cont'd)

(iii) Debt securities - FVOCI

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	(85)	175	260	262
Total charge to the statements of profit or loss	(85)	175	260	262

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	(49)	131	172	231
Total charge to the statements of profit or loss	(49)	131	172	231

(iv) Loan Commitments and Contingencies

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
New and increased provisions (net of releases)	1,252	(906)	704	(26)
Total charge to the statements of profit or loss	1,252	(906)	704	(26)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
New and increased provisions (net of releases)	758	(787)	755	710
Total charge to the statements of profit or loss	758	(787)	755	710

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Other Operating Expenses

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Personnel expenses	195,818	192,056	585,135	569,377
Promotion and marketing related expenses	14,148	15,080	48,966	46,826
Establishment related expenses	32,014	37,310	93,572	106,372
General administrative expenses	45,215	39,356	118,910	126,544
Related company charges	130,100	93,918	368,459	292,264
	417,295	377,720	1,215,042	1,141,383
Personnel expenses				
Salaries, allowances and bonuses	150,496	149,279	447,387	441,589
Employees Provident Fund contributions	25,435	25,386	75,430	74,113
Share based payment	2,489	2,998	8,897	9,498
Others	17,398	14,393	53,421	44,177
	195,818	192,056	585,135	569,377
Promotion and marketing related expenses	14,148	15,080	48,966	46,826
Establishment related expenses				
Depreciation of property and equipment	5,707	5,380	16,930	16,124
Depreciation of RoU assets	7,212	-	19,773	-
Amortisation of intangible assets	2,452	5,116	8,439	15,583
Information technology costs	3,375	6,596	10,883	15,257
Hire of equipment	2,239	2,288	7,018	6,722
Rental of premises	425	9,331	1,374	28,065
Property and equipment written off	12	1	36	20
General repairs and maintenance	5,386	2,846	13,740	8,423
Utilities	3,375	3,237	10,613	10,807
Others	1,831	2,515	4,766	5,371
	32,014	37,310	93,572	106,372
General administrative expenses	45,215	39,356	118,910	126,544
Related company charges	130,100	93,918	368,459	292,264
Of which by:				
Type of service				
- Information technology related cost	57,256	40,915	160,456	113,498
- Non information technology related cost	72,844	53,003	208,003	178,766
Geographical distribution				
Countries				
- Hong Kong	80,247	66,463	231,971	183,671
- United Kingdom	35,722	15,098	96,809	61,520
- Malaysia	13,426	11,651	37,294	45,134
- Others	705	706	2,385	1,939

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Other Operating Expenses (Cont'd)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Personnel expenses	183,789	179,872	548,618	533,344
Promotion and marketing related expenses	11,614	11,023	43,201	35,730
Establishment related expenses	28,346	32,675	81,990	93,460
General administrative expenses	35,866	31,093	92,515	97,581
Intercompany charges	128,181	92,683	363,486	288,657
	387,796	347,346	1,129,810	1,048,772
Personnel expenses				
Salaries, allowances and bonuses	140,419	139,470	418,076	412,952
Employees Provident Fund contributions	23,656	23,644	70,239	69,018
Share based payment	2,714	2,967	8,733	9,402
Others	17,000	13,791	51,570	41,972
	183,789	179,872	548,618	533,344
Promotion and marketing related expenses	11,614	11,023	43,201	35,730
Establishment related expenses				
Depreciation of property and equipment	5,242	4,820	15,452	14,338
Depreciation of RoU assets	5,941	-	14,669	-
Amortisation of intangible assets	2,452	5,116	8,439	15,583
Information technology costs	2,732	5,607	8,938	12,904
Hire of equipment	2,153	2,288	6,854	6,722
Rental of premises	352	7,290	1,139	21,939
Property and equipment written off	12	1	36	20
General repairs and maintenance	4,915	2,846	12,897	7,977
Utilities	2,812	2,820	9,055	9,355
Others	1,735	1,887	4,511	4,622
	28,346	32,675	81,990	93,460
General administrative expenses	35,866	31,093	92,515	97,581
Related company charges	128,181	92,683	363,486	288,657
Of which by:				
Type of service				
- Information technology related cost	57,255	40,915	160,455	113,498
- Non information technology related cost	70,926	51,768	203,031	175,159
Geographical distribution				
Countries				
- Hong Kong	80,247	66,463	231,970	183,671
- United Kingdom	35,304	14,920	95,984	61,134
- Malaysia	11,925	10,594	33,147	41,913
- Others	705	706	2,385	1,939

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Capital Adequacy

	<i>Group</i>	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	7,686,908	8,148,816
Other reserves	1,077,516	1,058,737
Regulatory adjustments	(1,244,732)	(1,229,423)
Total CET1 capital	<u>8,565,567</u>	<u>9,024,005</u>
Tier 1 capital		
Additional Tier 1 capital	<u>500,000</u>	-
Total Tier 1 capital	<u>9,065,567</u>	<u>9,024,005</u>
Tier 2 capital		
Subordinated liabilities	300,000	400,000
Subordinated term loan	603,263	595,987
Collective impairment allowance (unimpaired portion) & regulatory reserves	640,861	636,819
Regulatory adjustments	108,515	109,557
Total Tier 2 capital	<u>1,652,639</u>	<u>1,742,363</u>
Capital base	<u>10,718,206</u>	<u>10,766,368</u>
<u>Inclusive of proposed dividend</u>		
CET 1 Capital ratio	14.670%	15.475%
Tier 1 Capital ratio	15.526%	15.475%
Total Capital ratio	18.356%	18.463%
<u>Net of proposed dividend</u>		
CET 1 Capital ratio	14.670%	15.021%
Tier 1 Capital ratio	15.526%	15.021%
Total Capital ratio	18.356%	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>	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Total RWA for credit risk	51,268,924 ^[1]	50,945,497 ^[1]
Total RWA for market risk	1,418,145	1,712,316
Total RWA for operational risk	5,702,522	5,655,153
	<u>58,389,591</u>	<u>58,312,966</u>

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

	<i>Group</i>	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Under SIAF/IAA arrangement	<u>2,311,896</u>	<u>2,129,589</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	30 Sep 2019	31 Dec 2018
	RM'000	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	6,560,274	7,075,642
Other reserves	998,651	970,486
Regulatory adjustments	(1,803,782)	(1,794,661)
Total CET1 capital	6,801,018	7,297,342
Tier 1 capital		
Additional Tier 1 capital	500,000	-
Total Tier 1 capital	7,301,018	7,297,342
Tier 2 capital		
Subordinated liabilities	300,000	400,000
Subordinated term loan	603,263	595,987
Collective impairment allowance (unimpaired portion) & regulatory reserves	492,266	488,880
Regulatory adjustments	(494,748)	(486,430)
Total Tier 2 capital	900,781	998,437
Capital base	8,201,799	8,295,779
<u>Inclusive of proposed dividend</u>		
CET 1 Capital ratio	14.860%	15.948%
Tier 1 Capital ratio	15.953%	15.948%
Total Capital ratio	17.921%	18.129%
<u>Net of proposed dividend</u>		
CET 1 Capital ratio	14.860%	15.368%
Tier 1 Capital ratio	15.953%	15.368%
Total Capital ratio	17.921%	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>	
	30 Sep 2019	31 Dec 2018
	RM'000	RM'000
Total RWA for credit risk	39,381,252 ^[1]	39,110,393 ^[1]
Total RWA for market risk	1,329,748	1,620,465
Total RWA for operational risk	5,054,880	5,027,602
	45,765,880	45,758,460

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

	<i>Bank</i>	
	30 Sep 2019	31 Dec 2018
	RM'000	RM'000
Under SIAF/IAA arrangement	2,311,896	2,129,589

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Commitments and Contingencies

The table below shows the contracts or underlying principal amounts, credit equivalent amounts and risk weighted amounts of unmatured off-balance sheet transactions at the statement of financial position date. The underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Principal amount	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	2,189,509	2,289,301	1,657,619	1,797,498
Transaction-related contingent items	9,152,066	9,402,996	7,862,992	8,264,405
Short-term self-liquidating trade-related contingencies	316,361	374,060	231,655	310,949
Formal standby facilities and credit lines				
- Maturity not exceeding one year	5,253,738	6,064,570	3,960,247	4,689,703
- Maturity exceeding one year	13,374,953	12,067,621	11,120,576	9,911,365
Other unconditionally cancellable	15,047,651	14,109,814	13,441,769	12,568,266
Unutilised credit card lines	13,413,333	12,699,419	9,681,631	9,246,569
Foreign exchange related contracts:				
- Less than one year	81,236,437	83,850,057	81,913,693	86,707,857
- Over one year to less than five years	6,839,329	7,157,153	6,839,329	7,157,153
- Over five years	1,326,637	1,039,804	1,326,637	1,039,804
Interest/profit rate related contracts:				
- Less than one year	9,446,544	8,647,061	11,116,357	9,227,061
- Over one year to less than five years	29,130,744	27,940,646	29,988,782	29,611,812
- Over five years	2,147,403	1,386,770	2,147,403	1,386,770
Gold and other precious metals contracts:				
- Less than one year	5,392	6,559	5,392	6,559
Equity related contracts:				
- Less than one year	1,126,692	471,745	1,600,792	588,628
- Over one year to less than five years	823,666	1,041,419	1,141,102	1,403,647
	190,830,455	188,548,995	184,035,976	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	37,500	794,750	37,500	794,750
- Maturity exceeding one year	607,750	-	607,750	-
	645,250	794,750	645,250	794,750

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Derivative Financial Instruments

Details of derivative financial instruments outstanding are as follows:

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

Group At 30 Sep 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
Trading derivatives:												
Foreign exchange contracts												
- Forwards	76,555,968	779,228	-	77,335,196	323,946	8,897	-	332,843	267,353	8,627	-	275,980
- Swaps	4,128,685	6,060,101	1,326,637	11,515,423	120,776	299,931	121,998	542,705	108,236	235,650	41,539	385,425
- Options	551,784	-	-	551,784	750	-	-	750	1,837	-	-	1,837
Interest/profit rate related contracts												
- Options	510,555	1,058,108	-	1,568,663	3,302	9,853	-	13,155	276	6,375	-	6,651
- Swaps	8,685,989	26,552,636	2,147,403	37,386,028	14,705	190,213	46,539	251,457	19,907	166,388	47,600	233,895
Equity related contracts												
- Options	1,126,692	823,666	-	1,950,358	16,599	21,695	-	38,294	18,171	16,656	-	34,827
Precious metal contracts												
- Options	5,392	-	-	5,392	3	-	-	3	20	-	-	20
Sub- total	91,565,065	35,273,739	3,474,040	130,312,844	480,081	530,589	168,537	1,179,207	415,800	433,696	89,139	938,635
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	250,000	1,520,000	-	1,770,000	-	-	-	-	1,216	25,818	-	27,034
Sub- total	250,000	1,520,000	-	1,770,000	-	-	-	-	1,216	25,818	-	27,034
Total	91,815,065	36,793,739	3,474,040	132,082,844	480,081	530,589	168,537	1,179,207	417,016	459,514	89,139	965,669

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Derivative Financial Instruments (Cont'd)

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

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

Group	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year 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
At 31 Dec 2018												
Trading derivatives:												
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
Hedging Derivatives:												
Fair Value Hedge												
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
Total	92,975,422	36,139,218	2,426,574	131,541,214	677,352	468,718	153,869	1,299,939	653,209	404,022	59,054	1,116,285

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Derivative Financial Instruments (Cont'd)

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

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

Bank At 30 Sep 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
Trading derivatives:												
Foreign exchange contracts												
- Forwards	77,233,224	779,228	-	78,012,452	323,341	8,897	-	332,238	267,675	8,627	-	276,302
- Swaps	4,128,685	6,060,101	1,326,637	11,515,423	120,379	299,931	121,998	542,308	108,237	235,650	41,539	385,426
- Options	551,784	-	-	551,784	750	-	-	750	1,837	-	-	1,837
Interest rate related contracts												
- Options	632,368	1,353,146	-	1,985,514	3,302	9,853	-	13,155	1,951	9,037	-	10,988
- Swaps	10,233,989	27,115,636	2,147,403	39,497,028	14,705	189,998	46,539	251,242	22,528	177,425	47,600	247,553
Equity related contracts												
- Options	1,600,792	1,141,102	-	2,741,894	16,998	21,437	-	38,435	28,562	28,542	-	57,104
Precious metal contracts												
- Options	5,392	-	-	5,392	3	-	-	3	20	-	-	20
Sub- total	94,386,234	36,449,213	3,474,040	134,309,487	479,478	530,116	168,537	1,178,131	430,810	459,281	89,139	979,230
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	250,000	1,520,000	-	1,770,000	-	-	-	-	1,216	25,818	-	27,034
Sub- total	250,000	1,520,000	-	1,770,000	-	-	-	-	1,216	25,818	-	27,034
Total	94,636,234	37,969,213	3,474,040	136,079,487	479,478	530,116	168,537	1,178,131	432,026	485,099	89,139	1,006,264

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Derivative Financial Instruments (Cont'd)

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

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

Bank	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year 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
At 31 Dec 2018												
Trading derivatives:												
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
Hedging Derivatives:												
Fair Value Hedge												
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
Total	96,530,105	38,172,612	2,426,574	137,129,291	679,081	470,554	153,627	1,303,262	655,875	419,594	59,093	1,134,562

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 Sep 2019 RM'000	30 Sep 2018 RM'000	30 Sep 2019 RM'000	30 Sep 2018 RM'000
(Loss)/gain on hedging instruments	(19,011)	524	(19,011)	524
Gain/(loss) on the hedged items attributable to the hedged risk	19,137	(1,156)	19,137	(1,156)
Net Gain/(loss) from fair value hedges	126	(632)	126	(632)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 Performance Review and Business Prospects

Performance Review

The Group recorded a profit before tax of RM1,031.0 million for the financial period ended 30 September 2019, a decrease of RM78.2 million compared to the corresponding period in 2018. The decrease was mainly due to higher operating expenses by RM73.7 million.

For the period ended 30 September 2019, operating expenses increased by 6.5%, mainly from intercompany recharges as Group continues to invest in IT and digital spend while placing high emphasis in managing its operating expenses to ensure that the resources are spent in a sustainable manner.

Total balance sheet size at 30 September 2019 have increased by 0.3% or RM242.6 million to RM84.2 billion (31 December 2018: RM83.9 billion). The Group's capital and liquidity ratios continue to remain strong and well above regulatory requirements.

Business Prospects

The Malaysian economy recorded a higher than expected GDP growth of 4.9% in 2Q 2019 (1Q 2019: 4.5%), largely supported by continued expansion in domestic demand. This was attributed to higher private sector expenditure and growth across all economic sectors, primarily in the services and manufacturing sectors.

The headline inflation for 2Q 2019 has increased, mainly due to the lapse in impact of the GST zerorisation that was implemented in June 2018. The trajectory of headline inflation will continue to be primarily dependent on global crude oil prices, but is expected to be broadly stable in 2019 compared to 2018, supported by continued expansion in the economic activity.

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 July 2020.

Separately, the outlook on the global economy remain tilted to the downside, due to escalating China-US trade tension, uncertainties in the Brexit negotiations and political unrest in Hong Kong.

Amidst the challenging global and regional environment, the growth in Malaysian economy is still expected to remain broadly sustained for the year, with GDP growth rate projection in the range of 4.3% to 4.8%. Household spending is expected to be the main driver, underpinned by continued income and employment growth, and supportive monetary and fiscal policy changes. Bank Negara Malaysia (BNM) has 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 spur the economy.

Locally, 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.

HSBC Malaysia has recently been awarded the 'Best International Bank' at the 2019 Asiamoney Best Bank Awards for Malaysia. This is the first time that the Group has been awarded this accolade and acknowledged of its achievements in network, business capabilities and business expansion. The Group now has the widest network of any foreign bank in Malaysia, with 68 branches nationwide.

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)

39 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/individuals	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)

39 Comparative Figures (Cont'd)

b) Impaired Loans, Advances and Financing

(of which the affected components are disclosed below) :

	<i>Group</i>		<i>Bank</i>	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
<u>Gross carrying amount movement of loans, advances and financing classified as credit impaired</u>				
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
<u>By sector</u>				
Household-retail	755,218	887,087	489,885	547,753
<u>By purpose</u>				
Consumption credit	297,811	429,680	159,584	217,452
<u>By geographical distribution</u>				
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

	<u>Stage 3</u>		<u>Stage 3</u>	
	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
Group				
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	-
Bank				
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)

39 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.

Statement of Profit or Loss and Other Comprehensive Income 30 September 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
a) Net interest income <i>(of which the affected components are disclosed below) :</i>	<u>1,205,397</u>	<u>1,197,518</u>	<u>1,246,072</u>	<u>1,238,193</u>
<u>Interest expense</u>				
Others	(225)	(8,104)	(225)	(8,104)
b) Other operating expenses <i>(of which the affected components are disclosed below) :</i>	<u>(1,141,383)</u>	<u>(1,128,757)</u>	<u>(1,048,772)</u>	<u>(1,040,893)</u>
General administrative expenses	(126,544)	(113,918)	(97,581)	(89,702)
c) Income from Islamic banking operations <i>(of which the affected components are disclosed below) :</i>	<u>557,976</u>	<u>553,229</u>	<u>-</u>	<u>-</u>
Income attributable to the depositors	(320,126)	(324,873)	-	-