

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**30 JUNE 2021**

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

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

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	<i>Note</i>	<b>30 Jun 2021</b> RM'000	31 Dec 2020 RM'000
<b>Assets</b>			
Cash and short-term funds	11	<b>3,509,230</b>	3,251,883
Deposits and placements with banks and other financial institutions	12	-	48,204
Financial investments at fair value through other comprehensive income (FVOCI)	13	<b>1,706,059</b>	1,299,815
Financing and advances	14	<b>12,832,051</b>	13,492,576
Derivative financial assets	17	<b>126,965</b>	231,334
Other assets	18	<b>72,203</b>	51,302
Statutory deposits with Bank Negara Malaysia	19	<b>18,861</b>	25,502
Equipment		<b>8,050</b>	9,084
Tax recoverable		<b>20,168</b>	2,318
Deferred tax assets		<b>32,171</b>	27,760
<b>Total assets</b>		<b>18,325,758</b>	18,439,778
<b>Liabilities</b>			
Deposits from customers	20	<b>12,173,865</b>	12,146,949
Deposits and placements from banks and other financial institutions	21	<b>1,583,975</b>	1,577,953
Structured liabilities designated at fair value through profit or loss (FVTPL)	22	<b>1,099,934</b>	1,113,253
Bills payable		<b>19,555</b>	48,007
Derivative financial liabilities	17	<b>67,805</b>	175,982
Other liabilities	23	<b>305,105</b>	247,436
Multi-Currency Sukuk Programme	24	<b>517,096</b>	523,841
Subordinated Commodity Murabahah Financing	25	<b>598,004</b>	578,700
<b>Total liabilities</b>		<b>16,365,339</b>	16,412,121
<b>Equity</b>			
Share capital		<b>660,000</b>	660,000
Reserves		<b>1,300,419</b>	1,367,657
<b>Total equity attributable to owner of the Bank</b>		<b>1,960,419</b>	2,027,657
<b>Total liabilities and equity</b>		<b>18,325,758</b>	18,439,778
Restricted investment accounts <sup>[1]</sup>		3,598,108	3,551,362
Total Islamic Banking asset <sup>[1]</sup>		21,923,866	21,991,140
<b>Commitments and contingencies</b>	33	<b>27,524,621</b>	24,459,591

<sup>[1]</sup> The disclosure is in accordance with the requirements of Bank Negara Malaysia's Guideline on Financial Reporting for Islamic Banking Institutions dated 27 September 2019.

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2020 and the accompanying explanatory notes on pages 8 to 31 attached to the unaudited condensed interim financial statements.*

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

**HSBC AMANAH MALAYSIA BERHAD**  
**(Company No. 200801006421 (807705-X))**  
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**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

	<i>Note</i>	<b>Second Quarter</b>		<b>Six Months Ended</b>	
		<b>30 Jun 2021</b>	30 Jun 2020	<b>30 Jun 2021</b>	30 Jun 2020
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of depositors' funds and others	26	<b>138,855</b>	158,777	<b>285,281</b>	349,803
Income derived from investment of shareholder's funds	27	<b>38,090</b>	37,903	<b>75,926</b>	85,053
Impairment provision	28	<b>(196,747)</b>	(68,327)	<b>(165,120)</b>	(132,238)
Total distributable income		<b>(19,802)</b>	128,353	<b>196,087</b>	302,618
Income attributable to depositors	29	<b>(43,276)</b>	(75,076)	<b>(88,655)</b>	(167,494)
Total net (expense)/income		<b>(63,078)</b>	53,277	<b>107,432</b>	135,124
Operating expenses	30	<b>(59,989)</b>	(58,398)	<b>(122,707)</b>	(119,985)
(Loss)/Profit before tax		<b>(123,067)</b>	(5,121)	<b>(15,275)</b>	15,139
Tax write-back/(Tax expense)		<b>29,763</b>	914	<b>2,934</b>	(3,138)
<b>(Loss)/Profit for the financial period</b>		<b>(93,304)</b>	(4,207)	<b>(12,341)</b>	12,001
Basic (loss)/earnings per RM0.50 ordinary share		<b>(93.3 sen)</b>	(4.2 sen)	<b>(12.3 sen)</b>	12.0 sen
Dividends per RM0.50 ordinary share (net) - final dividend paid in respect of prior period		<b>50.0 sen</b>	50.0 sen	<b>50.0 sen</b>	50.0 sen

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**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2021</b>	<b>30 Jun 2020</b>	<b>30 Jun 2021</b>	<b>30 Jun 2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Other comprehensive income/(expense)</b>				
<b><i>Items that will not be reclassified to profit or loss</i></b>				
Own credit reserves:				
Change in fair value	<b>3,182</b>	(1,142)	<b>1,083</b>	16,687
Income tax effect	<b>(764)</b>	274	<b>(260)</b>	(4,005)
<b><i>Items that will subsequently be reclassified to profit or loss when specific conditions are met:</i></b>				
Fair value through other comprehensive income/ (expense) reserve:				
Change in fair value	<b>1,613</b>	12,028	<b>(4,684)</b>	16,620
Net amount transferred from profit or loss	<b>(2,554)</b>	-	<b>(2,554)</b>	(6,109)
Impairment (charges)/written-back	<b>(42)</b>	963	<b>(28)</b>	961
Income tax effect	<b>226</b>	(2,887)	<b>1,737</b>	(2,523)
Other comprehensive income/(expense) for the financial period, net of income tax	<b>1,661</b>	9,236	<b>(4,706)</b>	21,631
<b>Total comprehensive (expense)/income for the financial period</b>	<b>(91,643)</b>	5,029	<b>(17,047)</b>	33,632
(Loss)/Profit attributable to the owner of the Bank	<b>(93,304)</b>	(4,207)	<b>(12,341)</b>	12,001
Total comprehensive (expense)/income attributable to the owner of the Bank	<b>(91,643)</b>	5,029	<b>(17,047)</b>	33,632

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**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

	<i>Non-distributable</i>				<i>Distributable</i>		<i>Total</i>
	<i>Share capital</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2021</b>							
<b>Balance at 1 January</b>	<b>660,000</b>	<b>11,868</b>	<b>(1,123)</b>	<b>777</b>	<b>6,100</b>	<b>1,350,035</b>	<b>2,027,657</b>
Loss for the financial period	-	-	-	-	-	<b>(12,341)</b>	<b>(12,341)</b>
<b>Other comprehensive income, net of tax</b>							
FVOCI reserve/Own Credit reserve							
Net change in fair value	-	<b>(3,560)</b>	<b>823</b>	-	-	-	<b>(2,737)</b>
Net amount transferred to profit or loss	-	<b>(1,941)</b>	-	-	-	-	<b>(1,941)</b>
Impairment charges	-	<b>(28)</b>	-	-	-	-	<b>(28)</b>
<i>Total other comprehensive (expense)/ income</i>	-	<b>(5,529)</b>	<b>823</b>	-	-	-	<b>(4,706)</b>
<b>Total comprehensive (expense)/ income for the financial period</b>	-	<b>(5,529)</b>	<b>823</b>	-	-	<b>(12,341)</b>	<b>(17,047)</b>
Net change in regulatory reserves	-	-	-	-	<b>77,100</b>	<b>(77,100)</b>	-
<b>Transactions with the owner, recorded directly in equity</b>							
Share based payment transactions	-	-	-	<b>(260)</b>	-	<b>69</b>	<b>(191)</b>
Dividends paid to owner - 2020 final	-	-	-	-	-	<b>(50,000)</b>	<b>(50,000)</b>
<b>Balance at 30 June</b>	<b>660,000</b>	<b>6,339</b>	<b>(300)</b>	<b>517</b>	<b>83,200</b>	<b>1,210,663</b>	<b>1,960,419</b>

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**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021 (Cont'd)**

	<i>Non-distributable</i>				<i>Distributable</i>		<i>Total</i>
	<i>Share capital</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2020</b>							
<b>Balance at 1 January</b>	660,000	6,294	(8,257)	537	53,100	1,259,011	1,970,685
Loss for the financial period	-	-	-	-	-	12,001	12,001
<b>Other comprehensive income, net of tax</b>							
FVOCI reserve/Own Credit reserve							
Net change in fair value	-	12,631	12,682	-	-	-	25,313
Net amount transferred to profit or loss	-	(4,643)	-	-	-	-	(4,643)
Impairment written-back	-	961	-	-	-	-	961
<i>Total other comprehensive (expense)/ income</i>	-	8,949	12,682	-	-	-	21,631
<b>Total comprehensive (expense)/ income for the financial period</b>	-	8,949	12,682	-	-	12,001	33,632
Net change in regulatory reserves	-	-	-	-	(48,100)	48,100	-
<b>Transactions with the owner, recorded directly in equity</b>							
Share based payment transactions	-	-	-	198	-	57	255
Dividends paid to owner - 2019 final	-	-	-	-	-	(50,000)	(50,000)
<b>Balance at 30 June</b>	<b>660,000</b>	<b>15,243</b>	<b>4,425</b>	<b>735</b>	<b>5,000</b>	<b>1,269,169</b>	<b>1,954,572</b>

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

	<b>30 Jun 2021</b>	30 Jun 2020
	<b>RM'000</b>	RM'000
(Loss)/Profit before tax	<b>(15,275)</b>	15,139
Adjustments for non-operating and non-cash items	<b>224,444</b>	212,590
Operating profit before working capital changes	<b>209,169</b>	227,729
Changes in working capital:		
Net changes in operating assets	<b>614,140</b>	(1,540,287)
Net changes in operating liabilities	<b>(61,994)</b>	(673,773)
Income tax paid	<b>(17,850)</b>	(17,614)
<b>Net cash generated from/(used in) operating activities</b>	<b>743,465</b>	(2,003,945)
<b>Net cash (used in)/generated from investing activities</b>	<b>(423,354)</b>	627,558
<b>Net cash used in financing activities</b>	<b>(62,764)</b>	(836,519)
	<b>(486,118)</b>	(208,961)
<b>Net changes in cash and cash equivalents</b>	<b>257,347</b>	(2,212,906)
<b>Cash and cash equivalents at 1 January</b>	<b>3,251,883</b>	4,781,964
<b>Cash and cash equivalents at 30 June</b>	<b>3,509,230</b>	2,569,058
<b>Analysis of cash and cash equivalents</b>		
Cash and short-term funds	<b>3,509,230</b>	2,569,058

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**UNAUDITED CONDENSED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021 (Cont'd)**

**Changes in liabilities arising from financing activities**

	At 1 January RM'000	Cash (outflow)/ inflow RM'000	Foreign exchange adjustment RM'000	Fair value movement RM'000	Profit accrual RM'000	At 30 June RM'000
<b>2021</b>						
Multi-Currency Sukuk Programme	523,841	-	-	(6,745)	-	517,096
Subordinated Commodity Murabahah Financing	578,700	-	19,304	-	-	598,004
Other Liabilities of which:						
Profits paid on Multi-Currency Sukuk Programme	5,360	(6,005)	-	-	5,946	5,301
Profits paid on Subordinated Commodity Murabahah Financing	118	(6,759)	-	-	6,785	144
	<b>1,108,019</b>	<b>(12,764)</b>	19,304	<b>(6,745)</b>	<b>12,731</b>	<b>1,120,545</b>
<b>2020</b>						
Multi-Currency Sukuk Programme	1,265,929	(750,000)	-	5,408	-	521,337
Subordinated Commodity Murabahah Financing	589,612	-	27,336	-	-	616,948
Other Liabilities of which:						
Profits paid on Multi-Currency Sukuk Programme	13,724	(23,996)	-	-	15,573	5,301
Profits paid on Subordinated Commodity Murabahah Financing	281	(12,523)	-	-	12,400	158
	<b>1,869,546</b>	<b>(786,519)</b>	27,336	5,408	27,973	1,143,744

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

### 1 General Information

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

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

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

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

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

### 2 Basis of Preparation

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The unaudited condensed interim financial statements for the financial period ended 30 June 2021 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Bank Negara Malaysia (BNM) requirements on Shariah related disclosures.

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2020. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial period ended 31 December 2020.

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

The accounting policies, presentation, significant estimates and judgements adopted by the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2020, except for the adoption of Profit Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16) which will be implemented in later part of 2021. The impact of these Amendments to MFRS is currently being assessed.

#### **(ii) Standards and amendments to published standards that have been issued but not yet effective**

A number of new standards and amendments to standards and interpretations have been issued that are applicable to the Bank but are not yet effective.

##### Effective for annual periods commencing on or after 1 April 2021

- Amendments to MFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"

##### Effective for annual periods commencing on or after 1 January 2022

- Amendments to MFRS 116 "Proceeds before Intended Use"
- Amendments to MFRS 3 "Reference to the Conceptual Framework"
- Annual Improvements to MFRSs 2018-2020 Cycle
- Amendments to MFRS 137 "Onerous Contracts - Cost of Fulfilling a Contract"

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

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

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#### **(ii) Standards and amendments to published standards that have been issued but not yet effective (Cont'd)**

Effective for annual periods commencing on or after 1 January 2023

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

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

### **3 Functional and Presentation of Currency**

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

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

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The audit report on the audited financial statements for the financial year ended 31 December 2020 was not subject to any qualification.

### **5 Seasonality or Cyclical Factors**

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

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

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There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Bank for the financial period ended 30 June 2021.

### **7 Changes in Estimates**

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There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Bank for the financial period ended 30 June 2021.

### **8 Debt and Equity Securities**

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There were no issuances, cancellations, repurchases, resale or repayment of other debt or equity securities during the financial period ended 30 June 2021.

### **9 Dividend**

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No interim dividend was declared nor paid for the financial period ended 30 June 2021.

### **10 Significant and Subsequent Events**

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

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

### 11 Cash and Short-Term Funds

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>284,316</b>	188,091
Money at call and interbank placements maturing within one month	<b>3,224,914</b>	3,063,792
	<b>3,509,230</b>	3,251,883

Money at call and interbank placements maturing within one month is within Stage 1 allocation (12-months ECL) with RM1,300 impairment allowance as at 30 June 2021 (31 December 2020: RM10,550).

### 12 Deposits and Placements with Banks and Other Financial Institutions

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Bank Negara Malaysia	<b>-</b>	48,204

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

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Money market instruments:		
Malaysian Government Islamic Sukuk	<b>1,706,059</b>	1,299,815

Financial investments at FVOCI are within Stage 1 allocation (12 -months ECL) with RM150,000 impairment allowance as at 30 June 2021 (31 December 2020: RM178,000). The carrying amount of financial investments at FVOCI is equivalent to their fair value. The impairment allowance is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

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

Maturing within one year	<b>496,436</b>	25,198
More than one year to three years	<b>907,356</b>	1,274,617
	<b>1,706,059</b>	1,299,815

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

**14 Financing and Advances**

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

At amortised cost	Sale-based contracts		Lease-based contracts	Equity-based contracts	Ujrah	Total
	Commodity Murabahah	Bai Al-Inah	Ijarah Thumma Al-Bai	Diminishing Musharakah		
30 Jun 2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	96,163	-	-	-	-	96,163
Term financing:						
House financing	-	-	-	3,927,154	-	3,927,154
Hire purchase receivables	-	-	220,110	-	-	220,110
Factoring receivables	18,000	-	-	-	-	18,000
Syndicated term financing	1,231,232	-	-	-	-	1,231,232
Other term financing	2,333,265	32	-	923,210	-	3,256,507
Trust receipts	360,788	-	-	-	-	360,788
Claims on customers under acceptance credits	226,341	-	-	-	-	226,341
Bills receivables	770,223	-	-	-	-	770,223
Staff financing-i	1,296	-	-	1,425	-	2,721
Credit cards-i	-	-	-	-	965,908	965,908
Revolving financing	2,243,918	-	-	-	-	2,243,918
Other financing	-	-	-	3,882	-	3,882
<b>Gross financing and advances</b>	<b>7,281,226</b>	<b>32</b>	<b>220,110</b>	<b>4,855,671</b>	<b>965,908</b>	<b>13,322,947</b>
Less: Impairment allowance						<b>(490,896)</b>
<b>Total net financing and advances</b>						<b>12,832,051</b>

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

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

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

	Sale-based contracts		Lease-based contracts	Equity-based contracts	Ujrah RM'000	Total RM'000
	Commodity Murabahah RM'000	Bai Al-Inah RM'000	Ijarah Thumma Al-Bai RM'000	Diminishing Musharakah RM'000		
31 Dec 2020						
Cash line-i	70,597	-	-	-	-	70,597
Term financing:						
House financing	-	-	-	4,044,001	-	4,044,001
Hire purchase receivables	-	-	206,548	-	-	206,548
Syndicated term financing	1,164,754	-	-	-	-	1,164,754
Other term financing	2,720,594	32	-	948,860	-	3,669,486
Trust receipts	447,183	-	-	-	-	447,183
Claims on customers under acceptance credits	282,094	-	-	-	-	282,094
Bills receivables	652,868	-	-	-	-	652,868
Staff financing-i	1,297	2	-	987	-	2,286
Credit cards-i	-	-	-	-	1,090,323	1,090,323
Revolving financing	2,207,130	-	-	-	-	2,207,130
Other financing	-	-	-	3,621	-	3,621
Gross financing and advances	<u>7,546,517</u>	<u>34</u>	<u>206,548</u>	<u>4,997,469</u>	<u>1,090,323</u>	<u>13,840,891</u>
Less: Impairment allowance						<u>(348,315)</u>
Total net financing and advances						<u>13,492,576</u>

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

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

**(ii) By type of customer**

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Domestic non-bank financial institutions	<b>425,959</b>	454,666
Domestic business enterprises:		
Small medium enterprises	<b>1,105,259</b>	1,095,207
Others	<b>4,256,498</b>	4,325,674
Individuals	<b>5,725,588</b>	6,021,819
Other domestic entities	<b>1,012</b>	1,092
Foreign entities/individuals	<b>1,808,631</b>	1,942,433
	<b><u>13,322,947</u></b>	<u>13,840,891</u>

**(iii) By profit rate sensitivity**

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Fixed rate:		
Hire purchase receivables	<b>220,110</b>	206,548
Other financing	<b>3,126,304</b>	3,356,748
Variable rate:		
Base Rate/Base Financing Rate plus	<b>4,929,168</b>	5,058,381
Cost-plus	<b>5,047,365</b>	5,219,214
	<b><u>13,322,947</u></b>	<u>13,840,891</u>

**(iv) By residual contractual maturity**

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Maturing within one year	<b>5,448,502</b>	5,163,910
More than one year to three years	<b>1,232,513</b>	1,995,288
More than three years to five years	<b>1,109,690</b>	906,313
Over five years	<b>5,532,242</b>	5,775,380
	<b><u>13,322,947</u></b>	<u>13,840,891</u>

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

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

**(v) By sector**

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry & fishing	<b>11,294</b>	15,392
Mining and quarrying	<b>108,295</b>	132,270
Manufacturing	<b>1,475,753</b>	1,393,054
Electricity, gas and water	<b>148,239</b>	82,042
Construction	<b>850,590</b>	1,056,386
Real estate	<b>963,508</b>	868,979
Wholesale & retail trade, restaurants & hotels	<b>829,732</b>	786,829
Transport, storage and communication	<b>144,575</b>	185,984
Finance, takaful and business services	<b>1,023,775</b>	1,096,363
Household - Retail	<b>6,202,847</b>	6,518,984
Others	<b>1,564,339</b>	1,704,608
	<b><u>13,322,947</u></b>	<u>13,840,891</u>

**(vi) By purpose**

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Purchase of landed property:		
Residential	<b>3,928,579</b>	4,044,988
Non-residential	<b>766,729</b>	786,294
Purchase of transport vehicles	<b>938</b>	811
Purchase of fixed assets excluding land & building	<b>219,748</b>	203,613
Consumption credit	<b>2,066,374</b>	2,252,123
Construction	<b>866,933</b>	1,033,815
Working capital	<b>4,142,274</b>	4,073,979
Other purpose	<b>1,331,372</b>	1,445,268
	<b><u>13,322,947</u></b>	<u>13,840,891</u>

**(vii) By geographical distribution**

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Northern Region	<b>1,291,668</b>	1,229,704
Southern Region	<b>1,520,755</b>	1,682,219
Central Region	<b>10,185,856</b>	10,580,814
Eastern Region	<b>324,668</b>	348,154
	<b><u>13,322,947</u></b>	<u>13,840,891</u>

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

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

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

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

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

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

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

#### (viii) Assets under Management

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

	30 Jun 2021 RM'000	31 Dec 2020 RM'000
Total gross financing and advances	3,710,539	3,486,635
Less: Impairment allowance	<u>(170,125)</u>	<u>(872)</u>
Total net financing and advances	<u>3,540,414</u>	<u>3,485,763</u>
<i>Maturity not exceeding one year</i>	38,646	50,516
<i>Maturity exceeding one year</i>	<u>19,048</u>	<u>15,083</u>
Total commitments and contingencies	<u>57,694</u>	<u>65,599</u>
<b>Total restricted investment accounts</b>	<u><b>3,598,108</b></u>	<u>3,551,362</u>
<b>Risk weighted assets (RWA) of restricted investment accounts</b>	<u><b>2,913,808</b></u>	<u>2,743,531</u>

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

The recognition and derecognition treatments of the above are in accordance to Note 3(f) on financial instruments in the audited financial statements of the Bank for the financial year ended 31 December 2020.

### 15 Impaired Financing

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

	30 Jun 2021 RM'000	31 Dec 2020 RM'000
Gross carrying amount as at 1 January	606,695	385,303
Transfer within stages	563,329	239,123
Net remeasurement due to changes in credit risk	42,645	101,377
Written-off	<u>(52,723)</u>	<u>(119,108)</u>
<b>Gross carrying amount as at 30 June/31 December</b>	<u><b>1,159,946</b></u>	<u>606,695</u>



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

**15 Impaired Financing (Cont'd)**

**(ii) By contract**

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Ijarah Thumma Al-Bai (AITAB) ( <i>hire purchase</i> )	<b>354</b>	435
Commodity Murabahah ( <i>cost-plus</i> )	<b>636,665</b>	294,380
Diminishing Musharakah ( <i>profit and loss sharing</i> )	<b>506,331</b>	284,368
Bai Al-Inah ( <i>sell and buy back</i> )	<b>32</b>	32
Ujrah ( <i>fee-based</i> )	<b>16,564</b>	27,480
	<b><u>1,159,946</u></b>	<u>606,695</u>

**(iii) By sector**

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry & fishing	<b>264</b>	319
Manufacturing	<b>26,032</b>	17,123
Construction	<b>136,394</b>	3,710
Wholesale & retail trade, restaurants & hotels	<b>10,324</b>	11,379
Transport, storage and communication	<b>-</b>	213
Finance, takaful and business services	<b>118,268</b>	5,988
Household - Retail	<b>794,275</b>	546,347
Others	<b>74,389</b>	21,616
	<b><u>1,159,946</u></b>	<u>606,695</u>

**(iv) By purpose**

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Purchase of landed property:		
Residential	<b>476,141</b>	264,301
Non-residential	<b>12,186</b>	13,502
Purchase of transport vehicles	<b>32</b>	62
Purchase of fixed assets excluding land & building	<b>354</b>	354
Consumption credit	<b>318,102</b>	281,388
Construction	<b>136,394</b>	3,650
Working capital	<b>144,626</b>	24,168
Others	<b>72,111</b>	19,270
	<b><u>1,159,946</u></b>	<u>606,695</u>

**(v) By geographical distribution**

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Northern Region	<b>73,881</b>	51,444
Southern Region	<b>104,635</b>	63,554
Central Region	<b>960,851</b>	477,282
Eastern Region	<b>20,579</b>	14,415
	<b><u>1,159,946</u></b>	<u>606,695</u>

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

**16 Expected credit losses allowance charges (ECL)**

**(i) Movements in ECL allowances for financing and advances**

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

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12- month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Balance at 1 January 2021	<b>88,787</b>	<b>75,764</b>	<b>183,764</b>	<b>348,315</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>29,745</b>	<b>(13,572)</b>	<b>(16,173)</b>	-
- Transferred to Stage 2	<b>(4,769)</b>	<b>11,869</b>	<b>(7,100)</b>	-
- Transferred to Stage 3	<b>(1,834)</b>	<b>(30,515)</b>	<b>32,349</b>	-
New financial assets originated or purchased	<b>4,595</b>	-	-	<b>4,595</b>
Net remeasurement due to changes in credit risk	<b>(75,438)</b>	<b>3,223</b>	<b>262,718</b>	<b>190,503</b>
Asset written-off	-	-	<b>(52,724)</b>	<b>(52,724)</b>
Others	<b>207</b>	-	-	<b>207</b>
<b>Balance at 30 June 2021</b>	<b>41,293</b>	<b>46,769</b>	<b>402,834</b>	<b>490,896</b>
Balance at 1 January 2020	46,503	68,003	142,759	257,265
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	22,948	(20,483)	(2,465)	-
- Transferred to Stage 2	(2,931)	5,669	(2,738)	-
- Transferred to Stage 3	(1,401)	(6,117)	7,518	-
New financial assets originated or purchased	27,984	-	-	27,984
Net remeasurement due to changes in credit risk	(4,165)	28,692	157,798	182,325
Asset written-off	-	-	(119,108)	(119,108)
Others	(151)	-	-	(151)
Balance at 31 December 2020	<b>88,787</b>	<b>75,764</b>	<b>183,764</b>	<b>348,315</b>

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

The total ECL allowances increase by RM 142.6 million compared to the balance at the beginning of the year. This net increase was mainly contributed by net remeasurement due to changes in credit risk (RM 190.5 million), and partly offset by asset written-off (RM 52.7 million).

- 12-months ECL not credit impaired (Stage 1) - decreased by RM 47.5 million, primarily due to decrease in remeasurement driven by changes in credit risk, and partially offset by migration of financings from/to Stage 1, Stage 2 and Stage 3.
- Lifetime ECL not credit-impaired (Stage 2) - decreased by RM 29.0 million, primarily due to decrease in migration of financings from/to Stage 1, Stage 2 and Stage 3 and partially offset by remeasurement driven by changes in credit risk.
- Lifetime ECL credit-impaired (Stage 3) - increased by RM219.1 million, primarily due to increase in remeasurement driven by changes in credit risk and migration of financings from/to Stage 1, Stage 2 and Stage 3, and partially offset by asset written-off.

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

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

**(ii) Movements in ECL allowances for financing commitments**

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

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	12- month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Balance at 1 January 2021	1,509	759	-	2,268
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	116	(116)	-	-
- Transferred to Stage 2	(108)	108	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	46	-	-	46
Net remeasurement due to changes in credit risk	(541)	1,840	-	1,299
Others	31	-	-	31
<b>Balance at 30 June 2021</b>	<b>1,053</b>	<b>2,591</b>	<b>-</b>	<b>3,644</b>
Balance at 1 January 2020	1,276	874	402	2,552
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	170	(170)	-	-
- Transferred to Stage 2	(20)	20	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	546	-	-	546
Net remeasurement due to changes in credit risk	(406)	35	(402)	(773)
Others	(57)	-	-	(57)
Balance at 31 December 2020	1,509	759	-	2,268

For retail portfolio, the split of ECL allowance for drawn amount and provision for undrawn commitments is not available. In accordance to MFRS 7 Financial Instruments disclosure, the provisions for the financing and other credit related commitments for retail portfolio are presented together with the allowance for the drawn financing and advances.

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

**17 Derivative Financial Instruments**

Details of derivative financial instruments outstanding are as follows:

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

	Contract / Notional Amount			Positive Fair Value			Negative Fair Value		
	Up to 1 Year RM'000	>1 - 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	Total RM'000
<b>30 Jun 2021</b>									
<b>Trading derivatives:</b>									
Foreign exchange contracts									
- Forwards	12,290,740	-	12,290,740	67,261	-	67,261	58,904	-	58,904
- Swaps	130,246	183,181	313,427	-	203	203	4,481	1,569	6,050
Profit rate related contracts									
- Swaps	150,000	1,206,452	1,356,452	309	26,574	26,883	-	1,961	1,961
- Options	220,507	-	220,507	1,646	-	1,646	-	-	-
Equity related contracts									
- Options purchased	234,845	625,092	859,937	6,467	24,505	30,972	-	890	890
<b>Total</b>	<b>13,026,338</b>	<b>2,014,725</b>	<b>15,041,063</b>	<b>75,683</b>	<b>51,282</b>	<b>126,965</b>	<b>63,385</b>	<b>4,420</b>	<b>67,805</b>

The Bank does not have any hedging instrument as at 30 June 2021.

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

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

	Contract / Notional Amount			Positive Fair Value			Negative Fair Value		
	Up to 1 Year RM'000	>1 - 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	Total RM'000
31 Dec 2020									
<b>Trading derivatives:</b>									
Foreign exchange contracts									
- Forwards	10,538,055	-	10,538,055	157,213	-	157,213	158,328	-	158,328
- Swaps	236,607	219,241	455,848	7,740	2,859	10,599	7,726	7,190	14,916
Profit rate related contracts									
- Swaps	211,000	1,107,611	1,318,611	1,046	35,527	36,573	-	2,690	2,690
- Options	243,592	-	243,592	3,871	-	3,871	-	-	-
Equity related contracts									
- Options purchased	328,281	497,651	825,932	9,779	13,299	23,078	-	48	48
<b>Total</b>	<b>11,557,535</b>	<b>1,824,503</b>	<b>13,382,038</b>	<b>179,649</b>	<b>51,685</b>	<b>231,334</b>	<b>166,054</b>	<b>9,928</b>	<b>175,982</b>

The Bank does not have any hedging instrument as at 31 December 2020.

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

### 18 Other Assets

	30 Jun 2021 RM'000	31 Dec 2020 RM'000
Income receivable	7,368	2,864
Profit receivable	18,249	14,338
Prepayments	300	300
Amount due from holding company	342	1,856
Rights of Use (ROU) assets	23,322	19,903
Other receivables	22,622	12,041
	<u>72,203</u>	<u>51,302</u>

### 19 Statutory Deposits with Bank Negara Malaysia

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

In 2020, BNM allowed banks to recognise Malaysia Government Securities (MGS) and Malaysian Government Investment Issues (MGII) securities as part of statutory reserve requirement compliance until 31 December 2022.

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

**20 Deposits From Customers**

**(i) By type of deposit**

	<b>30 Jun 2021</b>	31 Dec 2020
<b>At amortised cost</b>	<b>RM'000</b>	RM'000
Non-Mudharabah Fund		
Demand deposits		
- Qard	<b>2,516,813</b>	2,437,811
Savings deposits		
- Qard	<b>2,687,569</b>	2,411,513
Term deposits		
- Commodity Murabahah	<b>6,784,783</b>	7,205,178
- Qard	<b>184,700</b>	92,447
	<b>12,173,865</b>	12,146,949

The maturity structure of term deposits is as follows:

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Due within six months	<b>5,641,042</b>	5,906,115
More than six months to one year	<b>942,026</b>	1,026,167
More than one year to three years	<b>293,082</b>	249,314
More than three years to five years	<b>93,333</b>	116,029
	<b>6,969,483</b>	7,297,625

**(ii) By type of customer**

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Government and statutory bodies	<b>13,714</b>	18,278
Business enterprises	<b>3,370,214</b>	3,362,562
Individuals	<b>5,776,847</b>	5,732,293
Foreign entities/individuals	<b>2,701,603</b>	2,701,901
Others	<b>311,487</b>	331,915
	<b>12,173,865</b>	12,146,949

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

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Non-Mudharabah Fund		
Licensed bank - parent company	<b>836,596</b>	854,839
Bank Negara Malaysia	<b>4,339</b>	4,060
Other financial institutions	<b>743,040</b>	719,054
	<b>1,583,975</b>	1,577,953

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

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

<b>At fair value</b>	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Structured liabilities		
- Wakalah with Commodity Wa'ad	-	22,093
- Tawarruq	<b>1,099,934</b>	1,091,160
	<b>1,099,934</b>	1,113,253

Structured liabilities are measured at fair value over the life of the instruments. Structured liabilities are deposits with embedded derivatives, of which both profit paid and fair valuation on the structured liabilities are recorded as net income/expense from financial instruments designated at fair value.

**23 Other Liabilities**

<b>At amortised cost</b>	Note	<b>30 Jun 2021</b>	31 Dec 2020
		<b>RM'000</b>	RM'000
Settlements		<b>160</b>	-
Amounts due to holding company		<b>62,142</b>	30,520
Profit payable		<b>51,204</b>	54,577
Deferred income		<b>12,286</b>	11,582
Marginal deposit		<b>6,549</b>	7,553
Accrued expenses		<b>68,970</b>	66,016
Lease liabilities		<b>24,955</b>	21,167
Other creditors	(a)	<b>75,195</b>	53,753
Provision on financing and credit related commitments	(b)	<b>3,644</b>	2,268
		<b>305,105</b>	247,436

(a) Other creditors

Included in other creditors is profit earned from inadvertent Shariah non-compliant activities. The contribution was distributed to the non-governmental organisations approved by the Shariah Committee during the financial period/year. No Shariah non-compliant event has been identified during the financial period.

**Source and use of charity funds**

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Balance at 1 January	<b>1</b>	3
Shariah non-compliant income for the financial period/year <sup>[1]</sup>	<b>1</b>	7
Contribution to non-profit organisations	-	(9)
Balance at 30 June/31 December	<b>2</b>	1

<sup>[1]</sup> Income received from transactions in Financing and Advances and Nostro Accounts.

(b) Refer Note 16(ii) for movement in provision.



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

**24 Multi-Currency Sukuk Programme**

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Multi-Currency Sukuk Programme (MCSP)	<b>517,096</b>	523,841

The Bank issued the following series of 5-year unsecured Sukuk under its RM3.0 billion MCSP.

<u>Issuance under MCSP</u>	<b>RM'000</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Carrying Value</b>	
				<b>30 Jun 2021</b>	31 Dec 2020
<b>At fair value</b>				<b>RM'000</b>	RM'000
4th series <sup>[1]</sup>	<u>500,000</u>	2 Oct 2018	2 Oct 2023	<b>517,096</b>	523,841

Movement in MCSP

	<b>4th series</b>
	<b>30 Jun 2021</b>
	<b>RM'000</b>
<u>2021</u>	
Balance at 1 January	523,841
Change in fair value other than from own credit risk	(6,592)
Change in fair value from own credit risk	(153)
Redemption of Multi-Currency Sukuk	-
Balance at 30 June	<b>517,096</b>

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

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
The cumulative gain from change in fair value due to changes in own credit risk	<b>(153)</b>	(8,368)

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

<sup>[2]</sup> Redeemed on 27 March 2020.

**25 Subordinated Commodity Murabahah Financing**

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Subordinated Commodity Murabahah Financing, at amortised costs		
- First tranche issued on 25 June 2014	<b>322,483</b>	312,073
- Second tranche issued on 30 June 2015	<b>275,521</b>	266,627
	<b>598,004</b>	578,700

The unsecured Subordinated Commodity Murabahah financing comprise of two tranches of Basel III compliant Tier 2 subordinated financing of USD equivalent of RM250 million each from the Bank's immediate holding company, HSBC Bank Malaysia Berhad (HBMY). The tenor for both the Subordinated Commodity Murabahah financing is 10 years from the utilisation date with profit payable quarterly in arrears. Under the Capital Adequacy Framework for Islamic Banks (Capital Components), the par value of Tranche 1 of the subordinated financing are amortised on a straight line basis, with 20% of the par value phased out each year, with effect from 2020 for regulatory capital base purposes.

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

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

	Second Quarter		Six Months Ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) Term deposit	<b>93,069</b>	113,881	<b>192,913</b>	239,578
(ii) Other deposits	<b>45,786</b>	44,896	<b>92,368</b>	110,225
	<b>138,855</b>	158,777	<b>285,281</b>	349,803
(i) Income derived from investment of term deposits				
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	<b>73,085</b>	99,280	<b>149,829</b>	200,455
- Recoveries from impaired financing	<b>4,497</b>	2,709	<b>10,307</b>	6,644
Financial investments at FVOCI	<b>5,316</b>	12,354	<b>11,114</b>	27,623
Money at call and deposit with financial institutions	<b>7,066</b>	9,698	<b>14,566</b>	25,316
	<b>89,964</b>	124,041	<b>185,816</b>	260,038
<u>Other operating income</u>				
Realised gains from dealing in foreign currency	<b>5,092</b>	3,931	<b>8,945</b>	10,035
Unrealised gain/(loss) from dealing in foreign currency	<b>1,811</b>	793	<b>5,764</b>	(765)
Gain from sale of financial assets designated as FVTPL and other financial instruments	<b>633</b>	1,086	<b>1,339</b>	896
Unrealised (loss)/gain from revaluation of financial assets at FVTPL	<b>(615)</b>	(562)	<b>(1,354)</b>	1,854
Realised gain from trading in derivatives	<b>848</b>	602	<b>1,963</b>	705
Unrealised (loss)/gain from trading in derivatives	<b>(446)</b>	834	<b>(2,473)</b>	4,504
Net expenses from financial liabilities designated at FVTPL	<b>(5,399)</b>	(11,835)	<b>(8,268)</b>	(35,601)
Gain on disposal of financial investments at FVOCI	<b>1,181</b>	67	<b>1,181</b>	2,988
Other expense	-	(5,076)	-	(5,076)
	<b>3,105</b>	(10,160)	<b>7,097</b>	(20,460)
	<b>93,069</b>	113,881	<b>192,913</b>	239,578
	<b>30 Jun 2021</b>	30 Jun 2020	<b>30 Jun 2021</b>	30 Jun 2020
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
(ii) Income derived from investment of other deposits				
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	<b>33,985</b>	36,070	<b>68,790</b>	80,293
- Recoveries from impaired financing	<b>2,097</b>	941	<b>4,732</b>	2,661
Financial investments at FVOCI	<b>2,474</b>	4,391	<b>5,103</b>	11,065
Money at call and deposit with financial institutions	<b>3,287</b>	3,314	<b>6,688</b>	10,140
	<b>41,843</b>	44,716	<b>85,313</b>	104,159

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

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

	Second Quarter		Six Months Ended	
	30 Jun 2021 RM'000	30 Jun 2020 RM'000	30 Jun 2021 RM'000	30 Jun 2020 RM'000
(ii) Income derived from investment of other deposits (Cont'd)				
<u>Other operating income</u>				
Realised gain from dealing in foreign currency	2,360	1,352	4,107	4,020
Unrealised gain/(loss) from dealing in foreign currency	854	375	2,647	(306)
Gain from sale of financial assets designated as FVTPL and other financial instruments	295	442	615	359
Unrealised (loss)/gain from revaluation of financial assets at FVTPL	(287)	(313)	(622)	743
Realised gain from trading in derivatives	395	237	901	282
Unrealised (loss)/gain from trading in derivatives	(216)	200	(1,135)	1,804
Gain/(Loss) on disposal of financial investments at FVOCI	542	(80)	542	1,197
Other expense	-	(2,033)	-	(2,033)
	<b>3,943</b>	<b>180</b>	<b>7,055</b>	<b>6,066</b>
	<b>45,786</b>	<b>44,896</b>	<b>92,368</b>	<b>110,225</b>

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

	Second Quarter		Six Months Ended	
	30 Jun 2021 RM'000	30 Jun 2020 RM'000	30 Jun 2021 RM'000	30 Jun 2020 RM'000
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	13,427	15,283	27,545	30,693
- Recoveries from impaired financing	826	418	1,895	1,017
Financial investments at FVOCI	977	1,904	2,043	4,230
Money at call and deposit with financial institutions	1,298	1,497	2,678	3,876
	<b>16,528</b>	<b>19,102</b>	<b>34,161</b>	<b>39,816</b>
<u>Other operating income</u>				
Fee commission <sup>[1]</sup>	19,666	18,285	38,312	42,037
Realised gains from dealing in foreign currency	936	607	1,645	1,537
Unrealised gain/(loss) from dealing in foreign currency	333	120	1,060	(117)
Gain from sale of financial assets designated as FVTPL and other financial instruments	116	166	246	137
Unrealised (loss)/gain from revaluation of financial assets at FVTPL	(113)	(84)	(249)	284
Realised gains from trading in derivatives	156	92	361	108
Unrealised (loss)/gain from trading in derivatives	(82)	131	(455)	690
Shared-service fees from holding company	293	249	588	881
Gain on disposal of financial investments at FVOCI	217	13	217	458
Other income/(expense)	40	(778)	40	(778)
	<b>21,562</b>	<b>18,801</b>	<b>41,765</b>	<b>45,237</b>
	<b>38,090</b>	<b>37,903</b>	<b>75,926</b>	<b>85,053</b>

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

Service charges and fees	3,063	3,927	6,379	13,060
Credit cards	6,496	6,396	12,196	10,333
Credit facilities	2,620	2,308	5,246	4,336
Agency fee	4,602	2,499	10,379	6,397

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**28 Impairment Provisions**

	Second Quarter		Six Months Ended	
	30 Jun 2021 RM'000	30 Jun 2020 RM'000	30 Jun 2021 RM'000	30 Jun 2020 RM'000
Net increase in allowance/provisions	210,983	76,066	196,409	152,791
Recoveries	(14,237)	(7,876)	(31,290)	(20,691)
Written off	1	137	1	138
<b>Total charge to statement of profit or loss</b>	<b>196,747</b>	<b>68,327</b>	<b>165,120</b>	<b>132,238</b>

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

**(i) Financing and advances**

Net increase in allowance/provisions	209,718	75,829	195,098	149,128
Recoveries	(14,237)	(7,876)	(31,290)	(20,691)
Written off	1	137	1	138
<b>Total charge to statement of profit or loss</b>	<b>195,482</b>	<b>68,090</b>	<b>163,809</b>	<b>128,575</b>

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

<b>(Net release)/net increase in allowance/provisions</b>	<b>(5)</b>	<b>34</b>	<b>(6)</b>	<b>56</b>
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**(iii) Financing commitments**

<b>Net increase/(net release) in allowance/provisions</b>	<b>1,312</b>	<b>(760)</b>	<b>1,345</b>	<b>2,646</b>
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**(iv) Financial investment at FVOCI**

<b>(Net release)/net increase in allowance/provisions</b>	<b>(42)</b>	<b>963</b>	<b>(28)</b>	<b>961</b>
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**29 Income Attributable to Depositors**

	Second Quarter		Six Months Ended	
	30 Jun 2021 RM'000	30 Jun 2020 RM'000	30 Jun 2021 RM'000	30 Jun 2020 RM'000
<u>Non-Mudharabah Fund</u>				
- Deposits from customers	32,968	58,691	67,872	127,631
- Deposits and placements of banks and other financial institutions	3,324	6,933	6,602	12,246
- Lease liabilities	507	49	1,276	550
- Others	6,477	9,403	12,905	27,067
	<b>43,276</b>	<b>75,076</b>	<b>88,655</b>	<b>167,494</b>

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

**30 Operating Expenses**

	Second Quarter		Six Months Ended	
	30 Jun 2021 RM'000	30 Jun 2020 RM'000	30 Jun 2021 RM'000	30 Jun 2020 RM'000
Personnel expenses	11,282	10,836	21,477	22,509
Promotion and marketing related expenses	2,868	2,287	3,976	5,208
Establishment related expenses	4,543	3,525	8,079	7,972
General administrative expenses	7,617	8,148	14,774	17,060
Related company expenses	33,679	33,602	74,401	67,236
	<b>59,989</b>	<b>58,398</b>	<b>122,707</b>	<b>119,985</b>
Personnel expenses				
Salaries, allowances and bonuses	8,662	8,541	16,872	17,820
Employees Provident Fund contributions	1,528	1,514	3,015	3,149
Share based payment	(83)	122	(49)	276
Other staff related costs	1,175	659	1,639	1,264
	<b>11,282</b>	<b>10,836</b>	<b>21,477</b>	<b>22,509</b>
Establishment related expenses				
Depreciation of equipment	618	499	1,244	994
Depreciation of ROU assets	1,695	1,703	3,253	4,145
Information technology costs	1,333	518	1,516	977
Equipment written off	-	-	121	-
Utilities	339	501	688	993
Others	558	304	1,257	863
	<b>4,543</b>	<b>3,525</b>	<b>8,079</b>	<b>7,972</b>
Related company charges				
(i) By type of service				
- Information technology related cost	7,086	4,741	13,492	9,741
- Non information technology related cost	26,593	28,861	60,909	57,495
	<b>33,679</b>	<b>33,602</b>	<b>74,401</b>	<b>67,236</b>
(ii) By country/ territory				
- Malaysia	33,102	33,457	73,319	66,944
- United Kingdom	577	145	1,077	292
- Hong Kong	-	-	5	-
	<b>33,679</b>	<b>33,602</b>	<b>74,401</b>	<b>67,236</b>

**31 Credit exposure to connected parties**

The credit exposures of the Bank to connected parties, as defined by Bank Negara Malaysia's Guidelines on Credit Transactions and Exposures with Connected Parties' are as follows:

	30 Jun 2021 RM'000	31 Dec 2020 RM'000
Aggregate value of outstanding credit exposures to connected parties	650,110	799,355
As a percentage of total credit exposures	3.0%	3.7%
Aggregate value of outstanding credit exposures to connected parties which is non-performing or in default	-	-
As a percentage of total credit exposures	-	-

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

**32 Capital Adequacy**

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
<b>Tier 1 capital</b>		
Paid-up ordinary share capital	<b>660,000</b>	660,000
Retained profits	<b>1,223,004</b>	1,350,035
Other reserves	<b>91,466</b>	20,960
Regulatory adjustments	<b>(123,432)</b>	4,173
Total Common Equity Tier 1 (CET1) and Tier 1 capital	<b>1,851,038</b>	2,035,168
<b>Tier 2 capital</b>		
Subordinated Commodity Murabahah financing	<b>413,907</b>	516,285
Impairment allowance (unimpaired portion) & regulatory reserves	<b>149,004</b>	120,612
Total Tier 2 capital	<b>562,911</b>	636,897
<b>Capital base</b>	<b>2,413,949</b>	2,672,065
<u>Before deducting proposed dividend</u>		
CET1 and Tier 1 Capital ratio	<b>14.275%</b>	16.210%
Total Capital ratio	<b>18.616%</b>	21.282%
<u>After deducting proposed dividend</u>		
CET1 and Tier 1 Capital ratio	<b>14.275%</b>	15.811%
Total Capital ratio	<b>18.616%</b>	20.884%

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

Pursuant to BNM's Guidelines on Capital Adequacy Framework for Islamic Banks (Capital Component) issued on 9 December 2020 (the Guidelines), the Bank elected to apply the transitional arrangements as specified in paragraph 39.

Under transitional arrangements, the expected credit loss (ECL) allowance measured at an amount equal to 12-month and lifetime ECL to the extent they are related to non-credit-impaired exposures (hereinafter referred to as Stage 1 and Stage 2 provisions), are allowed to be added back to CET-1, subject to a capping. The transitional arrangement commenced from financial year beginning 1 January 2020, with an add-back factor that will gradually reduce over the four-year transitional duration.

As required by the Guideline, below is the disclosure on the capital ratios with comparison of:

- (i) the Capital Ratios, computed in accordance with the transitional arrangement
- (ii) the Capital Ratios, had the transitional arrangement not been applied.

<u>Before deducting proposed dividend</u>	<b>With Transitional Arrangement</b>		Without Transitional Arrangement	
	<b>31 Jun 2021</b>	31 Dec 2020	<b>31 Jun 2021</b>	31 Dec 2020
	%	%	%	%
CET1 and Tier 1 Capital	<b>14.275%</b>	16.210%	<b>14.275%</b>	15.811%
Total Capital	<b>18.616%</b>	21.282%	<b>18.616%</b>	21.068%

Breakdown of RWA in the various categories of risk weights:

	<b>30 Jun 2021</b>	31 Dec 2020
	<b>RM'000</b>	RM'000
Total RWA for credit risk	<b>11,920,357</b>	11,498,037
Total RWA for market risk	<b>38,064</b>	52,557
Total RWA for operational risk	<b>1,008,762</b>	1,004,660
	<b>12,967,183</b>	12,555,254

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

**33 Commitments and Contingencies**

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

These commitments and contingencies are not secured over the assets of the Bank.

<b>Principal amount</b>	<b>30 Jun 2021</b> <b>RM'000</b>	31 Dec 2020 RM'000
Direct credit substitutes	<b>7,097</b>	20,562
Transaction-related contingent items	<b>1,320,711</b>	1,297,514
Short-term self-liquidating trade-related contingencies	<b>79,566</b>	75,666
Formal standby facilities and credit lines		
- Maturity not exceeding one year	<b>1,714,397</b>	1,389,116
- Maturity exceeding one year	<b>3,308,655</b>	2,311,222
Other unconditionally cancellable	<b>2,395,890</b>	2,294,173
Unutilised credit card lines	<b>3,657,242</b>	3,689,300
Equity related contracts		
- Less than one year	<b>234,845</b>	328,281
- One year to less than five years	<b>625,092</b>	497,651
Profit rate related contracts		
- Less than one year	<b>370,507</b>	454,592
- One year to less than five years	<b>1,206,452</b>	1,107,611
Foreign exchange related contracts		
- Less than one year	<b>12,420,986</b>	10,774,662
- One year to less than five years	<b>183,181</b>	219,241
	<b>27,524,621</b>	24,459,591

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

### 34 Performance Review, Economy and Prospects

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#### Performance review

The Bank recorded a loss before taxation of RM15.3 million for the financial period ended 30 June 2021 compared to a profit before taxation of RM15.1m in the corresponding period last year. This was mainly due to higher impairment provisions by RM32.9m, partly offset by higher operating income by RM5.2m.

Impairment provisions was mainly driven by stage 3 downgrade of financing exposures, while operating income was higher due to lower net expenses from financial liabilities designated at FVTPL, partially offset by lower net financing income due to the spill-over impact of the 2020 rate cuts in 2021, and lower net fees and commissions and net trading income.

Total balance sheet as at 30 June 2021 stood at RM18.3 billion, a decrease of RM0.1 billion compared to 31 December 2020 of RM18.4 billion. The Bank's capital and liquidity ratios remained strong and were well above the regulatory requirements.

#### Economy and Prospects

COVID-19 is without doubt still the major downside risk. In early June, Malaysia recorded Asia's highest per capita increase in new cases. In response, the government renewed Movement Control Order (MCO), following several weeks of lighter restrictions. Given the likelihood of sustained restrictions after, the outlook for the Malaysian economy has deteriorated substantially. The World Bank has in June 2021, lowered its growth projection for Malaysia to 4.5% (from 6.0% estimated in March 2021), reflecting the hit to private consumption in 2Q, while manufacturing and exports will likely prove to be more resilient (albeit still impacted by workplace capacity restrictions).

However, despite the immense short-term challenges, we believe Malaysia's recovery prospects remain relatively bright. The government has secured enough vaccines for the entire population this year, and has recently announced another economic stimulus package, the National People's Well-Being and Economic Recovery Package (PEMULIH) worth RM150 billion to support business sectors impacted by the MCO.

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

Beyond the very specific relief measures, our approach will be to help customers build financial resilience rather than financial reliance. This will help customers recover more quickly and build a sustainable future for our economy. HSBC has been in Malaysia for almost 140 years and we remain committed for the long term. We do this not only because it is in the best interests of our customers and ourselves, but also because it is the right thing to do.

The Bank has continued its strategic investments in its digital capabilities while making changes to the technology and branch footprint to better serve customers' expectation and their preferred ways to do businesses. This transformation is in line with the evolution of the financial and banking services.

Together with our parent company, HSBC Malaysia as a group was awarded the "Digital Bank of the Year" in March 2021, by the Asset Triple A Digital Awards 2021, recognising our ability, during the pandemic last year, to implement innovative digital features that enabled customers to easily transit to seamless retail online banking and digital payment experience. We were also awarded "Outstanding Customer Experience – Contact Center" and "Outstanding Innovation in Digital CX Product/Service – Islamic Banking" by Digital CX Awards 2021.

In 1H, we have also successfully launched Sophis, a new system for Equity Derivatives, which enables us to re-introduce equity linked quanto structured products to our retail customers.

We will continue to roll out sustainability-linked propositions. The Bank has recently launched its first Islamic Green Trade Finance proposition with the issuance of a Green Bank Guarantee to the largest grid-connected biogas-to-energy player in Malaysia. We are also the first bank in Malaysia to publish a Task Force on Climate-Related Financial Disclosures (TCFD) report. In doing so, we are fulfilling our commitment to transparency in our reporting of climate-related financial risks.

Malaysia is uniquely positioned to capture increasing opportunities arising from supply chains that are moving to the ASEAN region. Although uncertainties remain, we will continue to execute our transformation plans and implement growth initiatives, while maintaining prudent positions on capital, funding, liquidity and credit.