

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2022

Domiciled in Malaysia
Registered Office:
Level 21, Menara IQ
Lingkaran TRX
55188 Tun Razak Exchange
Kuala Lumpur

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

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

	Note	<i>Group</i>		<i>Bank</i>	
		30 Sep 2022 RM'000	31 Dec 2021 RM'000	30 Sep 2022 RM'000	31 Dec 2021 RM'000
Assets					
Cash and short-term funds	12	17,850,624	12,351,813	12,364,833	8,638,234
Securities purchased under resale agreements		6,220,578	6,047,670	6,220,578	6,047,670
Deposits and placements with banks and other financial institutions	13	23,172	150,000	1,563,250	1,425,508
Financial assets at fair value through profit and loss (FVTPL)	14	3,795,776	1,759,108	3,795,776	1,759,108
Financial investments at fair value through other comprehensive income (FVOCI)	15	12,004,799	15,712,400	10,450,680	13,459,449
Financial investments at amortised cost	16	2,797,792	199,174	2,737,601	199,174
Loans, advances and financing	17	47,812,381	50,008,904	34,447,822	37,152,838
Derivative financial assets	39	2,783,364	924,507	2,851,052	938,382
Other assets	20	1,921,231	1,000,939	2,050,441	1,131,323
Statutory deposits with Bank Negara Malaysia	21	28,749	48,659	10,388	28,798
Investments in subsidiary companies	22	-	-	1,161,084	660,021
Property and equipment		1,083,690	999,804	1,077,390	992,899
Intangible assets		20,063	26,353	20,063	26,353
Tax recoverable		20,850	102,224	20,850	88,964
Deferred tax assets		286,997	270,801	231,286	221,455
Total assets		96,650,066	89,602,356	79,003,094	72,770,176
Liabilities					
Deposits from customers	23	71,255,789	67,975,693	57,704,602	55,184,012
Deposits and placements from banks and other financial institutions	24	3,013,577	2,815,266	3,306,115	2,066,904
Bills payable		186,826	100,527	164,421	87,660
Derivative financial liabilities	39	2,880,128	947,581	2,885,287	986,699
Structured liabilities designated at fair value through profit and loss	25	3,621,442	2,909,026	1,622,831	1,720,927
Other liabilities	26	3,012,764	2,814,291	2,715,506	2,549,376
Provision for taxation		231,858	-	181,273	-
Multi-Currency Sukuk Programme	27	506,473	515,333	-	-
Subordinated liabilities	28	500,000	500,000	500,000	500,000
Total liabilities		85,208,857	78,577,717	69,080,035	63,095,578
Equity					
Share capital and other equity	29	2,545,875	1,545,875	2,545,875	1,545,875
Reserves		8,895,334	9,478,764	7,377,184	8,128,723
Total equity attributable to owner of the Bank		11,441,209	11,024,639	9,923,059	9,674,598
Total liabilities and equity		96,650,066	89,602,356	79,003,094	72,770,176
Commitments and contingencies	38	220,878,628	175,099,018	212,138,267	165,754,192

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 2021 and the accompanying explanatory notes on pages 13 to 47 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 28 October 2022.

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
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UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

	<i>Note</i>	<i>Group</i>			
		Third Quarter		Nine Months Ended	
		30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
		RM'000	RM'000	RM'000	RM'000
Interest income	30	513,981	400,279	1,370,813	1,212,768
Interest expense	30	(144,327)	(102,050)	(362,046)	(311,805)
Net interest income	30	369,654	298,229	1,008,767	900,963
Fee and commission income	31	106,922	103,985	323,719	323,634
Fee and commission expense	31	(15,346)	(16,390)	(54,862)	(43,362)
Net fee and commission income	31	91,576	87,595	268,857	280,272
Net trading income	32	108,328	125,929	161,521	181,599
Income from Islamic banking operations	33	190,016	99,893	700,794	586,646
Net income from Financial Liabilities Designated at Fair Value		63,407	21,697	103,622	12,793
Other operating income	34	12,046	7,623	38,914	46,513
Operating income before impairment losses		835,027	640,966	2,282,475	2,008,786
Impairment write-back/ (allowance)	35	38,000	(81,165)	50,324	(558,890)
Net operating income		873,027	559,801	2,332,799	1,449,896
Other operating expenses	36	(442,327)	(409,832)	(1,275,829)	(1,280,685)
Profit before tax		430,700	149,969	1,056,970	169,211
Tax expense		(136,628)	(37,292)	(337,720)	(42,229)
Profit for the financial period		294,072	112,677	719,250	126,982
Profit attributable to owner of the Bank		294,072	112,677	719,250	126,982
Basic earnings per RM0.50 ordinary share		128.4 sen	49.2 sen	314.1 sen	55.5 sen
Dividends per RM0.50 ordinary share (net)					
- final dividend paid in respect of prior period		-	-	106.0 sen	82.2 sen
- special dividend paid in respect of current period		-	-	436.7 sen	-

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UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 (Cont'd)

	Note	<i>Bank</i>			
		Third Quarter		Nine Months Ended	
		30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
		RM'000	RM'000	RM'000	RM'000
Interest income	30	526,187	405,155	1,396,493	1,227,310
Interest expense	30	(145,567)	(102,050)	(363,601)	(311,805)
Net interest income	30	380,620	303,105	1,032,892	915,505
Fee and commission income	31	106,512	103,844	322,443	322,980
Fee and commission expense	31	(15,346)	(16,390)	(54,862)	(43,362)
Net fee and commission income	31	91,166	87,454	267,581	279,618
Net trading income	32	123,955	107,397	382,783	368,702
Net income from Financial Liabilities Designated at Fair Value		63,407	21,697	103,622	12,793
Other operating income	34	48,651	43,162	149,292	200,802
Operating income before impairment losses		707,799	562,815	1,936,170	1,777,420
Impairment write-back/ (allowance)	35	33,389	(10,304)	59,564	(322,909)
Net operating income		741,188	552,511	1,995,734	1,454,511
Other operating expenses	36	(421,689)	(383,964)	(1,209,296)	(1,201,447)
Profit before tax		319,499	168,547	786,438	253,064
Tax expense		(103,991)	(42,318)	(255,738)	(50,189)
Profit for the financial period		215,508	126,229	530,700	202,875
Profit attributable to owner of the Bank		215,508	126,229	530,700	202,875
Basic earnings per RM0.50 ordinary share		94.1 sen	55.1 sen	231.7 sen	88.6 sen
Dividends per RM0.50 ordinary share (net)					
- final dividend paid in respect of prior period		-	-	106.0 sen	82.2 sen
- special dividend paid in respect of current period		-	-	436.7 sen	-

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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	294,072	112,677	719,250	126,982
Other comprehensive (expense)/income				
<i>Items that will not be reclassified to profit or loss</i>				
Own credit reserve:				
Change in fair value	(13,546)	(1,892)	(14,649)	1,599
Income tax effect	3,251	454	3,516	(384)
Fair value through other comprehensive income reserve (equity instruments):				
Change in fair value	-	-	3,680	11,771
Income tax effect	-	-	(883)	(2,825)
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i>				
Fair value through other comprehensive income reserve (debt instruments):				
Change in fair value	(4,726)	(25,348)	(87,083)	(55,572)
Amount transferred to profit or loss	13,682	6,605	32,637	(5,504)
Impairment write-back/(charges)	221	933	(610)	699
Income tax effect	(2,150)	4,498	13,069	14,658
Other comprehensive expense for the financial period, net of income tax	(3,268)	(14,750)	(50,323)	(35,558)
Total comprehensive income for the financial period	290,804	97,927	668,927	91,424
Total comprehensive income attributable to owner of the Bank	290,804	97,927	668,927	91,424

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UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 (Cont'd)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	215,508	126,229	530,700	202,875
Other comprehensive (expense)/income				
<i>Items that will not be reclassified to profit or loss</i>				
Own credit reserve:				
Change in fair value	(1,480)	250	(434)	2,658
Income tax effect	355	(60)	104	(638)
Fair value through other comprehensive income reserve (equity instruments):				
Change in fair value	-	-	3,680	11,771
Income tax effect	-	-	(883)	(2,825)
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i>				
Fair value through other comprehensive income reserve (debt instruments):				
Change in fair value	(6,319)	(20,925)	(74,776)	(46,464)
Amount transferred to profit or loss	13,682	6,605	32,637	(2,950)
Impairment write-back/(charges)	181	797	(495)	591
Income tax effect	(1,768)	3,437	10,115	11,859
Other comprehensive income/(expense) for the financial period, net of income tax	4,651	(9,896)	(30,052)	(25,998)
Total comprehensive income for the financial period	220,159	116,333	500,648	176,877
Total comprehensive income attributable to owner of the Bank	220,159	116,333	500,648	176,877

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

Group (RM'000)	Share capital		Non-distributable					Distributable		Total equity
	Ordinary shares	Preference shares	Other equity instrument	Revaluation reserve	FVOCI reserve	Own credit reserve	Capital contribution reserve	Regulatory reserve	Retained profits	
2022										
Balance at 1 January	1,045,875	-	500,000	176,430	155,378	(5,617)	100,073	386,400	8,666,100	11,024,639
Profit for the financial period	-	-	-	-	-	-	-	-	719,250	719,250
Other comprehensive income, net of income tax										
Revaluation reserve:										
Transfer to retained profits upon realisation of depreciation	-	-	-	(1,578)	-	-	-	-	1,578	-
FVOCI reserve/Own credit reserve										
Net change in fair value	-	-	-	-	(63,384)	(11,133)	-	-	-	(74,517)
Net amount transferred to profit or loss	-	-	-	-	24,804	-	-	-	-	24,804
Impairment charges	-	-	-	-	(610)	-	-	-	-	(610)
<i>Total other comprehensive (expense)/income</i>	-	-	-	(1,578)	(39,190)	(11,133)	-	-	1,578	(50,323)
Total comprehensive income for the financial period	-	-	-	(1,578)	(39,190)	(11,133)	-	-	720,828	668,927
Net change in regulatory reserves	-	-	-	-	-	-	-	43,800	(43,800)	-
Others	-	-	-	-	-	-	-	-	92	92
Transactions with the owner, recorded directly in equity										
Share based payment transactions	-	-	-	-	-	-	(2,831)	-	1,131	(1,700)
Issuance of preference shares ^[1]	-	1,500,000	-	-	-	-	-	-	-	1,500,000
Redemption of other equity instrument issued ^[1]	-	-	(500,000)	-	-	-	-	-	-	(500,000)
Dividends paid to owner - 2021 final	-	-	-	-	-	-	-	-	(242,654)	(242,654)
Dividends paid to owner - 2022 special	-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Discretionary coupon on other equity instrument issued	-	-	-	-	-	-	-	-	(8,095)	(8,095)
Balance at 30 September	1,045,875	1,500,000	-	174,852	116,188	(16,750)	97,242	430,200	8,093,602	11,441,209

^[1] On 27 June 2022, the Group and the Bank issued RM1.5 billion Additional Tier 1 preference shares and redeemed RM500.0 million Additional Tier 1 perpetual capital term loan. Details of the issuance and redemption are set out in Note 29.

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 2021 and the accompanying explanatory notes on pages 13 to 47 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 2022 (Cont'd)

Group (RM'000)	Non-distributable						Distributable		Total equity
	Share capital	Other equity instrument	Revaluation reserve	FVOCI reserve	Own credit reserve	Capital contribution reserve	Regulatory reserve	Retained profits	
2021									
Balance at 1 January	1,045,875	500,000	190,751	215,792	(5,685)	103,790	298,100	8,550,171	10,898,794
Profit for the financial period	-	-	-	-	-	-	-	126,982	126,982
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(1,697)	-	-	-	-	1,697	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	(33,289)	1,215	-	-	-	(32,074)
Net amount transferred to profit or loss	-	-	-	(4,183)	-	-	-	-	(4,183)
Transfer to retained profits upon realisation of unquoted investments	-	-	-	(9)	-	-	-	9	-
Impairment releases	-	-	-	699	-	-	-	-	699
<i>Total other comprehensive (expense)/income</i>	-	-	(1,697)	(36,782)	1,215	-	-	1,706	(35,558)
Total comprehensive income for the financial period	-	-	(1,697)	(36,782)	1,215	-	-	128,688	91,424
Net change in regulatory reserves	-	-	-	-	-	-	81,300	(81,300)	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	(2,936)	-	2,677	(259)
Dividends paid to owner - 2020 final	-	-	-	-	-	-	-	(188,161)	(188,161)
Discretionary coupon on other equity instrument issued	-	-	-	-	-	-	-	(7,654)	(7,654)
Balance at 30 September	<u>1,045,875</u>	<u>500,000</u>	<u>189,054</u>	<u>179,010</u>	<u>(4,470)</u>	<u>100,854</u>	<u>379,400</u>	<u>8,404,421</u>	<u>10,794,144</u>

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 (Cont'd)

Bank (RM'000)	Non-distributable						Distributable		Total equity	
	Share capital		Other equity instrument	Revaluation reserve	FVOCI reserve	Own credit reserve	Capital contribution reserve	Regulatory reserve		Retained profits
	Ordinary shares	Preference shares								
2022										
Balance at 1 January	1,045,875	-	500,000	176,430	158,229	(3,424)	99,562	339,600	7,358,326	9,674,598
Profit for the financial period	-	-	-	-	-	-	-	-	530,700	530,700
Other comprehensive income, net of income tax										
Revaluation reserve:										
Transfer to retained profits upon realisation of depreciation	-	-	-	(1,578)	-	-	-	-	1,578	-
FVOCI reserve/Own credit reserve										
Net change in fair value	-	-	-	-	(54,031)	(330)	-	-	-	(54,361)
Net amount transferred to profit or loss	-	-	-	-	24,804	-	-	-	-	24,804
Impairment charges	-	-	-	-	(495)	-	-	-	-	(495)
<i>Total other comprehensive (expense)/income</i>	-	-	-	(1,578)	(29,722)	(330)	-	-	1,578	(30,052)
Total comprehensive income for the financial period	-	-	-	(1,578)	(29,722)	(330)	-	-	532,278	500,648
Net change in regulatory reserves	-	-	-	-	-	-	-	27,700	(27,700)	-
Others	-	-	-	-	-	-	-	-	92	92
Transactions with the owner, recorded directly in equity										
Share based payment transactions	-	-	-	-	-	-	(2,624)	-	1,094	(1,530)
Issuance of preference shares ^[1]	-	1,500,000	-	-	-	-	-	-	-	1,500,000
Redemption of other equity instrument issued ^[1]	-	-	(500,000)	-	-	-	-	-	-	(500,000)
Dividends paid to owner - 2021 final	-	-	-	-	-	-	-	-	(242,654)	(242,654)
Dividends paid to owner - 2022 special	-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Discretionary coupon on other equity instrument issued	-	-	-	-	-	-	-	-	(8,095)	(8,095)
Balance at 30 September	1,045,875	1,500,000	-	174,852	128,507	(3,754)	96,938	367,300	6,613,341	9,923,059

^[1] On 27 June 2022, the Group and the Bank issued RM1.5 billion Additional Tier 1 preference shares and redeemed RM500.0 million Additional Tier 1 perpetual capital term loan. Details of the issuance and redemption are set out in Note 29.

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 (Cont'd)

Bank (RM'000)	<i>Non-distributable</i>						<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Other equity instrument</i>	<i>Revaluation reserve</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
2021									
Balance at 1 January	1,045,875	500,000	190,751	203,924	(4,562)	103,013	292,000	7,200,136	9,531,137
Profit for the financial period	-	-	-	-	-	-	-	202,875	202,875
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(1,697)	-	-	-	-	1,697	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	(26,367)	2,020	-	-	-	(24,347)
Net amount transferred to profit or loss	-	-	-	(2,242)	-	-	-	-	(2,242)
Transfer to retained profits upon realisation of unquoted investments	-	-	-	(9)	-	-	-	9	-
Impairment releases	-	-	-	591	-	-	-	-	591
<i>Total other comprehensive (expense)/income</i>	-	-	(1,697)	(28,027)	2,020	-	-	1,706	(25,998)
Total comprehensive income for the financial period	-	-	(1,697)	(28,027)	2,020	-	-	204,581	176,877
Net change in regulatory reserves	-	-	-	-	-	-	45,800	(45,800)	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	(2,692)	-	2,618	(74)
Dividends paid to owner - 2020 final	-	-	-	-	-	-	-	(188,161)	(188,161)
Discretionary coupon on other equity instrument issued	-	-	-	-	-	-	-	(7,654)	(7,654)
Balance at 30 September	<u>1,045,875</u>	<u>500,000</u>	<u>189,054</u>	<u>175,897</u>	<u>(2,542)</u>	<u>100,321</u>	<u>337,800</u>	<u>7,165,720</u>	<u>9,512,125</u>

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Profit before tax	1,056,970	169,211	786,438	253,064
Adjustments for non-operating and non-cash items	55,144	943,080	(184,059)	409,467
Operating profit before working capital changes	1,112,114	1,112,291	602,379	662,531
Changes in working capital:				
Net changes in operating assets	(3,759,748)	2,006,671	(3,268,549)	1,626,044
Net changes in operating liabilities	6,591,238	1,435,138	5,922,184	1,800,550
Income tax paid	(24,987)	(71,636)	(6,849)	(53,786)
Net cash generated from operations	3,918,617	4,482,464	3,249,165	4,035,339
Net cash generated from/(used in) investing activities	1,848,061	(4,484,225)	740,912	(3,570,353)
Net cash used in financing activities	(267,867)	(212,012)	(263,478)	(208,406)
	1,580,194	(4,696,237)	477,434	(3,778,759)
Net changes in cash and cash equivalents	5,498,811	(213,773)	3,726,599	256,580
Cash and cash equivalents at 1 January	12,351,813	12,663,196	8,638,234	9,441,441
Cash and cash equivalents at 30 September	17,850,624	12,449,423	12,364,833	9,698,021
Analysis of cash and cash equivalents				
Cash and short-term funds	17,850,624	12,449,423	12,364,833	9,698,021

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 2021 and the accompanying explanatory notes on pages 13 to 47 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 28 October 2022.

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 2022 (Cont'd)

Change in liabilities arising from financing activities

Group (RM'000)

	At 1 Jan	Cash outflow	Fair value movement	Interest/ Profit accrual	At 30 Sep
2022					
Multi-Currency Sukuk Programme	515,333	-	(8,860)	-	506,473
Subordinated liabilities	500,000	-	-	-	500,000
Other liabilities of which:					
Profit paid on Multi-Currency Sukuk Programme	5,242	(4,389)	-	9,750	10,603
Interest paid on Subordinated liabilities	4,151	(12,729)	-	18,886	10,308
	1,024,726	(17,118)	(8,860)	28,636	1,027,384
2021					
Multi-Currency Sukuk Programme	523,841	-	(6,202)	-	517,639
Subordinated liabilities	500,000	-	-	-	500,000
Other liabilities of which:					
Profit paid on Multi-Currency Sukuk Programme	5,360	(3,606)	-	8,967	10,721
Interest paid on Subordinated liabilities	4,151	(12,591)	-	18,886	10,446
	1,033,352	(16,197)	(6,202)	27,853	1,038,806

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 2021 and the accompanying explanatory notes on pages 13 to 47 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 28 October 2022.

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 2022 (Cont'd)

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

Bank (RM'000)

	At 1 Jan	Cash outflow	Interest accrual	At 30 Sep
2022				
Subordinated liabilities	500,000	-	-	500,000
Other liabilities of which:				
Interest paid on Subordinated liabilities	4,151	(12,729)	18,886	10,308
	504,151	(12,729)	18,886	510,308
2021				
Subordinated liabilities	500,000	-	-	500,000
Other liabilities of which:				
Interest paid on Subordinated liabilities	4,151	(12,591)	18,886	10,446
	504,151	(12,591)	18,886	510,446

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 2021 and the accompanying explanatory notes on pages 13 to 47 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 28 October 2022.

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 Level 21, Menara IQ, Lingkaran TRX, 55188 Tun Razak Exchange, Kuala Lumpur.

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

The unaudited condensed interim financial statements were approved and authorised for issue by the Board of Directors on 28 October 2022.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 30 September 2022 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 2021. 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 2021.

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

The accounting policies, presentation, significant estimates and judgements adopted by the Group and the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2021, except for the adoption of the following Amendments to MFRSs which are effective during the current financial period:

- Amendments to MFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021"
- Amendments to MFRS 116 "Proceeds before Intended Use"
- Amendments to MFRS 3 "Reference to the Conceptual Framework"
- Annual Improvements to MFRSs 2018 – 2020 Cycle for annual periods beginning on or after 1 January 2022 as follows:
 - Amendment to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
 - Amendment to MFRS 9 Financial Instruments: Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
- Amendments to MFRS 137 "Onerous Contracts – Cost of Fulfilling a Contract"

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2 Basis of Preparation (Cont'd)

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

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

Effective for annual periods commencing on or after 1 January 2023

- Amendments to MFRS 101 "Classification of Liabilities as Current or Non-current"
- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates
- Amendments to MFRS 112 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

None of the above is expected to have a significant effect on the financial statements of the Group and the Bank.

3 Functional and Presentation Currency

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

4 Auditors' Report On Preceding Annual Financial Statements

The audit report on the audited annual financial statements for the financial year ended 31 December 2021 was not subject to any qualification.

5 Seasonality or Cyclical Factors

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

6 Unusual Items due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and Bank for the financial period ended 30 September 2022.

7 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and Bank for the financial period ended 30 September 2022.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

8 Debt and Equity Securities

On 27 June 2022, the Group and the Bank had:

- (a) issued non-cumulative and non-convertible redeemable perpetual preference shares amounting to RM1.5 billion. The preference shares qualify 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). Further details is disclosed in Note 29.
- (b) redeemed RM500.0 million perpetual capital term loan issued in 2019 which qualified as Additional Tier 1 capital as per the Capital Adequacy Framework (Capital Components) issued by BNM.

On 19 August 2022, HSBC Amanah Malaysia Berhad (HBMS), a subsidiary of the Bank, had:

- (a) issued a USD Wakalah Financing Facility (the Facility) equivalent to RM501 million to HSBC Bank Malaysia Berhad (the Bank). The Facility qualifies as Additional Tier 1 capital of HBMS as per the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by Bank Negara Malaysia (BNM). Further details are disclosed in Note 22.
- (b) redeemed two tranches of existing Basel III compliant Tier 2 Subordinated Commodity Murabahah Financing of USD equivalent of RM250 million each from HSBC Bank Malaysia Berhad (the Bank).

There were no other issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 30 September 2022.

9 Dividend

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

- (a) final dividend for the financial year ended 31 December 2021 of 105.96 sen per ordinary share amounting to RM242.7 million.
- (b) special dividend of 436.68 sen per ordinary share amounting to RM1.0 billion in respect of the current financial period on the fully issued and paid up ordinary shares of the Bank.

10 Carrying Amount of Revalued Assets

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

11 Significant and Subsequent Events

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

12 Cash and Short-Term Funds

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,367,999	1,099,824	1,065,209	722,565
Money at call and interbank placements maturing within one month	16,482,625	11,251,989	11,299,624	7,915,669
	17,850,624	12,351,813	12,364,833	8,638,234

Money at call and interbank placements maturing within one month are within Stage 1 allocation (12 -months ECL) with impairment allowance of RM51,000 for the Group and RM48,000 for the Bank as at 30 September 2022 (31 December 2021: RM77,000 for the Group and RM76,000 for the Bank).

13 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Licensed banks	-	-	1,563,250	1,275,508
Bank Negara Malaysia	23,172	150,000	-	150,000
	23,172	150,000	1,563,250	1,425,508

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 RM1,563.3 million (31 December 2021: RM1,275.5 million).

The balance is within Stage 1 allocation (12 -months ECL) with nil impairment allowance for the Group and the Bank as at 30 September 2022 (31 December 2021: nil for the Group and the Bank).

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

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government treasury bills	209,759	18,779	209,759	18,779
Islamic treasury bills	1,943,763	1,779	1,943,763	1,779
Malaysian Government securities	762,991	1,338,589	762,991	1,338,589
Malaysian Government Islamic Sukuk	260,525	277,346	260,525	277,346
Cagamas bonds and notes	559,277	2,516	559,277	2,516
	3,736,315	1,639,009	3,736,315	1,639,009
Unquoted:				
Corporate bonds and Sukuk	59,461	120,099	59,461	120,099
	3,795,776	1,759,108	3,795,776	1,759,108

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Debt instruments				
Money market instruments:				
Bank Negara Malaysia bills	3,562,340	3,074,311	3,562,340	3,074,311
Malaysian Government securities	5,617,600	7,427,679	5,617,600	7,427,679
Malaysian Government Islamic Sukuk	2,595,700	4,984,931	1,041,581	2,731,980
	11,775,640	15,486,921	10,221,521	13,233,970
Equity Instruments Designated as FVOCI				
Unquoted Shares:	229,159	225,479	229,159	225,479
<i>of which</i>				
Cagamas Holdings Berhad	187,373	183,471	187,373	183,471
Credit Guarantee Corporation Malaysia Berhad	35,332	34,876	35,332	34,876
Others	6,454	7,132	6,454	7,132
	12,004,799	15,712,400	10,450,680	13,459,449

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.

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

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	7,984,998	8,391,992	7,062,443	7,555,853
More than one year to three years	3,790,642	7,094,929	3,159,078	5,678,117
	11,775,640	15,486,921	10,221,521	13,233,970

There are no FVOCI balances that are pledged against Repurchase Agreement as at 30 September 2022 (31 December 2021: nil).

Financial investments at FVOCI are within Stage 1 allocation (12 -months ECL) with RM915,000 impairment allowance for the Group and RM751,000 for the Bank as at 30 September 2022 (31 December 2021: RM1,527,000 for the Group and RM1,247,000 for the Bank). The carrying amount of financial investments at FVOCI is equivalent to their fair value. The impairment allowance is recognised in other comprehensive income and does not reduce the carrying amount in the statements of financial position.

16 Financial Investments at Amortised Cost

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Debt instruments				
Money market instruments:				
Malaysian Government Islamic Treasury Bills	1,650,230	-	1,650,230	-
Malaysian Government Islamic Sukuk	551,437	-	491,246	-
Malaysian Government Securities	396,325	-	396,325	-
Unquoted:				
Corporate Sukuk	199,800	199,174	199,800	199,174
	2,797,792	199,174	2,737,601	199,174

Financial investments at amortised cost are within Stage 1 allocation (12 -months ECL) with RM367,000 impairment allowance for the Group and the Bank as at 30 September 2022 (31 December 2021: RM826,000 for the Group and the Bank).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts/cash line	539,559	657,583	451,282	587,490
Term loans/financing:				
Housing loans/financing	15,121,846	15,973,758	11,425,392	12,116,245
Syndicated term loans/financing	4,033,093	3,733,139	2,841,508	2,710,897
Factoring receivables	806,414	667,339	806,414	667,339
Hire purchase receivables	217,721	210,548	-	-
Other term loans/financing	9,450,952	9,899,908	5,472,226	6,688,017
Bills receivable	4,507,692	5,147,447	3,604,950	3,999,725
Trust receipts	3,708,040	3,244,901	2,900,405	2,787,111
Claims on customers under acceptance credits	902,026	866,537	703,547	668,039
Staff loans/financing	48,042	53,292	46,320	51,805
Credit/charge cards	3,487,328	3,299,922	2,373,023	2,226,100
Revolving financing	6,107,547	7,548,605	4,411,873	5,424,479
Other loans/financing	9,829	15,256	7,135	11,540
Gross loans, advances and financing ^[1]	48,940,089	51,318,235	35,044,075	37,938,787
Less: - Impairment allowances	(1,127,708)	(1,309,331)	(596,253)	(785,949)
Total net loans, advances and financing	47,812,381	50,008,904	34,447,822	37,152,838

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

	<i>Bank</i>	
	30 Sep 2022	31 Dec 2021
	RM'000	RM'000
Syndicated term financing	2,330,218	2,305,608
Other term financing	686,089	235,054
Revolving financing	836,940	1,261,530
Gross loans, advances and financing	3,853,247	3,802,192
Less: - Impairment allowances	(235,016)	(183,710)
Total net loans, advances and financing	3,618,231	3,618,482

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 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	951,224	1,021,893	612,818	604,100
Domestic business enterprises:				
Small medium enterprises	3,393,195	3,501,020	2,221,090	2,384,033
Others	18,922,799	19,634,128	13,748,197	15,276,795
Individuals	18,236,538	18,969,754	12,702,297	13,247,130
Other domestic entities	868	2,215	108	2,213
Foreign entities/individuals	7,435,465	8,189,225	5,759,565	6,424,516
	48,940,089	51,318,235	35,044,075	37,938,787

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	23,126,330	24,937,211	17,858,861	18,702,482
More than one year to three years	4,756,267	4,190,263	2,694,888	3,600,049
More than three years to five years	2,949,125	2,956,200	1,566,272	1,902,169
More than five years	18,108,367	19,234,561	12,924,054	13,734,087
	48,940,089	51,318,235	35,044,075	37,938,787

(iv) By interest/profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Hire purchase receivables	217,721	210,548	-	-
Other fixed rate loans/financing	14,051,976	13,523,549	10,305,636	9,874,928
Variable rate:				
Base Rate/Base Lending/Financing Rate plus	17,761,944	18,779,579	13,168,300	13,996,054
Cost-plus	16,908,448	18,804,559	11,570,139	14,067,805
	48,940,089	51,318,235	35,044,075	37,938,787

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 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	41,614	74,349	31,743	63,741
Mining and quarrying	239,281	188,912	96,498	111,013
Manufacturing	7,335,701	7,416,876	5,592,371	5,930,426
Electricity, gas and water	87,275	367,556	16,295	22,687
Construction	2,799,924	3,394,266	1,875,648	2,430,449
Real estate	3,609,924	4,471,023	2,389,584	3,514,268
Wholesale & retail trade and restaurants & hotels	3,950,438	4,071,291	2,946,381	3,232,157
Transport, storage and communication	724,049	588,953	416,390	442,632
Finance, insurance and business services	3,584,291	2,929,904	2,487,894	2,029,656
Household-retail	20,852,839	21,690,816	14,859,678	15,495,269
Others	5,714,753	6,124,289	4,331,593	4,666,489
	48,940,089	51,318,235	35,044,075	37,938,787

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Purchase of property:				
Residential	15,148,974	16,004,543	11,452,151	12,146,646
Non residential	1,265,294	1,301,451	598,173	572,272
Purchase of securities	2,634	2,852	2,634	2,852
Purchase of transport vehicles	14,630	15,104	13,499	14,226
Purchase of fixed assets excluding land & building	218,660	210,381	-	89
Consumption credit	5,413,865	5,359,424	3,298,063	3,218,552
Construction	2,194,697	3,188,332	1,411,465	2,487,417
Working capital	19,831,131	19,750,898	14,634,865	15,303,269
Other purpose	4,850,204	5,485,250	3,633,225	4,193,464
	48,940,089	51,318,235	35,044,075	37,938,787

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Northern Region	5,775,349	6,047,708	4,387,722	4,737,781
Southern Region	6,128,510	5,908,966	4,692,121	4,381,359
Central Region	35,494,265	37,705,167	24,729,510	27,480,004
Eastern Region	1,541,965	1,656,394	1,234,722	1,339,643
	48,940,089	51,318,235	35,044,075	37,938,787

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18 Impaired Loans, Advances and Financing

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

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount as at 1 January	3,571,670	1,831,501	2,396,659	1,224,806
Transfer within stages	(220,971)	2,020,148	(273,565)	1,328,032
Net remeasurement due to changes in credit risk	(231,145)	(93,069)	(112,342)	(60,355)
Written-off	(250,333)	(186,910)	(191,774)	(95,824)
Gross carrying amount as at 30 September	2,869,221	3,571,670	1,818,978	2,396,659

(ii) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	3,246	214	3,173	-
Manufacturing	26,276	104,375	11,519	78,873
Electricity, gas and water	61,422	3,036	624	3,036
Construction	161,634	159,275	21,354	22,354
Real estate	113,483	117,159	109,812	117,159
Wholesale & retail trade, restaurants & hotels	13,961	69,570	8,684	61,359
Transport, storage and communication	2,346	90,505	814	90,505
Finance, insurance and business services	298,567	292,261	242,324	238,985
Household-retail	2,164,190	2,712,490	1,415,850	1,778,681
Others	24,096	22,785	4,824	5,707
	2,869,221	3,571,670	1,818,978	2,396,659

(iii) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Purchase of property:				
Residential	1,575,723	1,998,471	1,122,704	1,426,821
Non residential	37,487	36,222	28,157	26,651
Consumption credit	584,356	708,498	290,438	346,339
Construction	153,298	160,254	13,017	22,932
Working capital	499,613	651,691	364,654	573,799
Other purpose	18,744	16,534	8	117
	2,869,221	3,571,670	1,818,978	2,396,659

(iv) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Northern Region	298,174	406,326	236,780	312,295
Southern Region	396,943	505,188	315,060	394,677
Central Region	2,088,710	2,519,084	1,200,799	1,569,647
Eastern Region	85,394	141,072	66,339	120,040
	2,869,221	3,571,670	1,818,978	2,396,659

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 loans, advances and financing:

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL not	ECL not	ECL	
	credit	credit	credit	
	impaired	impaired	impaired	Total
	RM'000	RM'000	RM'000	RM'000
Group				
Balance at 1 January 2022	85,357	202,123	1,021,851	1,309,331
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	126,393	(49,843)	(76,550)	-
- Transferred to Stage 2	(9,424)	45,842	(36,418)	-
- Transferred to Stage 3	(483)	(11,171)	11,654	-
New financial assets originated or purchased	21,464	-	-	21,464
Net remeasurement due to changes in credit risk	(151,194)	(27,861)	211,341	32,286
Asset written-off	-	-	(250,333)	(250,333)
Others	2,827	-	12,133	14,960
Balance at 30 September 2022	74,940	159,090	893,678	1,127,708
Balance at 1 January 2021	136,817	242,457	475,121	854,395
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	51,919	(26,210)	(25,709)	-
- Transferred to Stage 2	(32,821)	44,946	(12,125)	-
- Transferred to Stage 3	(5,708)	(132,343)	138,051	-
New financial assets originated or purchased	17,980	-	-	17,980
Net remeasurement due to changes in credit risk	(84,788)	73,273	633,423	621,908
Asset written-off	-	-	(186,910)	(186,910)
Others	1,958	-	-	1,958
Balance at 31 December 2021	85,357	202,123	1,021,851	1,309,331

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

Total ECL allowances decreased by RM181.6 million for the Group compared to the balance at the beginning of the year. This net decrease was mainly contributed by assets written off (RM250.3 million), partially offset by remeasurement due to changes in credit risk (RM32.3 million) and new financial assets originated or purchased (RM21.5 million).

- 12-months ECL not credit impaired (Stage 1) – decreased by RM10.4 million for the Group, mainly from remeasurement due to changes in credit risk based on HSBC Group's model partially offset by net migration of loans, advances and financing from stages 2 and 3 and new financial assets originated or purchased.
- Lifetime ECL not credit-impaired (Stage 2) – decreased by RM43.0 million for the Group, mainly from remeasurement due to changes in credit risk and net migration of loans, advances and financing to stage 1 and 3.
- Lifetime ECL credit-impaired (Stage 3) – decreased by RM128.2 million for the Group, primarily from asset written-off and net migration of loans, advances and financing to stages 1 and 2 partially offset by remeasurement due to changes in credit risk.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances (Cont'd)

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Bank				
Balance at 1 January 2022	53,262	115,584	617,103	785,949
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	67,296	(24,967)	(42,329)	-
- Transferred to Stage 2	(6,050)	31,168	(25,118)	-
- Transferred to Stage 3	(357)	(4,749)	5,106	-
New financial assets originated or purchased	9,997	-	-	9,997
Net remeasurement due to changes in credit risk	(88,992)	(33,550)	111,796	(10,746)
Asset written-off	-	-	(191,774)	(191,774)
Others	2,827	-	-	2,827
Balance at 30 September 2022	37,983	83,486	474,784	596,253
Balance at 1 January 2021	48,030	166,693	291,357	506,080
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	31,093	(16,111)	(14,982)	-
- Transferred to Stage 2	(8,940)	15,158	(6,218)	-
- Transferred to Stage 3	(1,876)	(103,655)	105,531	-
New financial assets originated or purchased	9,456	-	-	9,456
Net remeasurement due to changes in credit risk	(25,609)	53,499	337,239	365,129
Asset written-off	-	-	(95,824)	(95,824)
Others	1,108	-	-	1,108
Balance at 31 December 2021	53,262	115,584	617,103	785,949

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

The total ECL allowances decreased by RM189.7 million for the Bank compared to the balance at the beginning of the year. This net decrease was mainly contributed by asset written-off (RM191.8 million) and remeasurement due to changes in credit risk (RM10.7 million) partially offset by new financial assets originated or purchased (RM10.0 million).

- 12-months ECL not credit impaired (Stage 1) – decreased by RM15.3 million for the Bank mainly contributed by remeasurement due to changes in credit risk partially offset by net migration of loans and advances from stages 2 and 3 due to improved credit quality and new financial assets originated or purchased.
- Lifetime ECL not credit-impaired (Stage 2) – decreased by RM32.1 million for the Bank, mainly from remeasurement due to changes in credit risk partially offset by net migration of loans and advances from stages 1 and 3.
- Lifetime ECL credit-impaired (Stage 3) – decreased by RM142.3 million, primarily from asset written-off and net migration of loans and advances to stages 1 and 2 partially offset by remeasurement due to changes in credit risk.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances movement (Cont'd)

(ii) Movements in ECL allowances for loan commitments

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Group				
Balance at 1 January 2022	10,034	19,076	4,048	33,158
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	7,472	(7,472)	-	-
- Transferred to Stage 2	(2,087)	2,087	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	706	-	-	706
Net remeasurement due to changes in credit risk	(11,919)	1,385	(1,199)	(11,733)
Others	205	-	-	205
Balance at 30 September 2022	4,412	15,076	2,849	22,336
Balance at 1 January 2021	4,612	3,198	464	8,274
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	575	(575)	-	-
- Transferred to Stage 2	(961)	961	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	2,994	-	-	2,994
Net remeasurement due to changes in credit risk	2,841	15,492	3,584	21,917
Others	(27)	-	-	(27)
Balance at 31 December 2021	10,034	19,076	4,048	33,158

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances movement (Cont'd)

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Bank				
Balance at 1 January 2022	7,492	12,681	4,048	24,221
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	7,387	(7,387)	-	-
- Transferred to Stage 2	(2,051)	2,051	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	367	-	-	367
Net remeasurement due to changes in credit risk	(10,596)	988	(1,199)	(10,807)
Others	147	-	-	147
Balance at 30 September 2022	2,747	8,333	2,849	13,928
Balance at 1 January 2021	3,103	2,439	464	6,006
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	549	(549)	-	-
- Transferred to Stage 2	(542)	542	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	2,814	-	-	2,814
Net remeasurement due to changes in credit risk	1,610	10,249	3,584	15,443
Others	(42)	-	-	(42)
Balance at 31 December 2021	7,492	12,681	4,048	24,221

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20 Other Assets

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Settlements	354,231	248,959	351,830	246,182
Interest/ profit receivable	97,392	148,657	79,441	129,029
Income receivable	34,526	40,628	187,139	101,652
Deposits and prepayments	12,361	2,644	10,472	2,494
Amount due from subsidiary company	-	-	31,128	129,861
Rights of Use (ROU) assets	52,819	54,692	33,549	33,189
Cash collateral	1,158,849	327,761	1,158,849	327,761
Other receivables	211,053	177,598	198,033	161,155
	1,921,231	1,000,939	2,050,441	1,131,323

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.

BNM has reduced the Statutory Reserve Requirement (SRR) Ratio requirement from 3% to 2% effective 20 March 2020. BNM also allowed banks to recognise Malaysia Government Securities (MGS) and Malaysian Government Investment Issues (MGII) securities as part of SRR compliance until 31 December 2022.

22 Investments in Subsidiary Companies

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Investments in Subsidiary Companies				
Unquoted shares, at cost - in Malaysia	-	-	660,021	660,021
Additional Tier 1 USD Wakalah Financing Facility	-	-	501,063	-
	-	-	1,161,084	660,021

Unquoted shares, at cost - in Malaysia

The subsidiary companies of the Bank are as follows:

<i>Name</i>	<i>Principal activities</i>	<i>Percentage of equity held</i>	
		30 Sep 2022	31 Dec 2021
HSBC Amanah Malaysia Berhad (HBMS)	Islamic banking and related financial services	100%	100%
HSBC (Kuala Lumpur) Nominees Sdn Bhd	Nominees, trustees or agents	100%	100%
HSBC Nominees (Tempatan) Sdn Bhd	to receive securities for	100%	100%
HSBC Nominees (Asing) Sdn Bhd	safe custody and management	100%	100%

All income and expenditure arising from the activities of subsidiaries which are nominee companies were recognised in the Bank's results, in respect of which the right of recovery has been waived. Audit reports for all the subsidiaries' financial statements as at 31 December 2021 and 31 December 2020 were not qualified. None of the subsidiaries hold shares in holding company and other related corporations.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22 Investments in Subsidiary Companies (Cont'd)

Additional Tier 1 USD Wakalah Financing Facility

During the year, the Bank subscribed to a USD Wakalah Financing Facility (the Facility) equivalent to RM501 million from its subsidiary, HSBC Amanah Malaysia Berhad (HBMS). The Facility qualifies as Additional Tier 1 capital of HBMS as per the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by BNM.

The Facility will be perpetual with no fixed maturity and may be callable at the option of HBMS only after a period of five years, subject to prior approval from BNM. The expected returns generated from the Wakalah investments pursuant to the disbursement of the Facility are payable on a semi-annual basis (at the full discretion of HBMS at all times) at the rate of compounded overnight SOFR plus 137 basis points. The Facility has no step up features, or any other terms that may create an expectation that the option for prepayment will be exercised. The Facility meets the requirements of equity classification in HBMS as per MFRS 132.

23 Deposits from Customers

(i) By type of deposit	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022 RM'000	31 Dec 2021 RM'000	30 Sep 2022 RM'000	31 Dec 2021 RM'000
Demand deposits	27,230,508	25,628,566	23,751,695	22,309,723
Savings deposits	17,339,466	17,968,576	14,387,558	15,108,971
Fixed deposits	26,685,815	24,378,551	19,565,349	17,765,318
	71,255,789	67,975,693	57,704,602	55,184,012

The maturity structure of fixed deposits is as follows:

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022 RM'000	31 Dec 2021 RM'000	30 Sep 2022 RM'000	31 Dec 2021 RM'000
Due within six months	20,934,756	18,619,795	15,087,651	13,407,218
More than six months to one year	4,702,335	4,559,287	3,796,437	3,585,367
More than one year to three years	894,250	938,264	582,630	591,545
More than three years to five years	154,474	261,205	98,631	181,188
	26,685,815	24,378,551	19,565,349	17,765,318

(ii) By type of customer	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022 RM'000	31 Dec 2021 RM'000	30 Sep 2022 RM'000	31 Dec 2021 RM'000
	26,246	20,682	8,834	7,158
Business enterprises	29,025,200	27,413,477	25,257,164	23,802,931
Individuals	26,154,861	26,427,705	20,424,622	20,689,676
Foreign entities/individuals	14,391,227	12,753,879	11,100,831	9,943,178
Others	1,658,255	1,359,950	913,151	741,069
	71,255,789	67,975,693	57,704,602	55,184,012

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Licensed banks	303	365	300,303	365
Bank Negara Malaysia	247,489	246,249	240,038	244,383
Other financial institutions	2,765,785	2,568,652	2,765,774	1,822,156
	3,013,577	2,815,266	3,306,115	2,066,904

25 Structured Liabilities Designated at Fair Value through Profit or Loss

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Structured liabilities	3,621,442	2,909,026	1,622,831	1,720,927

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.

26 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Settlements	182,635	323,468	182,193	323,412
Interest/ profit payable	195,705	160,815	137,549	110,586
Deferred income	175,633	80,065	157,903	64,133
Marginal deposit	212,054	141,164	166,162	121,712
Amount due to subsidiary company	-	-	2,788	371
Accrued expenses	886,536	794,560	869,061	766,891
Lease liabilities	56,847	58,862	35,574	35,206
Cash collateral	197,415	297,250	197,415	297,250
Other creditors	1,083,603	924,949	952,933	805,594
Provisions on loan and credit related commitments; and financial guarantees ^[1]	22,336	33,158	13,928	24,221
	3,012,764	2,814,291	2,715,506	2,549,376

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27 Multi-Currency Sukuk Programme

	<i>Group</i>	
	30 Sep 2022	31 Dec 2021
	RM'000	RM'000
Multi-Currency Sukuk Programme (MCSP)	506,473	515,333

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 2022	31 Dec 2021
At fair value					
4th series ^[1]	<u>500,000</u>	2 Oct 2018	2 Oct 2023	506,473	515,333

<u>Movement in MCSP</u>	<i>Group</i>	
	4th series	4th series
	30 Sep 2022	31 Dec 2021
	RM'000	RM'000
Balance at 1 January	515,333	523,841
Change in fair value other than from own credit risk	(12,096)	(12,401)
Change in fair value from own credit risk	3,236	3,893
Balance at 30 September 2022/ 31 December 2021	506,473	515,333

	<i>Group</i>	
	30 Sep 2022	31 Dec 2021
	RM'000	RM'000
The cumulative loss from change in fair value due to changes in own credit risk	3,236	3,893

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

28 Subordinated Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Second tranche issued on 2 November 2007, at par ^[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 on 2 November 2022.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29 Share Capital and Other Equity

	<i>Group and Bank</i>			
	30 Sep 2022		31 Dec 2021	
	Number of Shares ('000)	RM'000	Number of Shares ('000)	RM'000
Share capital, issued and fully paid				
<u>Ordinary shares of RM0.50 each</u>				
At 1 January / 30 September 2022 / 31 December 2021	229,000	1,045,875	229,000	1,045,875
<u>Preference shares of RM1.00 each</u> ^[1]				
At 1 January	-	-	-	-
Issued during the year	1,500,000	1,500,000	-	-
At 30 September 2022 / 31 December 2021	1,500,000	1,500,000	-	-
Other equity				
Additional Tier 1 perpetual capital term loan ^[2]		-		500,000
Total share capital and other equity		2,545,875		1,545,875

^[1] On 27 June 2022, the Group and the Bank issued non-cumulative and non-convertible redeemable perpetual preference shares amounting to RM1.5 billion. The preference shares qualify 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). The dividend rate of the preference shares is 3M KLIBOR plus 36 basis points per annum. Dividend 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. The capital instrument meets the requirements of equity classification as per MFRS 132.

^[2] 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 BNM. Coupon 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. The capital instrument meets the requirements of equity classification as per MFRS 132.

The Group and the Bank redeemed this RM500 million capital instrument on 27 June 2022.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Net Interest Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022 RM'000	30 Sep 2021 RM'000	30 Sep 2022 RM'000	30 Sep 2021 RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	327,407	282,174	902,818	866,307
- Interest income recognised from impaired loans	7,184	6,400	26,466	23,681
Money at call and deposit placements with financial institutions	113,171	55,688	253,673	186,511
Financial investments at FVOCI	56,439	54,712	174,548	132,227
Financial investments at amortised costs	9,780	1,305	13,308	4,042
	513,981	400,279	1,370,813	1,212,768
Interest expense				
Deposits and placements of banks and other financial institutions	(4,543)	(2,024)	(8,490)	(6,771)
Deposits from customers	(132,880)	(93,115)	(333,100)	(285,303)
Subordinated liabilities	(6,365)	(6,365)	(18,886)	(18,886)
Lease liabilities	(409)	(423)	(1,183)	(396)
Others	(130)	(123)	(387)	(449)
	(144,327)	(102,050)	(362,046)	(311,805)
Net interest income	369,654	298,229	1,008,767	900,963
	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022 RM'000	30 Sep 2021 RM'000	30 Sep 2022 RM'000	30 Sep 2021 RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	327,407	282,174	902,818	866,307
- Interest income recognised from impaired loans	7,184	6,400	26,466	23,681
Money at call and deposit placements with financial institutions	125,377	60,564	279,353	201,053
Financial investments at FVOCI	56,439	54,712	174,548	132,227
Financial investments at amortised cost	9,780	1,305	13,308	4,042
	526,187	405,155	1,396,493	1,227,310
Interest expense				
Deposits and placements of banks and other financial institutions	(5,783)	(2,024)	(10,045)	(6,771)
Deposits from customers	(132,880)	(93,115)	(333,100)	(285,303)
Subordinated liabilities	(6,365)	(6,365)	(18,886)	(18,886)
Lease liabilities	(409)	(423)	(1,183)	(396)
Others	(130)	(123)	(387)	(449)
	(145,567)	(102,050)	(363,601)	(311,805)
Net interest income	380,620	303,105	1,032,892	915,505

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Net Trading Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Realised gains on financial assets/liabilities at FVTPL and other financial instruments	8,749	5,205	3,815	3,303
Net interest income from financial assets at FVTPL	24,779	10,531	48,564	28,360
Net unrealised losses on revaluation of financial assets at FVTPL	(43,768)	(3,872)	(17,365)	(7,947)
Net realised gains arising from dealing in foreign currency	125,695	186,555	275,103	296,065
Net unrealised gains/ (losses) from dealing in foreign currency	82,951	(52,480)	(9,483)	(126,638)
Net realised (losses)/ gains arising from dealing in derivatives	(3,365)	16,401	(11,310)	101,862
Net unrealised losses on revaluation of derivatives	(87,267)	(36,420)	(126,928)	(113,441)
Gains/ (Losses) arising from fair value hedges	554	9	(875)	35
	108,328	125,929	161,521	181,599

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Realised gains/ (losses) on financial assets/liabilities at FVTPL and other financial instruments	8,062	2,984	928	(1,118)
Net interest income from financial assets at FVTPL	24,779	10,531	48,564	28,360
Net unrealised (losses)/ gains on revaluation of financial assets at FVTPL	(9,487)	2,892	19,140	1,041
Net realised gains arising from dealing in foreign currency	102,461	186,161	254,295	298,097
Net unrealised gains/ (losses) from dealing in foreign currency	41,569	(77,053)	144,912	44,566
Net realised (losses)/ gains arising from dealing in derivatives	(35,278)	15,494	(30,355)	113,823
Net unrealised losses on revaluation of derivatives	(8,705)	(33,621)	(53,826)	(116,102)
Gains/ (Losses) arising from fair value hedges	554	9	(875)	35
	123,955	107,397	382,783	368,702

Net trading income for the Group is presented in both Note 32 and Note 33. A reconciliation of the net trading income for the Group is as follows:

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Total net trading income (net of elimination with subsidiary)	100,557	111,740	329,783	396,350
of which:				
- is disclosed in Note 32	108,328	125,929	161,521	181,599
- is included under Income from Islamic Banking operations of the Group (Note 33)	(7,771)	(14,189)	168,262	214,751

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Income from Islamic Banking operations

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

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
- depositor funds and others ^[1]	183,637	123,493	486,214	408,774
- shareholders funds	35,577	32,537	111,786	108,463
Total income before allowance for impairment losses on financing and advances	219,214	156,030	598,000	517,237
Income attributable to the depositors	(55,093)	(42,161)	(140,464)	(130,816)
Income from Islamic Banking operations before elimination	164,121	113,869	457,536	386,421
Elimination of intercompany income and expenses	25,895	(13,976)	243,258	200,225
Income from Islamic Banking operations reported in statement of profit or loss of the Group ^[2]	190,016	99,893	700,794	586,646
^[1] Included in income derived from investment of depositors' funds and others are net income/(expenses) from financial liabilities designated at fair value through profit or loss for the period ended 30 September:	32,690	922	82,158	(7,346)
^[2] Included in income from Islamic Banking operations reported in statement of profit or loss of the Group is net trading (loss)/ income for the period ended 30 September:	(7,771)	(14,189)	168,262	214,751

34 Other Operating Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Gain from disposal of financial investments at FVOCI	-	-	-	22,692
Dividend income from financial investments at FVOCI				
- Unquoted in Malaysia	310	310	1,485	1,415
Rental income	1,308	794	4,043	2,518
Net gain on disposal of property and equipment	-	-	147	21
Other operating income	10,428	6,519	33,239	19,867
	12,046	7,623	38,914	46,513
	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Gain from disposal of financial investments at FVOCI	-	-	-	22,692
Dividend income from financial investments at FVOCI				
- Unquoted in Malaysia	310	310	1,485	1,415
Dividend income from subsidiary	-	-	-	50,000
Rental income	1,308	794	4,043	2,518
Net gain on disposal of property and equipment	-	-	147	21
Income recharges from subsidiary	36,605	35,539	110,378	104,289
Other operating income	10,428	6,519	33,239	19,867
	48,651	43,162	149,292	200,802

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Impairment (Write-back)/ Allowance

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	(7,375)	103,825	41,648	641,385
Recoveries	(31,298)	(22,664)	(93,133)	(83,957)
Written off	673	4	1,161	1,462
Total (write-back from)/ charge to the statements of profit or loss	(38,000)	81,165	(50,324)	558,890

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	(17,662)	21,936	(12,153)	363,087
Recoveries	(16,737)	(11,633)	(49,052)	(41,636)
Written off	1,010	1	1,641	1,458
Total (write-back from)/ charge to the statements of profit or loss	(33,389)	10,304	(59,564)	322,909

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 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	(16,972)	101,697	53,750	621,254
Recoveries	(31,298)	(22,664)	(93,133)	(83,957)
Written off	673	4	1,161	1,462
Total (write-back from)/ charge to the statements of profit or loss	(47,597)	79,037	(38,222)	538,759

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	(20,926)	22,794	(749)	347,253
Recoveries	(16,737)	(11,633)	(49,052)	(41,636)
Written off	1,010	1	1,641	1,458
Total (write-back from)/ charge to the statements of profit or loss	(36,653)	11,162	(48,160)	307,075

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

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Net increase/ (net release) in allowance / provisions	34	(5,793)	(1)	8

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Impairment (Write-back)/ Allowance (Cont'd)

(ii) Deposits and placements with banks and other financial institutions (cont'd)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Net increase/ (net release) in allowance / provisions	30	(5,795)	(5)	12

(iii) Debt securities - FVOCI

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Net increase/ (net release) in allowance / provisions	219	933	(615)	697

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Net increase/ (net release) in allowance / provisions	179	797	(500)	589

(iv) Financial investments at amortised costs

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Net increase/ (net release) in allowance / provisions	284	320	(459)	705

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Net increase/ (net release) in allowance / provisions	284	320	(459)	705

(v) Loan commitments and contingencies

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Net increase/ (net release) in allowance / provisions	9,060	6,668	(11,027)	18,721

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Impairment Allowance/Provisions (Cont'd)

(v) Loan commitments and contingencies (cont'd)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Net increase/ (net release) in allowance / provisions	2,771	3,820	(10,440)	14,528

36 Other Operating Expenses

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	162,659	169,385	489,333	576,736
Promotion and marketing related expenses	6,644	4,570	29,046	23,073
Establishment related expenses	33,451	28,179	92,207	74,507
General administrative expenses	39,777	36,157	121,588	110,105
Related company charges	199,796	171,541	543,655	496,264
	442,327	409,832	1,275,829	1,280,685
Personnel expenses				
Salaries, allowances and bonuses	120,550	134,321	369,721	405,894
Employees Provident Fund contributions	21,311	22,245	62,831	67,608
Share based payment	1,994	(1,701)	5,695	6,430
Others	18,804	14,520	51,086	96,804
	162,659	169,385	489,333	576,736
Establishment related expenses				
Depreciation of property and equipment	7,924	5,679	23,781	16,936
Depreciation of RoU assets	3,482	4,041	10,756	14,039
Amortisation of intangible assets	1,979	1,939	6,207	5,842
Impairment for intangible asset	528	614	764	388
Information technology cost	3,172	3,063	9,665	9,972
Property and equipment written off	-	-	770	1,835
General repairs and maintenance	4,791	4,787	14,097	10,259
Utilities	1,566	1,548	4,656	5,764
Others	10,009	6,508	21,511	9,472
	33,451	28,179	92,207	74,507
Related company charges	199,796	171,541	543,655	496,264
Of which by:				
(i) Type of service				
- Information technology related cost	90,849	70,838	257,931	200,098
- Non information technology related cost	108,947	100,703	285,724	296,166
(ii) Countries/territories				
- Hong Kong	129,205	102,242	350,228	288,967
- United Kingdom	38,703	49,328	109,560	148,474
- Malaysia	19,224	19,686	51,356	54,313
- India	8,929	-	23,435	-
- Others	3,735	285	9,076	4,510

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Other Operating Expenses (Cont'd)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2022 RM'000	30 Sep 2021 RM'000	30 Sep 2022 RM'000	30 Sep 2021 RM'000
Personnel expenses	153,496	155,957	462,525	541,831
Promotion and marketing related expenses	5,232	4,249	24,362	18,776
Establishment related expenses	31,106	24,165	83,960	62,414
General administrative expenses	34,185	30,710	100,694	89,884
Related company charges	197,670	168,883	537,755	488,542
	421,689	383,964	1,209,296	1,201,447
Personnel expenses				
Salaries, allowances and bonuses	113,027	126,052	348,350	380,753
Employees Provident Fund contributions	19,985	20,828	58,863	63,176
Share based payment	2,102	(1,737)	5,827	6,443
Others	18,382	10,814	49,485	91,459
	153,496	155,957	462,525	541,831
Establishment related expenses				
Depreciation of property and equipment	7,367	5,068	22,108	15,081
Depreciation of RoU assets	2,005	2,443	6,234	9,188
Amortisation of intangible assets	1,979	1,939	6,207	5,842
Impairment for intangible asset	528	614	764	388
Information technology cost	3,048	2,092	8,901	7,485
Property and equipment written off	-	-	698	1,714
General repairs and maintenance	5,081	4,345	14,226	8,689
Utilities	1,324	1,344	3,940	4,872
Others	9,774	6,320	20,882	9,155
	31,106	24,165	83,960	62,414
Related company charges	197,670	168,883	537,755	488,542
Of which by:				
(i) Type of service				
- Information technology related cost	90,849	70,838	257,931	200,098
- Non information technology related cost	106,821	98,045	279,824	288,444
(ii) Countries/territories				
- Hong Kong	129,203	102,240	350,223	288,960
- United Kingdom	38,698	49,055	109,567	147,125
- Malaysia	17,332	17,303	46,056	47,947
- India	8,712	-	22,858	-
- Others	3,725	285	9,051	4,510

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Capital Adequacy

	<i>Group</i>	
	30 Sep 2022	31 Dec 2021
	RM'000	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	7,374,351	8,666,100
Other reserves	863,958	890,478
Regulatory adjustments	(1,154,886)	(1,060,915)
Total CET1 capital	8,129,298	9,541,538
Tier 1 capital		
Additional Tier 1 preference shares	1,500,000	-
Additional Tier 1 perpetual capital term loan	-	500,000
Total Tier 1 capital	9,629,298	10,041,538
Tier 2 capital		
Subordinated liabilities	-	100,000
Impairment allowance (unimpaired portion) & regulatory reserves	640,330	616,205
Regulatory adjustments	93,097	94,032
Total Tier 2 capital	733,427	810,237
Capital base	10,362,725	10,851,775
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	13.882%	16.925%
Tier 1 Capital ratio	16.444%	17.812%
Total Capital ratio	17.696%	19.249%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	13.882%	16.495%
Tier 1 Capital ratio	16.444%	17.382%
Total Capital ratio	17.696%	18.819%

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

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

	<i>Group</i>	
	30 Sep 2022	31 Dec 2021
	RM'000	RM'000
Total RWA for credit risk ^[1]	51,226,428	49,732,001
Total RWA for market risk	2,021,099	1,273,714
Total RWA for operational risk	5,311,266	5,369,068
	58,558,793	56,374,783

^[1] The risk weighted amount for credit risk relating to the SIAF/IAA (refer to Note17(i) for more details) are as follows:

	<i>Group</i>	
	30 Sep 2022	31 Dec 2021
	RM'000	RM'000
Under SIAF/IAA arrangement	2,701,723	2,941,036

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	30 Sep 2022	31 Dec 2021
	RM'000	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	6,082,641	7,358,326
Other reserves	834,280	850,171
Regulatory adjustments	<u>(1,722,977)</u>	<u>(1,637,042)</u>
Total CET1 capital	<u>6,239,819</u>	<u>7,617,330</u>
Tier 1 capital		
Additional Tier 1 preference shares	1,500,000	-
Additional Tier 1 perpetual capital term loan	-	500,000
Regulatory adjustments	<u>(501,063)</u>	<u>-</u>
Total Tier 1 capital	<u>7,238,756</u>	<u>8,117,330</u>
Tier 2 capital		
Subordinated liabilities	-	100,000
Impairment allowance (unimpaired portion) & regulatory reserves	482,268	452,577
Regulatory adjustments	<u>93,097</u>	<u>(321,794)</u>
Total Tier 2 capital	<u>575,365</u>	<u>230,783</u>
Capital base	<u>7,814,121</u>	<u>8,348,113</u>
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	13.849%	17.122%
Tier 1 Capital ratio	16.066%	18.246%
Total Capital ratio	17.343%	18.764%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	13.849%	16.576%
Tier 1 Capital ratio	16.066%	17.700%
Total Capital ratio	17.343%	18.219%

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

Breakdown of RWA in the various risk categories:

	<i>Bank</i>	
	30 Sep 2022	31 Dec 2021
	RM'000	RM'000
Total RWA for credit risk ^[1]	38,581,427	38,524,879
Total RWA for market risk	1,834,244	1,212,910
Total RWA for operational risk	<u>4,639,373</u>	<u>4,751,416</u>
	<u>45,055,044</u>	<u>44,489,205</u>

^[1] The risk weighted amount for credit risk relating to the SIAF/IAA (refer to Note17(i) for more details) are as follows:

	<i>Bank</i>	
	30 Sep 2022	31 Dec 2021
	RM'000	RM'000
Under SIAF/IAA arrangement	<u>2,701,723</u>	<u>2,941,036</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Capital Adequacy (Cont'd)

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

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

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

(i) the Capital Ratios, computed in accordance with the transitional arrangement

(ii) the Capital Ratios, had the transitional arrangement not been applied.

Group	With Transitional Arrangement (%)		Without Transitional Arrangement (%)	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
<u>Before deducting proposed dividend</u>				
CET1 Capital Ratio	13.882%	16.925%	13.850%	16.767%
Tier 1 Capital Ratio	16.444%	17.812%	16.412%	17.654%
Total Capital Ratio	17.696%	19.249%	17.664%	19.101%
<u>After deducting proposed dividend</u>				
CET1 Capital Ratio	13.882%	16.495%	13.850%	16.337%
Tier 1 Capital Ratio	16.444%	17.382%	16.412%	17.223%
Total Capital Ratio	17.696%	18.819%	17.664%	18.670%
Bank	With Transitional Arrangement (%)		Without Transitional Arrangement (%)	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
<u>Before deducting proposed dividend</u>				
CET1 Capital Ratio	13.849%	17.122%	13.815%	16.946%
Tier 1 Capital Ratio	16.066%	18.246%	16.032%	18.070%
Total Capital Ratio	17.343%	18.764%	17.309%	18.654%
<u>After deducting proposed dividend</u>				
CET1 Capital Ratio	13.849%	16.576%	13.815%	16.401%
Tier 1 Capital Ratio	16.066%	17.700%	16.032%	17.524%
Total Capital Ratio	17.343%	18.219%	17.309%	18.108%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 Commitments and Contingencies

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

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

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
Principal amount	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	672,480	642,637	647,022	625,220
Transaction-related contingent items	10,841,559	10,480,561	9,002,143	8,807,141
Short-term self-liquidating trade-related contingencies	739,211	612,771	399,422	560,360
Formal standby facilities and credit lines				
- Maturity not exceeding one year	7,564,223	8,239,721	5,790,024	6,877,826
- Maturity exceeding one year	16,214,173	15,153,783	12,257,364	11,963,035
Other unconditionally cancellable	19,529,452	15,851,700	16,535,621	13,507,758
Unutilised credit card lines	12,940,339	12,763,796	9,531,354	9,305,109
Foreign exchange related contracts:				
- Less than one year	99,076,983	69,987,915	100,456,688	70,463,324
- Over one year to less than five years	4,757,943	4,875,308	4,757,592	4,896,130
- Over five years	778,361	567,821	778,361	567,821
Interest/profit rate related contracts:				
- Less than one year	14,026,064	8,672,915	14,783,754	8,907,915
- Over one year to less than five years	28,628,764	23,650,660	30,378,641	24,837,128
- Over five years	1,931,311	1,599,836	1,931,311	1,599,836
Gold and other precious metals contracts:				
- Less than one year	10,754	11,254	10,754	11,254
Equity related contracts:				
- Less than one year	1,056,891	759,125	1,555,751	1,002,501
- Over one year to less than five years	2,110,120	1,229,215	3,322,465	1,821,834
	220,878,628	175,099,018	212,138,267	165,754,192

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

<i>Formal standby facilities and credit lines:</i>				
- Maturity not exceeding one year	139,543	-	139,543	-
- Maturity exceeding one year	109,882	180,534	109,882	180,534
	249,425	180,534	249,425	180,534

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39 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 2022	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	96,046,541	1,492,227	-	97,538,768	1,828,581	39,536	-	1,868,117	1,596,233	30,368	-	1,626,601
- Swaps	2,235,006	3,265,716	778,361	6,279,083	125,875	162,638	130,739	419,252	133,768	207,388	53,244	394,400
- Options	795,436	-	-	795,436	3,477	-	-	3,477	3,619	-	-	3,619
Interest/profit rate related contracts												
- Options	381,211	210,247	-	591,458	13,918	-	-	13,918	764	2,745	-	3,509
- Swaps	11,594,853	26,918,517	1,931,311	40,444,681	46,086	295,177	50,091	391,354	31,925	320,005	48,915	400,845
Equity related contracts												
- Options	1,056,891	2,110,120	-	3,167,011	7,044	72,870	-	79,914	254,334	194,387	-	448,721
Precious metal contracts												
- Options	10,754	-	-	10,754	-	-	-	-	49	-	-	49
Sub- total	112,120,692	33,996,827	2,709,672	148,827,191	2,024,981	570,221	180,830	2,776,032	2,020,692	754,893	102,159	2,877,744
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	2,050,000	1,500,000	-	3,550,000	5,886	1,446	-	7,332	2,384	-	-	2,384
Sub- total	2,050,000	1,500,000	-	3,550,000	5,886	1,446	-	7,332	2,384	-	-	2,384
Total	114,170,692	35,496,827	2,709,672	152,377,191	2,030,867	571,667	180,830	2,783,364	2,023,076	754,893	102,159	2,880,128

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39 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 At 31 Dec 2021	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	66,792,699	761,994	-	67,554,693	310,172	6,612	-	316,784	264,509	3,782	-	268,291
- Swaps	2,558,802	4,113,314	567,821	7,239,937	103,218	125,748	73,771	302,737	103,762	33,279	19,249	156,290
- Options	636,414	-	-	636,414	2,202	-	-	2,202	672	-	-	672
Interest/profit rate related contracts												
- Options	448,745	110,762	-	559,507	847	68	-	915	4,655	15	-	4,670
- Swaps	7,654,170	22,989,898	1,599,836	32,243,904	21,655	221,800	28,480	271,935	26,207	199,917	31,310	257,434
Equity related contracts												
- Options	759,125	1,229,215	-	1,988,340	7,909	22,025	-	29,934	129,873	109,907	-	239,780
Precious metal contracts												
- Options	11,254	-	-	11,254	-	-	-	-	28	-	-	28
Sub- total	78,861,209	29,205,183	2,167,657	110,234,049	446,003	376,253	102,251	924,507	529,706	346,900	50,559	927,165
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	570,000	550,000	-	1,120,000	-	-	-	-	7,310	13,106	-	20,416
Sub- total	570,000	550,000	-	1,120,000	-	-	-	-	7,310	13,106	-	20,416
Total	79,431,209	29,755,183	2,167,657	111,354,049	446,003	376,253	102,251	924,507	537,016	360,006	50,559	947,581

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39 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 2022	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	97,380,375	1,491,876	-	98,872,251	1,770,529	39,536	-	1,810,065	1,590,159	30,658	-	1,620,817
- Swaps	2,280,877	3,265,716	778,361	6,324,954	126,507	162,638	131,232	420,377	138,036	207,388	53,509	398,933
- Options	795,436	-	-	795,436	3,477	-	-	3,477	3,619	-	-	3,619
Interest rate related contracts												
- Options	381,211	666,127	-	1,047,338	13,918	49,280	-	63,198	764	2,745	-	3,509
- Swaps	12,352,543	28,212,514	1,931,311	42,496,368	49,288	302,356	50,091	401,735	32,025	323,208	48,915	404,148
Equity related contracts												
- Options	1,555,751	3,322,465	-	4,878,216	15,943	128,925	-	144,868	257,394	194,434	-	451,828
Precious metal contracts												
- Options	10,754	-	-	10,754	-	-	-	-	49	-	-	49
Sub- total	114,756,947	36,958,698	2,709,672	154,425,317	1,979,662	682,735	181,323	2,843,720	2,022,046	758,433	102,424	2,882,903
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	2,050,000	1,500,000	-	3,550,000	5,886	1,446	-	7,332	2,384	-	-	2,384
Sub- total	2,050,000	1,500,000	-	3,550,000	5,886	1,446	-	7,332	2,384	-	-	2,384
Total	116,806,947	38,458,698	2,709,672	157,975,317	1,985,548	684,181	181,323	2,851,052	2,024,430	758,433	102,424	2,885,287

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39 Derivative Financial Instruments (Cont'd)

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

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

Bank At 31 Dec 2021	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	67,316,115	761,994	-	68,078,109	305,755	6,612	-	312,367	265,943	3,782	-	269,725
- Swaps	2,510,795	4,134,136	567,821	7,212,752	104,315	125,908	73,771	303,994	103,604	33,381	19,249	156,234
- Options	636,414	-	-	636,414	2,202	-	-	2,202	672	-	-	672
Interest rate related contracts												
- Options	448,745	472,730	-	921,475	847	12,843	-	13,690	4,655	15	-	4,670
- Swaps	7,889,170	23,814,398	1,599,836	33,303,404	21,655	221,900	28,480	272,035	26,988	215,651	31,310	273,949
Equity related contracts												
- Options	1,002,501	1,821,834	-	2,824,335	7,909	26,185	-	34,094	135,395	125,610	-	261,005
Precious metal contracts												
- Options	11,254	-	-	11,254	-	-	-	-	28	-	-	28
Sub- total	79,814,994	31,005,092	2,167,657	112,987,743	442,683	393,448	102,251	938,382	537,285	378,439	50,559	966,283
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	570,000	550,000	-	1,120,000	-	-	-	-	7,310	13,106	-	20,416
Sub- total	570,000	550,000	-	1,120,000	-	-	-	-	7,310	13,106	-	20,416
Total	80,384,994	31,555,092	2,167,657	114,107,743	442,683	393,448	102,251	938,382	544,595	391,545	50,559	986,699

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

	<i>Group and Bank</i>	
	30 Sep 2022 RM'000	30 Sep 2021 RM'000
Gains on hedging instruments	23,930	20,486
Losses on the hedged items attributable to the hedged risk	(24,805)	(20,451)
(Net losses)/ net gains from fair value hedges	(875)	35

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

40 Performance Review, Economy and Prospects

Performance Review

The Group recorded a profit before tax (PBT) of RM1,057 million for the financial period ended 30 September 2022, an increase of RM888 million year-on-year (y-o-y). The improvement was mainly due to Group recorded a net release of impairment charges of RM50 million during the period compared to a net charge of RM559 million in the corresponding period last year. This was coupled with higher operating income (up RM274 million) and lower operating expenses (down RM5 million).

Total balance sheet size as at 30 September 2022 has increased by 7.9% or RM7.0 billion to RM96.7 billion (31 December 2021: RM89.6 billion). The Group's capital and liquidity coverage ratios continue to remain strong and well above regulatory requirements.

Economy and Prospects

The global economy growth is slowing with further downward trend expected as many countries are likely to see their economies contract. The global economy continues to be impacted by multiple shocks - the prolonged military conflict in Ukraine, high energy and food prices, supply chain disruptions and persistent inflationary pressures, leading monetary authorities implementing rate hikes to combat inflation.

For Malaysia, core inflation rate hit a new high of 3.8% y-o-y in August 2022 while headline inflation for the same month hit 4.7% y-o-y. BNM had also raised Overnight Policy Rate (OPR) by a further 25 basis points (bps) in September 2022 to 2.50%. This is the third consecutive hike so far this year, bringing the total increase in the OPR to 75 bps from a historic low of 1.75% since the pandemic in 2020. The Malaysian Ringgit, alongside with many major currencies around world, depreciated to its lowest in 24 years against the US dollars. There is also a widening spread between US and local interest rates. This year alone, the US Federal Reserve implemented five interest rate hikes thus far, with a total of 300 bps.

Nevertheless, Malaysia's economy remains resilient to weather the coming headwinds. For the 1H 2022, BNM reported GDP growth of 6.9% supported by strong exports and domestic demand. Despite the increased volatility in the global financial and foreign exchange markets, these developments are not expected to significantly derail Malaysia's growth within 2022, with BNM maintained its 2022 Malaysia GDP growth projection at 5.3% to 6.3% with actual figures expected to be in the upper end of the projected range. Indicators pointed towards continued growth, supported by private sector spending, improved labour market conditions and income prospects, activities from tourism-related sectors arising from reopening of international borders, and cross border economic activities prospects arising from the realisation of multi-year projects. The downside risks to the domestic economy continue to stem from a weaker-than-expected global growth, further escalation of geopolitical conflicts, and worsening supply chain disruptions.

Malaysia remains important to HSBC Group's strategy and is crucial to its growth plans across ASEAN. HSBC Malaysia continues to strategise its efforts to be the preferred international financial partner for its clients. This includes supporting the growing wealth needs of our customers and leveraging the reach and value of our global network for our corporate and institutional clients while also investing at scale domestically. We are also continuously investing in technology, inspiring a dynamic and inclusive culture and helping employees develop future-ready skills, and supporting clients to achieve their transition to net-zero.

HSBC Malaysia is accorded "Digital Bank of the Year" for two consecutive years and "Best Service Provider – Trade Finance" by The Asset Triple A. The Group has also been ranked as a Market Leader in the ESG, Diversity and Inclusion as well as CSR categories as part of Euromoney Market Leaders 2022.