

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**31 MARCH 2023**

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

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

**UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2023**

		<i>Group</i>		<i>Bank</i>	
		<b>31 Mar 2023</b>	<b>31 Dec 2022</b>	<b>31 Mar 2023</b>	<b>31 Dec 2022</b>
<b>Assets</b>	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and short-term funds	12	<b>17,925,263</b>	17,585,339	<b>13,658,116</b>	13,067,553
Securities purchased under resale agreements		<b>6,997,557</b>	5,551,731	<b>6,997,557</b>	5,551,731
Deposits and placements with banks and other financial institutions	13	–	633,429	<b>1,140,238</b>	1,621,375
Financial assets at fair value through profit and loss (FVTPL)	14	<b>2,781,516</b>	4,329,807	<b>2,781,516</b>	4,329,807
Financial investments at fair value through other comprehensive income (FVOCI)	15	<b>12,787,758</b>	11,424,139	<b>11,341,725</b>	9,981,490
Financial investments at amortised cost	16	<b>6,278,816</b>	4,116,831	<b>5,402,138</b>	3,662,707
Loans, advances and financing	17	<b>43,649,542</b>	46,352,337	<b>30,258,508</b>	32,509,326
Derivative financial assets	39	<b>1,461,100</b>	2,066,864	<b>1,536,483</b>	2,173,972
Other assets	20	<b>1,802,234</b>	1,223,784	<b>1,818,412</b>	1,356,832
Statutory deposits with Bank Negara Malaysia	21	<b>561,216</b>	565,087	<b>336,855</b>	366,227
Investments in subsidiary companies	22	–	–	<b>1,161,084</b>	1,161,084
Property and equipment		<b>1,032,829</b>	1,046,163	<b>1,026,247</b>	1,039,394
Intangible assets		<b>16,854</b>	18,450	<b>16,854</b>	18,450
Tax recoverable		<b>44,059</b>	27,954	<b>20,850</b>	20,850
Deferred tax assets		<b>178,387</b>	186,228	<b>148,766</b>	154,953
Property held for sale	23	<b>62,686</b>	52,342	<b>62,686</b>	52,342
<b>Total assets</b>		<b>95,579,817</b>	95,180,485	<b>77,708,035</b>	77,068,093
<b>Liabilities</b>					
Deposits from customers	24	<b>71,478,990</b>	70,486,335	<b>57,881,854</b>	56,528,704
Deposits and placements from banks and other financial institutions	25	<b>1,837,273</b>	2,349,993	<b>2,122,700</b>	2,641,010
Bills payable		<b>163,920</b>	145,727	<b>137,993</b>	126,086
Derivative financial liabilities	39	<b>1,741,456</b>	2,155,248	<b>1,741,732</b>	2,128,100
Structured liabilities designated at fair value through profit and loss	26	<b>4,011,716</b>	3,754,684	<b>1,919,333</b>	1,652,201
Other liabilities	27	<b>3,725,558</b>	4,023,350	<b>3,405,451</b>	3,812,907
Provision for taxation		<b>98,628</b>	102,477	<b>98,628</b>	102,477
Multi-Currency Sukuk Programme	28	<b>502,966</b>	504,771	–	–
<b>Total liabilities</b>		<b>83,560,507</b>	83,522,585	<b>67,307,691</b>	66,991,485
<b>Equity</b>					
Share capital and other equity	29	<b>2,545,875</b>	2,545,875	<b>2,545,875</b>	2,545,875
Reserves		<b>9,473,435</b>	9,112,025	<b>7,854,469</b>	7,530,733
<b>Total equity attributable to owner of the Bank</b>		<b>12,019,310</b>	11,657,900	<b>10,400,344</b>	10,076,608
<b>Total liabilities and equity</b>		<b>95,579,817</b>	95,180,485	<b>77,708,035</b>	77,068,093
<b>Commitments and contingencies</b>	38	<b>236,873,312</b>	229,545,974	<b>228,999,951</b>	221,355,062

*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 2022 and the accompanying explanatory notes on pages 11 to 44 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 28 April 2023.*

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

**UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

	<i>Note</i>	<i>Group</i>		<i>Bank</i>	
		<b>31 Mar 2023</b>	31 Mar 2022	<b>31 Mar 2023</b>	31 Mar 2022
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Interest income	30	<b>654,469</b>	415,976	<b>671,922</b>	421,442
Interest expense	30	<b>(200,722)</b>	(103,427)	<b>(203,427)</b>	(103,427)
Net interest income	30	<b>453,747</b>	312,549	<b>468,495</b>	318,015
Fee and commission income	31	<b>113,323</b>	101,514	<b>113,179</b>	101,246
Fee and commission expense	31	<b>(25,853)</b>	(19,955)	<b>(25,853)</b>	(19,955)
Net fee and commission income	31	<b>87,470</b>	81,559	<b>87,326</b>	81,291
Net trading income	32	<b>97,593</b>	35,259	<b>215,817</b>	85,552
Income from Islamic banking operations	33	<b>296,706</b>	203,356	–	–
Net (expense)/income from financial liabilities designated at fair value		<b>(22,810)</b>	62,903	<b>(22,810)</b>	62,903
Other operating income	34	<b>18,709</b>	10,336	<b>68,339</b>	47,208
Operating income before impairment losses		<b>931,415</b>	705,962	<b>817,167</b>	594,969
Impairment (provision)/write-back	35	<b>(76,389)</b>	(20,779)	<b>(30,672)</b>	23,347
Net operating income		<b>855,026</b>	685,183	<b>786,495</b>	618,316
Other operating expenses	36	<b>(413,745)</b>	(418,677)	<b>(392,568)</b>	(397,921)
Profit before tax		<b>441,281</b>	266,506	<b>393,927</b>	220,395
Tax expense		<b>(109,177)</b>	(85,846)	<b>(94,337)</b>	(71,534)
<b>Profit for the financial period</b>		<b>332,104</b>	180,660	<b>299,590</b>	148,861
Profit attributable to the owner of the Bank		<b>332,104</b>	180,660	<b>299,590</b>	148,861
Basic earnings per RM0.50 ordinary share		<b>145.0 sen</b>	78.9 sen	<b>130.8 sen</b>	65.0 sen

*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 2022 and the accompanying explanatory notes on pages 11 to 44 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 28 April 2023.*

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

**UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	<b>31 Mar 2022</b>	<b>31 Mar 2023</b>	<b>31 Mar 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit for the financial period</b>	<b>332,104</b>	<b>180,660</b>	<b>299,590</b>	<b>148,861</b>
<b>Other comprehensive income/(expense)</b>				
<b><i>Items that will not be reclassified to profit or loss</i></b>				
Revaluation reserve:				
Income tax effect	<b>1,268</b>	<b>—</b>	<b>1,268</b>	<b>—</b>
Own credit reserve:				
Change in fair value	<b>46</b>	<b>(9,049)</b>	<b>975</b>	<b>(893)</b>
Income tax effect	<b>(11)</b>	<b>2,172</b>	<b>(234)</b>	<b>214</b>
<b><i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i></b>				
Fair value through other comprehensive income reserve (debt instruments):				
Change in fair value	<b>47,543</b>	<b>(10,787)</b>	<b>39,724</b>	<b>(10,717)</b>
Amount transferred to profit or loss	<b>(9,201)</b>	<b>6,583</b>	<b>(9,201)</b>	<b>6,583</b>
Impairment write-back	<b>(93)</b>	<b>(410)</b>	<b>(40)</b>	<b>(310)</b>
Income tax effect	<b>(9,202)</b>	<b>1,011</b>	<b>(7,326)</b>	<b>994</b>
Other comprehensive expense for the financial period, net of income tax	<b>30,350</b>	<b>(10,480)</b>	<b>25,166</b>	<b>(4,129)</b>
<b>Total comprehensive income for the financial period</b>	<b>362,454</b>	<b>170,180</b>	<b>324,756</b>	<b>144,732</b>
<b>Total comprehensive income attributable to the owner of the Bank</b>	<b>362,454</b>	<b>170,180</b>	<b>324,756</b>	<b>144,732</b>

*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 2022 and the accompanying explanatory notes on pages 11 to 44 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 28 April 2023.*

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

**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

Group (RM'000)	Non-distributable							Distributable	
	Share capital		Revaluation reserve	FVOCI reserve	Own credit reserve	Capital contribution reserve	Regulatory reserve	Retained profits	Total equity
	Ordinary shares	Preference shares							
<b>2023</b>									
Balance at 1 January	1,045,875	1,500,000	159,542	130,260	(6,241)	98,247	434,500	8,295,717	11,657,900
Profit for the financial period	–	–	–	–	–	–	–	332,104	332,104
<b>Other comprehensive income, net of income tax</b>									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	–	–	(330)	–	–	–	–	330	–
Deferred tax adjustment on revaluation reserve	–	–	1,268	–	–	–	–	–	1,268
FVOCI reserve/Own credit reserve									
Net change in fair value	–	–	–	36,133	35	–	–	–	36,168
Net amount transferred to profit or loss	–	–	–	(6,993)	–	–	–	–	(6,993)
Impairment write-back	–	–	–	(93)	–	–	–	–	(93)
<i>Total other comprehensive (expense)/income</i>	–	–	938	29,047	35	–	–	330	30,350
<b>Total comprehensive (expense)/income for the financial year</b>	–	–	938	29,047	35	–	–	332,434	362,454
Net change in regulatory reserves	–	–	–	–	–	–	(92,300)	92,300	–
<b>Transactions with the owner, recorded directly in equity</b>									
Share based payment transactions	–	–	–	–	–	(924)	–	(120)	(1,044)
Balance at 31 March	<b>1,045,875</b>	<b>1,500,000</b>	<b>160,480</b>	<b>159,307</b>	<b>(6,206)</b>	<b>97,323</b>	<b>342,200</b>	<b>8,720,331</b>	<b>12,019,310</b>

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

**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023 (Cont'd)**

Group (RM'000)	Non-distributable						Distributable		Total equity
	Ordinary shares	Other equity instrument	Revaluation reserve	FVOCI reserve	Own credit reserve	Capital contribution reserve	Regulatory reserve	Retained profits	
<b>2022</b>									
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	—	—	—	—	—	—	—	180,660	180,660
<b>Other comprehensive income, net of income tax</b>									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	—	—	(526)	—	—	—	—	526	—
FVOCI reserve/Own credit reserve									
Net change in fair value	—	—	—	(8,196)	(6,877)	—	—	—	(15,073)
Net amount transferred to profit or loss	—	—	—	5,003	—	—	—	—	5,003
Impairment write-back	—	—	—	(410)	—	—	—	—	(410)
<i>Total other comprehensive (expense)/income</i>	—	—	(526)	(3,603)	(6,877)	—	—	526	(10,480)
<b>Total comprehensive (expense)/income for the financial period</b>	—	—	(526)	(3,603)	(6,877)	—	—	181,186	170,180
Net change in regulatory reserves	—	—	—	—	—	—	55,400	(55,400)	—
Others	—	—	—	—	—	—	—	92	92
<b>Transactions with the owner, recorded directly in equity</b>									
Share based payment transactions	—	—	—	—	—	(1,342)	—	1,265	(77)
Balance at 31 March	<b>1,045,875</b>	<b>500,000</b>	<b>175,904</b>	<b>151,775</b>	<b>(12,494)</b>	<b>98,731</b>	<b>441,800</b>	<b>8,793,243</b>	<b>11,194,834</b>

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

**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023 (Cont'd)**

Bank (RM'000)	Non-distributable							Distributable	
	Share capital		Revaluation reserve	FVOCI reserve	Own credit reserve	Capital contribution reserve	Regulatory reserve	Retained profits	Total equity
	Ordinary shares	Preference shares							
2023									
Balance at 1 January	1,045,875	1,500,000	159,542	140,089	(1,110)	97,756	360,700	6,773,756	10,076,608
Profit for the financial period	–	–	–	–	–	–	–	299,590	299,590
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	–	–	(330)	–	–	–	–	330	–
Deferred tax adjustment on revaluation reserve	–	–	1,268	–	–	–	–	–	1,268
FVOCI reserve/Own credit reserve									
Net change in fair value	–	–	–	30,190	741	–	–	–	30,931
Net amount transferred to profit or loss	–	–	–	(6,993)	–	–	–	–	(6,993)
Impairment write-back	–	–	–	(40)	–	–	–	–	(40)
Total other comprehensive (expense)/income	–	–	938	23,157	741	–	–	330	25,166
Total comprehensive (expense)/income for the financial year	–	–	938	23,157	741	–	–	299,920	324,756
Net change in regulatory reserves	–	–	–	–	–	–	(46,800)	46,800	–
Transactions with the owner, recorded directly in equity									
Share based payment transactions	–	–	–	–	–	(893)	–	(127)	(1,020)
Balance at 31 March	1,045,875	1,500,000	160,480	163,246	(369)	96,863	313,900	7,120,349	10,400,344

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

**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023 (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	
<b>2022</b>									
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	–	–	–	–	–	–	–	148,861	148,861
<b>Other comprehensive income, net of income tax</b>									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	–	–	(526)	–	–	–	–	526	–
FVOCI reserve/Own credit reserve									
Net change in fair value	–	–	–	(8,143)	(679)	–	–	–	(8,822)
Net amount transferred to profit or loss	–	–	–	5,003	–	–	–	–	5,003
Impairment write-back	–	–	–	(310)	–	–	–	–	(310)
<i>Total other comprehensive (expense)/income</i>	–	–	(526)	(3,450)	(679)	–	–	526	(4,129)
<b>Total comprehensive (expense)/income for the financial year</b>	–	–	(526)	(3,450)	(679)	–	–	149,387	144,732
Net change in regulatory reserves	–	–	–	–	–	–	39,200	(39,200)	–
Others	–	–	–	–	–	–	–	92	92
<b>Transactions with the owner, recorded directly in equity</b>									
Share based payment transactions	–	–	–	–	–	(1,321)	–	1,236	(85)
Balance at 31 March	1,045,875	500,000	175,904	154,779	(4,103)	98,241	378,800	7,469,841	9,819,337

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 2022 and the accompanying explanatory notes on pages 11 to 44 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 28 April 2023.

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

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Mar 2022	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit before tax	<b>441,281</b>	266,506	<b>393,927</b>	220,395
Adjustments for non-operating and non-cash items	<b>582,938</b>	165,914	<b>344,964</b>	78,457
Operating profit before working capital changes	<b>1,024,219</b>	432,420	<b>738,891</b>	298,852
Changes in working capital:				
Net changes in operating assets	<b>2,944,596</b>	(769,311)	<b>2,687,207</b>	(1,173,252)
Net changes in operating liabilities	<b>(34,563)</b>	3,702,185	<b>293,768</b>	3,877,026
Income tax paid	<b>(129,256)</b>	(6,813)	<b>(98,290)</b>	(6,813)
<b>Net cash generated from operations</b>	<b>3,804,996</b>	3,358,481	<b>3,621,576</b>	2,995,813
<b>Net cash (used in)/generated from investing activities</b>	<b>(3,465,285)</b>	195,868	<b>(3,031,013)</b>	32,775
<b>Net cash generated from/(used in) financing activities</b>	<b>213</b>	2,214	<b>–</b>	–
	<b>(3,465,072)</b>	198,082	<b>(3,031,013)</b>	32,775
<b>Net changes in cash and cash equivalents</b>	<b>339,924</b>	3,556,563	<b>590,563</b>	3,028,588
<b>Cash and cash equivalents at 1 January</b>	<b>17,585,339</b>	12,351,813	<b>13,067,553</b>	8,638,234
<b>Cash and cash equivalents at 31 March</b>	<b>17,925,263</b>	15,908,376	<b>13,658,116</b>	11,666,822
<b>Analysis of cash and cash equivalents</b>				
Cash and short-term funds	<b>17,925,263</b>	15,908,376	<b>13,658,116</b>	11,666,822

*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 2022 and the accompanying explanatory notes on pages 11 to 44 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 28 April 2023.*

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

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023 (Cont'd)**

**Change in liabilities arising from financing activities**

**Group (RM'000)**

	<b>At 1 Jan</b>	<b>Cash outflow</b>	<b>Fair value movement</b>	<b>Interest/ Profit accrual</b>	<b>At 31 Mar</b>
<b>2023</b>					
Multi-Currency Sukuk Programme	<b>504,771</b>	–	<b>(1,805)</b>	–	<b>502,966</b>
Subordinated liabilities	–	–	–	–	–
Other liabilities of which:					
Profit paid on Multi-Currency Sukuk Programme	<b>5,301</b>	<b>213</b>	–	<b>5,089</b>	<b>10,603</b>
Interest paid on Subordinated liabilities	–	–	–	–	–
	<b>510,072</b>	<b>213</b>	<b>(1,805)</b>	<b>5,089</b>	<b>513,569</b>
<b>2022</b>					
Multi-Currency Sukuk Programme	515,333	–	(2,310)	–	513,023
Subordinated liabilities	500,000	–	–	–	500,000
Other liabilities of which:					
Profit paid on Multi-Currency Sukuk Programme	5,242	2,214	–	3,088	10,544
Interest paid on Subordinated liabilities	4,151	–	–	6,226	10,377
	<b>1,024,726</b>	<b>2,214</b>	<b>(2,310)</b>	<b>9,314</b>	<b>1,033,944</b>

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

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023 (Cont'd)**

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

**Bank (RM'000)**

	<b>At 1 Jan</b>	<b>Cash outflow</b>	<b>Interest accrual</b>	<b>At 31 Mar</b>
<b>2023</b>				
Subordinated liabilities	–	–	–	–
Other liabilities of which:				
Interest paid on Subordinated liabilities	–	–	–	–
	–	–	–	–
<b>2022</b>				
Subordinated liabilities	500,000	–	–	500,000
Other liabilities of which:				
Interest paid on Subordinated liabilities	4,151	–	6,226	10,377
	504,151	–	6,226	510,377

*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 2022 and the accompanying explanatory notes on pages 11 to 44 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 28 April 2023.*

**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, Tun Razak Exchange, 55188 Kuala Lumpur.

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

The unaudited condensed interim financial statements were approved and authorised for issue by the Board of Directors on 28 April 2023.

### **2 Basis of Preparation**

---

The unaudited condensed interim financial statements for the financial period ended 31 March 2023 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (MFRS) 134 'Interim Financial Reporting' and International Accounting Standard 34 'Interim Financial Reporting'. 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 2022. 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 2022.

#### **(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 2022, except for the adoption of the following Amendments to MFRSs which are effective during the current financial period:

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'
- Amendments to MFRS 101, MFRS Practise Statement 2 and MFRS 108 on 'Disclosure of Accounting Policies' and 'Definition of Accounting Estimates'

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 2024

- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback'

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 2022 was not subject to any qualification.

### 5 Seasonal or Cyclical Factors

---

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

### 6 Unusual Items due to Their Nature, Size or Incidence

---

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and Bank for the financial period ended 31 March 2023.

### 7 Changes in Estimates

---

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and Bank for the financial period ended 31 March 2023.

### 8 Debt and Equity Securities

---

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 31 March 2023.

### 9 Dividend

---

No interim dividend was declared nor paid during the financial period ended 31 March 2023.

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

### 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 2022.

### 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.

### 12 Cash and Short-Term Funds

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>1,259,901</b>	1,184,545	<b>992,525</b>	906,068
Money at call and interbank placements maturing within one month	<b>16,665,362</b>	16,400,794	<b>12,665,591</b>	12,161,485
	<b>17,925,263</b>	17,585,339	<b>13,658,116</b>	13,067,553

Included in Cash and Short-Term Funds of the Bank are placements with the Bank's wholly owned subsidiary, HSBC Amanah Malaysia Berhad (HBMS) of RM500.0 million (31 December 2022: RM413.1 million).

Money at call and interbank placements maturing within one month are within Stage 1 allocation (12-month ECL) with impairment allowance of RM94,000 for the Group and RM85,000 for the Bank as at 31 March 2023 (31 December 2022: RM103,000 for the Group and RM92,000 for the Bank).

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

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Licensed banks	–	–	1,140,238	1,621,375
Bank Negara Malaysia	–	633,429	–	–
	–	633,429	<b>1,140,238</b>	1,621,375

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 RM1,140.2 million (31 December 2022: RM1,621.4 million).

The balance is within Stage 1 allocation (12-month ECL) with RM Nil impairment allowance for the Group and the Bank as at 31 March 2023 (31 December 2022: RM Nil for the Group and the Bank).

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

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

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Money market instruments:				
Malaysian Government treasury bills	<b>25,838</b>	945,147	<b>25,838</b>	945,147
Islamic treasury bills	<b>1,497,215</b>	750,641	<b>1,497,215</b>	750,641
Malaysian Government securities	<b>406,680</b>	1,216,126	<b>406,680</b>	1,216,126
Malaysian Government Islamic Sukuk	<b>219,259</b>	305,902	<b>219,259</b>	305,902
Cagamas bonds and notes	<b>599,430</b>	598,084	<b>599,430</b>	598,084
Negotiable Instruments of Deposits	<b>–</b>	500,094	<b>–</b>	500,094
	<b>2,748,422</b>	4,315,994	<b>2,748,422</b>	4,315,994
Unquoted:				
Corporate bonds and Sukuk	<b>33,094</b>	13,813	<b>33,094</b>	13,813
	<b>2,781,516</b>	4,329,807	<b>2,781,516</b>	4,329,807

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

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Debt instruments</b>				
Money market instruments:				
Bank Negara Malaysia bills	<b>4,089,085</b>	3,098,296	<b>4,089,085</b>	3,098,296
Islamic treasury bills	<b>2,519,288</b>	–	<b>2,519,288</b>	–
Malaysian Government securities	<b>3,460,019</b>	5,612,980	<b>3,460,019</b>	5,612,980
Malaysian Government Islamic Sukuk	<b>2,490,207</b>	2,483,704	<b>1,044,174</b>	1,041,055
	<b>12,558,599</b>	11,194,980	<b>11,112,566</b>	9,752,331
<b>Equity instruments designated as FVOCI</b>				
Unquoted Shares:	<b>229,159</b>	229,159	<b>229,159</b>	229,159
<i>of which</i>				
Cagamas Holdings Berhad	<b>187,373</b>	187,373	<b>187,373</b>	187,373
Credit Guarantee Corporation Malaysia Berhad	<b>35,332</b>	35,332	<b>35,332</b>	35,332
Others	<b>6,454</b>	6,454	<b>6,454</b>	6,454
	<b>12,787,758</b>	11,424,139	<b>11,341,725</b>	9,981,490

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.

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

### 15 Financial Investments at Fair Value through Other Comprehensive Income (FVOCI) (Cont'd)

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

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Maturing within one year	<b>8,983,648</b>	7,645,307	<b>8,011,068</b>	6,672,728
More than one year to three years	<b>3,574,951</b>	3,549,673	<b>3,101,498</b>	3,079,603
	<b>12,558,599</b>	11,194,980	<b>11,112,566</b>	9,752,331

There are no FVOCI balances that are pledged against Repurchase Agreement as at 31 March 2023 (31 December 2022: RM Nil).

Financial investments at FVOCI are within Stage 1 allocation (12-month ECL) with RM644,000 impairment allowance for the Group and RM563,000 for the Bank as at 31 March 2023 (31 December 2022: RM737,000 for the Group and RM603,000 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>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Debt instruments</b>				
Money market instruments:				
Islamic treasury bills	<b>1,355,103</b>	1,931,267	<b>1,158,122</b>	1,735,858
Malaysian Government Islamic Sukuk	<b>2,158,203</b>	749,301	<b>1,578,320</b>	490,586
Malaysian Government securities	<b>2,267,345</b>	1,236,456	<b>2,267,345</b>	1,236,456
Unquoted:				
Corporate Sukuk	<b>299,571</b>	199,807	<b>199,757</b>	199,807
	<b>6,278,816</b>	4,116,831	<b>5,402,138</b>	3,662,707

Financial investments at amortised cost are within Stage 1 allocation (12-month ECL) with RM846,000 impairment allowance for the Group and RM615,000 for the Bank as at 31 March 2023 (31 December 2022: RM411,000 for the Group and RM409,000 for the Bank).

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

### 17 Loans, Advances and Financing

#### (i) By type

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
<b>At amortised cost</b>				
Overdrafts/cash line	569,607	807,248	477,878	722,851
Term loans/financing:				
Housing loans/financing	14,735,128	14,961,902	11,096,018	11,295,656
Syndicated term loans/financing	2,311,173	1,829,388	1,081,294	954,491
Factoring receivables	1,473,670	777,058	1,473,670	777,058
Hire purchase receivables	246,042	234,388	–	–
Other term loans/financing	8,978,081	10,054,944	4,734,209	5,404,169
Bills receivable	3,145,225	4,561,215	2,161,951	3,591,536
Trust receipts	3,196,372	3,295,874	2,518,813	2,552,114
Claims on customers under acceptance credits	932,672	1,168,132	714,240	972,187
Staff loans/financing	45,643	47,390	44,122	45,742
Credit/charge cards	3,710,491	3,734,285	2,535,606	2,548,877
Revolving financing	5,455,633	5,978,959	4,040,085	4,242,985
Other loans/financing	9,668	9,138	7,282	6,922
Gross loans, advances and financing <sup>[1]</sup>	44,809,405	47,459,921	30,885,168	33,114,588
Less: - Impairment allowances	(1,159,863)	(1,107,584)	(626,660)	(605,262)
Total net loans, advances and financing	43,649,542	46,352,337	30,258,508	32,509,326

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

	<i>Bank</i>	
	31 Mar 2023	31 Dec 2022
	RM'000	RM'000
Syndicated term financing	644,791	643,511
Other term financing	683,199	674,918
Revolving financing	770,360	871,082
Gross loans, advances and financing	2,098,350	2,189,511
Less: - Impairment allowances	(240,966)	(240,817)
Total net loans, advances and financing	1,857,384	1,948,694

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

### 17 Loans, Advances and Financing (Cont'd)

#### (ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Domestic non-bank financial institutions	<b>476,435</b>	943,305	<b>406,405</b>	513,970
Domestic business enterprises:				
Small medium enterprises	<b>3,262,798</b>	3,260,745	<b>2,063,481</b>	2,092,246
Others	<b>16,698,628</b>	17,648,335	<b>11,481,459</b>	12,481,054
Individuals	<b>17,970,333</b>	18,270,660	<b>12,498,083</b>	12,737,821
Other domestic entities	<b>1,318</b>	1,169	<b>554</b>	400
Foreign entities/individuals	<b>6,399,893</b>	7,335,707	<b>4,435,186</b>	5,289,097
	<b>44,809,405</b>	47,459,921	<b>30,885,168</b>	33,114,588

#### (iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Maturity within one year	<b>20,183,139</b>	21,135,856	<b>14,896,878</b>	16,022,086
More than one year to three years	<b>4,178,523</b>	5,252,470	<b>2,312,409</b>	2,930,548
More than three years to five years	<b>3,055,502</b>	3,305,916	<b>1,178,780</b>	1,401,293
More than five years	<b>17,392,241</b>	17,765,679	<b>12,497,101</b>	12,760,661
	<b>44,809,405</b>	47,459,921	<b>30,885,168</b>	33,114,588

#### (iv) By interest/profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Fixed rate:				
Hire purchase receivables	<b>246,042</b>	234,388	—	—
Other fixed rate loans/financing	<b>11,569,547</b>	13,607,018	<b>8,054,204</b>	9,923,575
Variable rate:				
Base Rate/Base Lending/Financing Rate	<b>17,053,348</b>	17,482,039	<b>12,603,481</b>	12,940,167
Cost-plus	<b>15,940,468</b>	16,136,476	<b>10,227,483</b>	10,250,846
	<b>44,809,405</b>	47,459,921	<b>30,885,168</b>	33,114,588

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

### 17 Loans, Advances and Financing (Cont'd)

#### (v) By sector

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Agricultural, hunting, forestry and fishing	<b>38,152</b>	42,075	<b>30,858</b>	34,153
Mining and quarrying	<b>270,173</b>	173,389	<b>117,023</b>	123,803
Manufacturing	<b>6,839,121</b>	6,899,064	<b>5,219,394</b>	5,285,363
Electricity, gas and water	<b>81,861</b>	85,369	<b>16,559</b>	17,465
Construction	<b>2,827,046</b>	2,994,286	<b>1,881,038</b>	2,017,440
Real estate	<b>2,444,235</b>	2,473,806	<b>1,155,498</b>	1,205,418
Wholesale & retail trade and restaurants & hotels	<b>3,453,078</b>	4,150,172	<b>2,255,853</b>	3,025,175
Transport, storage and communication	<b>658,844</b>	772,301	<b>383,391</b>	466,553
Finance, insurance and business services	<b>3,024,355</b>	3,489,704	<b>2,256,996</b>	2,311,777
Household-retail	<b>20,556,247</b>	20,875,482	<b>14,633,916</b>	14,887,922
Others	<b>4,616,293</b>	5,504,273	<b>2,934,642</b>	3,739,519
	<b>44,809,405</b>	47,459,921	<b>30,885,168</b>	33,114,588

#### (vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Purchase of property:				
Residential	<b>14,759,513</b>	14,987,840	<b>11,120,143</b>	11,321,329
Non residential	<b>1,189,523</b>	1,235,917	<b>561,602</b>	581,320
Purchase of securities	<b>2,498</b>	2,568	<b>2,498</b>	2,568
Purchase of transport vehicles	<b>15,780</b>	15,480	<b>14,748</b>	14,338
Purchase of fixed assets excluding land & building	<b>246,481</b>	234,846	—	—
Consumption credit	<b>5,524,583</b>	5,607,540	<b>3,410,570</b>	3,459,630
Construction	<b>2,130,598</b>	2,414,138	<b>1,435,399</b>	1,590,821
Working capital	<b>17,087,821</b>	18,197,776	<b>12,002,226</b>	12,972,655
Other purpose	<b>3,852,608</b>	4,763,816	<b>2,337,982</b>	3,171,927
	<b>44,809,405</b>	47,459,921	<b>30,885,168</b>	33,114,588

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

### 17 Loans, Advances and Financing (Cont'd)

#### (vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Northern Region	<b>6,224,860</b>	5,857,696	<b>4,844,444</b>	4,420,032
Southern Region	<b>5,746,936</b>	5,904,264	<b>4,295,763</b>	4,455,375
Central Region	<b>31,378,091</b>	34,174,779	<b>20,590,993</b>	23,022,661
Eastern Region	<b>1,459,518</b>	1,523,182	<b>1,153,968</b>	1,216,520
	<b>44,809,405</b>	47,459,921	<b>30,885,168</b>	33,114,588

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.

### 18 Impaired Loans, Advances and Financing

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

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Gross carrying amount as at 1 January	<b>2,769,319</b>	3,571,670	<b>1,797,388</b>	2,396,659
Transfer within stages	<b>(230,268)</b>	(228,824)	<b>(176,060)</b>	(259,657)
Net changes in risk parameters - further lending/ (repayments)	<b>(53,605)</b>	(273,701)	<b>(46,044)</b>	(122,924)
Written-off	<b>(49,271)</b>	(299,826)	<b>(20,873)</b>	(216,690)
Gross carrying amount as at 31 March	<b>2,436,175</b>	2,769,319	<b>1,554,411</b>	1,797,388

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

### 18 Impaired Loans, Advances and Financing (Cont'd)

#### (ii) By sector

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Agricultural, hunting, forestry and fishing	<b>6,299</b>	3,105	<b>5,878</b>	3,065
Manufacturing	<b>27,277</b>	24,316	<b>14,351</b>	10,287
Electricity, gas and water	<b>56,924</b>	58,342	<b>516</b>	516
Construction	<b>129,497</b>	126,754	<b>10,403</b>	10,684
Real estate	<b>178,396</b>	188,933	<b>174,815</b>	185,294
Wholesale & retail trade, restaurants & hotels	<b>37,372</b>	12,275	<b>18,133</b>	8,202
Transport, storage and communication	<b>2,345</b>	2,345	<b>813</b>	813
Finance, insurance and business services	<b>298,206</b>	296,225	<b>244,443</b>	242,349
Household-retail	<b>1,674,492</b>	2,018,084	<b>1,077,312</b>	1,315,591
Others	<b>25,367</b>	38,940	<b>7,747</b>	20,587
	<b>2,436,175</b>	2,769,319	<b>1,554,411</b>	1,797,388

#### (iii) By purpose

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Purchase of property:				
Residential	<b>1,154,951</b>	1,451,516	<b>816,226</b>	1,032,457
Non residential	<b>33,008</b>	27,764	<b>25,212</b>	18,436
Purchase of transport vehicles	<b>6</b>	6	<b>6</b>	6
Purchase of fixed assets excluding land & building	<b>8,959</b>	172	<b>–</b>	–
Consumption credit	<b>515,463</b>	562,470	<b>258,387</b>	280,431
Construction	<b>129,497</b>	126,754	<b>10,403</b>	10,684
Working capital	<b>576,671</b>	583,026	<b>444,177</b>	455,374
Other purpose	<b>17,620</b>	17,611	<b>–</b>	–
	<b>2,436,175</b>	2,769,319	<b>1,554,411</b>	1,797,388

#### (iv) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Northern Region	<b>239,672</b>	260,342	<b>189,567</b>	206,726
Southern Region	<b>322,301</b>	353,729	<b>253,706</b>	281,268
Central Region	<b>1,809,622</b>	2,074,375	<b>1,061,847</b>	1,247,286
Eastern Region	<b>64,580</b>	80,873	<b>49,291</b>	62,108
	<b>2,436,175</b>	2,769,319	<b>1,554,411</b>	1,797,388

## 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
<b>Group</b>	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2023	<b>68,437</b>	<b>155,477</b>	<b>883,670</b>	<b>1,107,584</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>58,848</b>	<b>(20,615)</b>	<b>(38,233)</b>	–
- Transferred to Stage 2	<b>(6,664)</b>	<b>15,084</b>	<b>(8,420)</b>	–
- Transferred to Stage 3	<b>(14)</b>	<b>(12,451)</b>	<b>12,465</b>	–
New financial assets originated or purchased	<b>5,165</b>	–	–	<b>5,165</b>
Net remeasurement due to changes in credit risk	<b>(17,777)</b>	<b>49,336</b>	<b>64,479</b>	<b>96,038</b>
Asset written-off	–	–	<b>(49,271)</b>	<b>(49,271)</b>
Others	<b>279</b>	–	<b>68</b>	<b>347</b>
Balance at 31 March 2023	<b>108,274</b>	<b>186,831</b>	<b>864,758</b>	<b>1,159,863</b>
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	129,951	(48,074)	(81,877)	–
- Transferred to Stage 2	(10,403)	54,691	(44,288)	–
- Transferred to Stage 3	(742)	(14,813)	15,555	–
New financial assets originated or purchased	24,882	–	–	24,882
Net remeasurement due to changes in credit risk	(162,949)	(38,450)	265,910	64,511
Asset written-off	–	–	(299,103)	(299,103)
Others	2,341	–	5,622	7,963
Balance at 31 December 2022	<b>68,437</b>	<b>155,477</b>	<b>883,670</b>	<b>1,107,584</b>

The Group and the Bank measure 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 increased by RM52.3 million for the Group compared to the balance at the beginning of the year. This net increase was mainly contributed by remeasurement due to changes in credit risk (RM96.0 million) and new financial assets originated or purchased (RM5.2 million), partially offset by assets written off (RM49.3 million).

- 12-month ECL not credit impaired (Stage 1) – increased by RM39.8 million for the Group, mainly from net migration of loans, advances and financing from stages 2 and 3 due to improved credit quality and new financial assets originated or purchased partially offset by remeasurement due to changes in credit risk based on HSBC Group's model.
- Lifetime ECL not credit-impaired (Stage 2) – increased by RM31.4 million for the Group, mainly from remeasurement due to changes in credit risk partly offset by net migration of loans, advances and financing to stage 1 and 3.
- Lifetime ECL credit-impaired (Stage 3) – decreased by RM18.9 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	Lifetime	Lifetime	
	ECL not	ECL not	ECL	
	credit	credit	credit	
	impaired	impaired	impaired	Total
<b>Bank</b>	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2023	<b>35,476</b>	<b>82,333</b>	<b>487,453</b>	<b>605,262</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>34,233</b>	<b>(11,967)</b>	<b>(22,266)</b>	–
- Transferred to Stage 2	<b>(3,407)</b>	<b>8,274</b>	<b>(4,867)</b>	–
- Transferred to Stage 3	<b>(4)</b>	<b>(5,295)</b>	<b>5,299</b>	–
New financial assets originated or purchased	<b>2,024</b>	–	–	<b>2,024</b>
Net remeasurement due to changes in credit risk	<b>(9,969)</b>	<b>16,018</b>	<b>33,919</b>	<b>39,968</b>
Asset written-off	–	–	<b>(20,873)</b>	<b>(20,873)</b>
Others	<b>279</b>	–	–	<b>279</b>
Balance at 31 March 2023	<b>58,632</b>	<b>89,363</b>	<b>478,665</b>	<b>626,660</b>
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	70,095	(24,417)	(45,678)	–
- Transferred to Stage 2	(7,147)	36,737	(29,590)	–
- Transferred to Stage 3	(552)	(8,346)	8,898	–
New financial assets originated or purchased	11,763	–	–	11,763
Net remeasurement due to changes in credit risk	(94,286)	(37,225)	153,410	21,899
Asset written-off	–	–	(216,690)	(216,690)
Others	2,341	–	–	2,341
Balance at 31 December 2022	<b>35,476</b>	<b>82,333</b>	<b>487,453</b>	<b>605,262</b>

The total ECL allowances increased by RM21.4 million for the Bank compared to the balance at the beginning of the year. This net increase was mainly contributed by remeasurement due to changes in credit risk (RM40.0 million) and new financial assets originated or purchased (RM2.0 million) partially offset by asset written-off (RM20.9 million).

- 12-month ECL not credit impaired (Stage 1) – increased by RM23.2 million for the Bank mainly contributed by net migration of loans and advances from stages 2 and 3 due to improved credit quality and new financial assets originated or purchased partially offset by remeasurement due to changes in credit risk.
- Lifetime ECL not credit-impaired (Stage 2) – increased by RM7.0 million for the Bank, mainly from remeasurement due to changes in credit risk partially offset by net migration of loans and advances to stages 1 and 3.
- Lifetime ECL credit-impaired (Stage 3) – decreased by RM8.8 million, primarily from net migration of loans and advances to stages 1 and 2 and asset written-off 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:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	12-month	Lifetime	Lifetime	
	ECL not	ECL not	ECL	
	credit	credit	credit	
	impaired	impaired	impaired	Total
<b>Group</b>	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2023	<b>3,856</b>	<b>13,728</b>	<b>27,019</b>	<b>44,603</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>582</b>	<b>(582)</b>	–	–
- Transferred to Stage 2	<b>(208)</b>	<b>208</b>	–	–
New financial assets originated or purchased	<b>158</b>	–	–	<b>158</b>
Net remeasurement due to changes in credit risk	<b>905</b>	<b>2,733</b>	<b>(27)</b>	<b>3,611</b>
Others	<b>85</b>	–	–	<b>85</b>
Balance at 31 March 2023	<b>5,378</b>	<b>16,087</b>	<b>26,992</b>	<b>48,457</b>
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	7,202	(7,202)	–	–
- Transferred to Stage 2	(461)	461	–	–
- Transferred to Stage 3	(1,496)	(999)	2,495	–
New financial assets originated or purchased	936	–	–	936
Net remeasurement due to changes in credit risk	(12,323)	2,392	20,476	10,545
Others	(36)	–	–	(36)
Balance at 31 December 2022	<b>3,856</b>	<b>13,728</b>	<b>27,019</b>	<b>44,603</b>

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

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

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

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	12-month	Lifetime	Lifetime	
	ECL not	ECL not	ECL	
	credit	credit	credit	
	impaired	impaired	impaired	Total
<b>Bank</b>	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2023	<b>2,220</b>	<b>6,575</b>	<b>2,791</b>	<b>11,586</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>306</b>	<b>(306)</b>	–	–
- Transferred to Stage 2	<b>(109)</b>	<b>109</b>	–	–
New financial assets originated or purchased	<b>101</b>	–	–	<b>101</b>
Net remeasurement due to changes in credit risk	<b>320</b>	<b>21</b>	<b>(30)</b>	<b>311</b>
Others	<b>23</b>	–	–	<b>23</b>
Balance at 31 March 2023	<b>2,861</b>	<b>6,399</b>	<b>2,761</b>	<b>12,021</b>
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	7,157	(7,157)	–	–
- Transferred to Stage 2	(418)	418	–	–
- Transferred to Stage 3	(1,496)	(924)	2,420	–
New financial assets originated or purchased	385	–	–	385
Net remeasurement due to changes in credit risk	(10,904)	1,557	(3,677)	(13,024)
Others	4	–	–	4
Balance at 31 December 2022	<b>2,220</b>	<b>6,575</b>	<b>2,791</b>	<b>11,586</b>

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>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Settlements	<b>689,080</b>	671,735	<b>684,411</b>	670,462
Interest/profit receivable	<b>140,021</b>	129,781	<b>124,163</b>	122,980
Income receivable	<b>35,913</b>	35,690	<b>84,493</b>	49,687
Deposits and prepayments	<b>17,744</b>	2,164	<b>16,506</b>	2,164
Amount due from subsidiary company	–	–	<b>23,901</b>	161,528
Rights of Use (ROU) assets	<b>52,643</b>	54,961	<b>32,536</b>	33,421
Cash collateral	<b>405,653</b>	183,272	<b>405,653</b>	183,272
Other receivables	<b>461,180</b>	146,181	<b>446,749</b>	133,318
	<b>1,802,234</b>	1,223,784	<b>1,818,412</b>	1,356,832

### 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.

### 22 Investments in Subsidiary Companies

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Investments in Subsidiary Companies</b>				
Unquoted shares, at cost - in Malaysia	–	–	<b>660,021</b>	660,021
Additional Tier 1 USD Wakalah Financing Facility	–	–	<b>501,063</b>	501,063
	–	–	<b>1,161,084</b>	1,161,084

#### 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>	
		<b>31 Mar 2023</b>	31 Dec 2022
HSBC Amanah Malaysia Berhad (HBMS)	Islamic banking and related financial services	<b>100%</b>	100%
HSBC (Kuala Lumpur) Nominees Sdn Bhd	Nominees, trustees or agents to receive securities for safe custody and management	<b>100%</b>	100%
HSBC Nominees (Tempatan) Sdn Bhd		<b>100%</b>	100%
HSBC Nominees (Asing) Sdn Bhd		<b>100%</b>	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. 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

In August 2022, 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 Secured Overnight Funding Rate (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 Financial instruments: Presentation.

### 23 Property Held for Sale

---

Properties where the Bank has decided to dispose were reclassified from 'Property and Equipment' to 'Property Held for Sale'. During the year, the Bank has reclassified two additional properties to 'Property Held for Sale'. The disposal of the properties is expected to be completed within a year of reclassification.

The properties classified as held for sale during the financial year was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. Depreciation ceases when the property is classified as property held for sale.

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

### 24 Deposits from Customers

(i) By type of deposit	<i>Group</i>		<i>Bank</i>	
	31 Mar 2023 RM'000	31 Dec 2022 RM'000	31 Mar 2023 RM'000	31 Dec 2022 RM'000
Demand deposits	27,269,087	26,747,238	24,227,238	23,366,044
Savings deposits	16,400,030	16,789,370	13,423,130	13,868,467
Fixed deposits	27,809,873	26,949,727	20,231,486	19,294,193
	<b>71,478,990</b>	<b>70,486,335</b>	<b>57,881,854</b>	<b>56,528,704</b>

The maturity structure of fixed deposits is as follows:

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2023 RM'000	31 Dec 2022 RM'000	31 Mar 2023 RM'000	31 Dec 2022 RM'000
Due within six months	22,018,078	20,970,216	15,786,459	14,664,158
More than six months to one year	4,803,154	4,972,125	3,761,171	3,955,371
More than one year to three years	828,755	861,493	580,393	581,282
More than three years to five years	159,873	145,893	103,450	93,382
	<b>27,809,873</b>	<b>26,949,727</b>	<b>20,231,486</b>	<b>19,294,193</b>

(ii) By type of customer	<i>Group</i>		<i>Bank</i>	
	31 Mar 2023 RM'000	31 Dec 2022 RM'000	31 Mar 2023 RM'000	31 Dec 2022 RM'000
	15,923	28,342	1,456	5,890
Business enterprises	28,324,075	27,436,193	24,845,472	23,703,337
Individuals	26,479,987	26,234,408	20,535,884	20,484,687
Foreign entities/individuals	15,093,655	15,001,801	11,531,459	11,355,092
Others	1,565,350	1,785,591	967,583	979,698
	<b>71,478,990</b>	<b>70,486,335</b>	<b>57,881,854</b>	<b>56,528,704</b>

### 25 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2023 RM'000	31 Dec 2022 RM'000	31 Mar 2023 RM'000	31 Dec 2022 RM'000
Licensed banks	311	276	300,311	300,276
Bank Negara Malaysia	255,841	259,759	241,279	250,787
Other financial institutions	1,581,121	2,089,958	1,581,110	2,089,947
	<b>1,837,273</b>	<b>2,349,993</b>	<b>2,122,700</b>	<b>2,641,010</b>

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

### 26 Structured Liabilities Designated at Fair Value through Profit or Loss

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Structured liabilities	<b>4,011,716</b>	3,754,684	<b>1,919,333</b>	1,652,201

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.

### 27 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Settlements	<b>576,934</b>	687,233	<b>576,160</b>	686,693
Interest/profit payable	<b>241,751</b>	204,522	<b>171,281</b>	146,345
Deferred income	<b>177,637</b>	180,413	<b>157,618</b>	161,514
Marginal deposit	<b>287,016</b>	334,438	<b>259,716</b>	299,225
Amount due to subsidiary company	—	—	<b>1,747</b>	105,975
Accrued expenses	<b>753,800</b>	736,146	<b>735,884</b>	712,231
Lease liabilities	<b>56,664</b>	59,291	<b>34,433</b>	35,552
Cash collateral	<b>217,141</b>	673,549	<b>217,141</b>	673,549
Other creditors	<b>1,366,158</b>	1,103,155	<b>1,239,450</b>	980,237
Provisions on loan and credit related commitments; and financial guarantees <sup>[1]</sup>	<b>48,457</b>	44,603	<b>12,021</b>	11,586
	<b>3,725,558</b>	4,023,350	<b>3,405,451</b>	3,812,907

<sup>[1]</sup> Refer to Note 19(ii) for movement in provision.

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

### 28 Multi-Currency Sukuk Programme

	<i>Group</i>	
	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Multi-Currency Sukuk Programme (MCSP)	<b>502,966</b>	504,771

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

<u>Issuance under MCSP</u>	<b>Nominal Value (RM'000)</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Carrying Value (RM'000)</b>	
				<b>31 Mar 2023</b>	31 Dec 2022
<b>At fair value</b>					
4th series	500,000	2 Oct 2018	2 Oct 2023	<b>502,966</b>	504,771

<u>Movement in MCSP</u>	<i>Group</i>	
	<b>4th Series</b>	4th Series
	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Balance at 1 January	<b>504,771</b>	515,333
Change in fair value other than from own credit risk	<b>(1,106)</b>	(14,521)
Change in fair value from own credit risk	<b>(699)</b>	3,959
Balance at 31 December	<b>502,966</b>	504,771

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.

### 29 Share Capital and Other Equity

	<i>Group and Bank</i>			
	<b>31 Mar 2023</b>		31 Dec 2022	
	<b>Number of Shares ('000)</b>	<b>RM'000</b>	Number of Shares ('000)	RM'000
<b>Share capital, issued and fully paid</b>				
<u>Ordinary shares of RM0.50 each</u>				
At 1 January / 31 March 2023 / 31 December 2022	<b>229,000</b>	<b>1,045,875</b>	229,000	1,045,875
<u>Preference shares of RM1.00 each</u>				
At 1 January / 31 March 2023 / 31 December 2022	<b>1,500,000</b>	<b>1,500,000</b>	1,500,000	1,500,000
<b>Total share capital and other equity</b>	<b>1,729,000</b>	<b>2,545,875</b>	1,729,000	2,545,875

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

### 30 Net Interest Income

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Mar 2022	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Interest income</b>				
Loans and advances				
- Interest income other than from impaired loans	<b>361,969</b>	287,431	<b>361,969</b>	287,431
- Interest income recognised from impaired loans	<b>7,687</b>	8,471	<b>7,687</b>	8,471
Money at call and deposit placements with financial institutions	<b>150,653</b>	58,097	<b>168,106</b>	63,563
Financial investments at FVOCI	<b>93,256</b>	60,555	<b>93,256</b>	60,555
Financial investments at amortised cost	<b>40,904</b>	1,422	<b>40,904</b>	1,422
	<b>654,469</b>	415,976	<b>671,922</b>	421,442
<b>Interest expense</b>				
Deposits and placements of banks and other financial institutions	<b>(10,515)</b>	(2,119)	<b>(13,220)</b>	(2,119)
Deposits from customers	<b>(189,555)</b>	(94,595)	<b>(189,555)</b>	(94,595)
Subordinated liabilities	<b>–</b>	(6,226)	<b>–</b>	(6,226)
Lease liabilities	<b>(438)</b>	(367)	<b>(438)</b>	(367)
Others	<b>(214)</b>	(120)	<b>(214)</b>	(120)
	<b>(200,722)</b>	(103,427)	<b>(203,427)</b>	(103,427)
<b>Net interest income</b>	<b>453,747</b>	312,549	<b>468,495</b>	318,015

### 31 Net Fee and Commission Income

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Mar 2022	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Fee and commission income</b>				
Credit cards	<b>32,442</b>	26,523	<b>32,442</b>	26,523
Service charges	<b>30,332</b>	28,036	<b>30,332</b>	28,036
Credit facilities	<b>15,860</b>	14,647	<b>15,860</b>	14,647
Agency	<b>27,813</b>	25,394	<b>27,813</b>	25,394
Others	<b>6,876</b>	6,914	<b>6,732</b>	6,646
	<b>113,323</b>	101,514	<b>113,179</b>	101,246
<b>Fee and commission expense</b>				
Debit/ credit cards	<b>(19,535)</b>	(13,305)	<b>(19,535)</b>	(13,305)
Interbank and clearing	<b>(322)</b>	(309)	<b>(322)</b>	(309)
Brokerage	<b>(944)</b>	(778)	<b>(944)</b>	(778)
Cash management	<b>(303)</b>	(244)	<b>(303)</b>	(244)
Others	<b>(4,749)</b>	(5,319)	<b>(4,749)</b>	(5,319)
	<b>(25,853)</b>	(19,955)	<b>(25,853)</b>	(19,955)
<b>Net fee and commission income</b>	<b>87,470</b>	81,559	<b>87,326</b>	81,291

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

### 32 Net Trading Income

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Mar 2022	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Realised gains on financial assets/ liabilities at FVTPL and other financial instruments	<b>4,562</b>	1,481	<b>4,562</b>	1,481
Net interest income from financial assets at FVTPL	<b>25,524</b>	10,426	<b>25,524</b>	10,426
Net unrealised gains/(losses) on revaluation of financial assets at FVTPL	<b>8,346</b>	(11,994)	<b>8,346</b>	(11,994)
Net realised gains arising from dealing in foreign currency	<b>449,526</b>	165,327	<b>449,988</b>	165,855
Net unrealised losses from dealing in foreign currency	<b>(422,509)</b>	(79,358)	<b>(279,839)</b>	(55,217)
Net realised gains arising from dealing in derivatives	<b>10,613</b>	47,028	<b>12,425</b>	42,414
Net unrealised gains/(losses) on revaluation of derivatives	<b>20,858</b>	(97,562)	<b>(5,862)</b>	(67,324)
Gains/(Losses) arising from fair value hedges	<b>673</b>	(89)	<b>673</b>	(89)
	<b>97,593</b>	35,259	<b>215,817</b>	85,552

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>	
	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000
Total net trading income (net of elimination with subsidiary)	<b>253,684</b>	71,576
of which:		
- is disclosed in Note 32	<b>97,593</b>	35,259
- is included under Income from Islamic Banking operations of the Group (Note 33)	<b>156,091</b>	36,317

## 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>	
	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000
Income derived from investment of:		
- depositor funds and others <sup>[1]</sup>	<b>200,547</b>	147,985
- shareholders funds	<b>48,548</b>	41,283
Total income before allowance for impairment losses on financing and advances	<b>249,095</b>	189,268
Income attributable to the depositors	<b>(84,915)</b>	(41,117)
Income from Islamic Banking operations before elimination	<b>164,180</b>	148,151
Elimination of intercompany income and expenses	<b>132,526</b>	55,205
Income from Islamic Banking operations reported in statement of profit or loss of the Group	<b>296,706</b>	203,356
<sup>[1]</sup> Included in the Income derived from investment of depositors' funds and others are net (expense)/income on financial instruments designated at fair value through profit or loss for the period ended 31 March	<b>(45,502)</b>	25,259
<sup>[2]</sup> Included in income from Islamic Banking operations reported in statement of profit or loss of the Group is net trading income for the period ended 31 March	<b>156,091</b>	36,317

### 34 Other Operating Income

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Mar 2022	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Dividend income from financial investments at FVOCI				
- Unquoted in Malaysia	<b>1,050</b>	—	<b>1,050</b>	—
Dividend income from subsidiary	—	—	<b>12,483</b>	—
Rental income	<b>1,292</b>	1,396	<b>1,292</b>	1,396
Net gain on disposal of property and equipment	—	133	—	133
Income recharges from subsidiary	—	—	<b>37,147</b>	36,872
Other operating income	<b>16,367</b>	8,807	<b>16,367</b>	8,807
	<b>18,709</b>	10,336	<b>68,339</b>	47,208

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

### 35 Impairment Provision/(Write-Back)

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Mar 2022	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
New and increased allowance (net of releases)	<b>105,576</b>	46,397	<b>42,833</b>	(10,489)
Recoveries	<b>(29,838)</b>	(25,622)	<b>(12,810)</b>	(12,862)
Written off	<b>651</b>	4	<b>649</b>	4
<b>Total charge to/(write-back from) statement of profit or loss</b>	<b>76,389</b>	20,779	<b>30,672</b>	(23,347)

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

#### (i) Loan, advances and financing

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Mar 2022	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
New and increased allowance (net of releases)	<b>101,203</b>	66,843	<b>41,992</b>	4,671
Recoveries	<b>(29,838)</b>	(25,622)	<b>(12,810)</b>	(12,862)
Written off	<b>651</b>	4	<b>649</b>	4
<b>Total charge to/(write-back from) statement of profit or loss</b>	<b>72,016</b>	41,225	<b>29,831</b>	(8,187)

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

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Mar 2022	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Net increase/(release) in allowance/provision	<b>263</b>	(57)	<b>265</b>	(56)

#### (iii) Debt securities - FVOCI

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Mar 2022	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Net release in allowance/provision	<b>(93)</b>	(410)	<b>(40)</b>	(310)

#### (iv) Financial investments at amortised costs

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Mar 2022	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Net increase/(release) in allowance/provision	<b>434</b>	(609)	<b>204</b>	(609)

#### (v) Loan commitments and contingencies

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Mar 2022	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Net increase/(release) in allowance/provision	<b>3,769</b>	(19,370)	<b>412</b>	(14,185)

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

### 36 Other Operating Expenses

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Mar 2022	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personnel expenses	<b>150,239</b>	161,564	<b>140,879</b>	153,816
Promotion and marketing related expenses	<b>8,504</b>	10,159	<b>7,556</b>	8,664
Establishment related expenses	<b>36,587</b>	33,929	<b>32,701</b>	31,023
General administrative expenses	<b>33,849</b>	36,467	<b>29,435</b>	29,813
Related company charges	<b>184,566</b>	176,558	<b>181,997</b>	174,605
	<b>413,745</b>	418,677	<b>392,568</b>	397,921
Personnel expenses				
Salaries, allowances and bonuses	<b>116,161</b>	122,877	<b>108,807</b>	117,004
Employees Provident Fund contributions	<b>20,038</b>	20,178	<b>18,701</b>	18,955
Share based payment	<b>3,063</b>	4,938	<b>3,020</b>	4,837
Others	<b>10,977</b>	13,571	<b>10,351</b>	13,020
	<b>150,239</b>	161,564	<b>140,879</b>	153,816
Establishment related expenses				
Depreciation of property and equipment	<b>8,895</b>	7,907	<b>8,417</b>	7,346
Depreciation of ROU assets	<b>3,174</b>	3,774	<b>1,721</b>	2,315
Impairment of ROU assets	<b>—</b>	95	<b>—</b>	95
Amortisation of intangible assets	<b>1,692</b>	2,152	<b>1,692</b>	2,152
Information technology costs	<b>3,914</b>	7,783	<b>3,217</b>	7,299
Property and equipment written off	<b>—</b>	770	<b>—</b>	698
General repairs and maintenance	<b>11,422</b>	4,077	<b>10,554</b>	4,138
Utilities	<b>1,580</b>	1,754	<b>1,306</b>	1,536
Others	<b>5,910</b>	5,617	<b>5,794</b>	5,444
	<b>36,587</b>	33,929	<b>32,701</b>	31,023
Related company charges	<b>184,566</b>	176,558	<b>181,997</b>	174,605
Of which by:				
(i) Type of service				
- Information technology related cost	<b>82,379</b>	83,453	<b>82,332</b>	83,420
- Non information technology related cost	<b>102,187</b>	93,105	<b>99,665</b>	91,185
(ii) Countries/territories				
- Hong Kong	<b>117,981</b>	110,512	<b>117,971</b>	110,509
- United Kingdom	<b>34,336</b>	38,878	<b>34,279</b>	38,873
- Malaysia	<b>20,236</b>	16,191	<b>17,964</b>	14,460
- India	<b>9,427</b>	7,010	<b>9,205</b>	6,831
- Others	<b>2,586</b>	3,967	<b>2,578</b>	3,932

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

### 37 Capital Adequacy

	<i>Group</i>	
	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
<b>Common Equity Tier 1 (CET1) capital</b>		
Paid-up ordinary share capital	<b>1,045,875</b>	1,045,875
Retained profits	<b>7,977,715</b>	8,295,717
Other reserves	<b>826,372</b>	881,752
Regulatory adjustments	<b>(919,143)</b>	(1,056,174)
Total CET1 capital	<b>8,930,819</b>	9,167,170
<b>Tier 1 capital</b>		
Additional Tier 1 preference shares	<b>1,500,000</b>	1,500,000
<b>Total Tier 1 capital</b>	<b>10,430,819</b>	10,667,170
<b>Tier 2 capital</b>		
Impairment allowance (unimpaired portion) & regulatory reserves	<b>598,561</b>	609,261
Regulatory adjustments	<b>83,812</b>	84,057
<b>Total Tier 2 capital</b>	<b>682,373</b>	693,318
<b>Capital base</b>	<b>11,113,192</b>	11,360,488
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	<b>16.121%</b>	16.364%
Tier 1 Capital ratio	<b>18.829%</b>	19.041%
Total Capital ratio	<b>20.061%</b>	20.279%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	<b>16.121%</b>	15.631%
Tier 1 Capital ratio	<b>18.829%</b>	18.308%
Total Capital ratio	<b>20.061%</b>	19.546%

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.

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

### 37 Capital Adequacy (Cont'd)

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

	<i>Group</i>	
	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Total RWA for credit risk <sup>[1]</sup>	<b>47,884,871</b>	48,740,888
Total RWA for market risk	<b>2,031,146</b>	1,881,545
Total RWA for operational risk	<b>5,481,296</b>	5,399,331
	<b>55,397,313</b>	56,021,764

<sup>[1]</sup> 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>	
	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Under SIAF/IAA arrangement	<b>883,922</b>	1,007,324

	<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	<b>1,045,875</b>	1,045,875
Retained profits	<b>6,410,248</b>	6,773,756
Other reserves	<b>810,583</b>	827,323
Regulatory adjustments	<b>(1,551,709)</b>	(1,619,600)
Total CET1 capital	<b>6,714,997</b>	7,027,354
Tier 1 capital		
Additional Tier 1 preference shares	<b>1,500,000</b>	1,500,000
Regulatory adjustments	<b>(501,063)</b>	(501,063)
<b>Total Tier 1 capital</b>	<b>7,713,934</b>	8,026,291
<b>Tier 2 capital</b>		
Impairment allowance (unimpaired portion) & regulatory reserves	<b>440,805</b>	447,187
Regulatory adjustments	<b>83,812</b>	84,057
<b>Total Tier 2 capital</b>	<b>524,617</b>	531,244
<b>Capital base</b>	<b>8,238,551</b>	8,557,535

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

### 37 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	<b>31 Mar 2023</b>	31 Dec 2022
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	<b>16.025%</b>	16.667%
Tier 1 Capital ratio	<b>18.409%</b>	19.036%
Total Capital ratio	<b>19.661%</b>	20.296%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	<b>16.025%</b>	15.693%
Tier 1 Capital ratio	<b>18.409%</b>	18.062%
Total Capital ratio	<b>19.661%</b>	19.322%

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>	
	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Total RWA for credit risk <sup>[1]</sup>	<b>35,264,398</b>	35,774,927
Total RWA for market risk	<b>1,838,115</b>	1,672,778
Total RWA for operational risk	<b>4,801,247</b>	4,716,651
	<b>41,903,760</b>	42,164,356

<sup>[1]</sup> 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>	
	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Under SIAF/IAA arrangement	<b>883,922</b>	1,007,324

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.

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

### 37 Capital Adequacy (Cont'd)

Group	With Transitional Arrangement (%)		Without Transitional Arrangement (%)	
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
<u>Before deducting proposed dividend</u>				
CET1 Capital Ratio	<b>16.121%</b>	16.364%	<b>16.042%</b>	16.346%
Tier 1 Capital Ratio	<b>18.829%</b>	19.041%	<b>18.749%</b>	19.024%
Total Capital Ratio	<b>20.061%</b>	20.279%	<b>19.981%</b>	20.261%
<u>After deducting proposed dividend</u>				
CET1 Capital Ratio	<b>16.121%</b>	15.631%	<b>16.042%</b>	15.613%
Tier 1 Capital Ratio	<b>18.829%</b>	18.308%	<b>18.749%</b>	18.291%
Total Capital Ratio	<b>20.061%</b>	19.546%	<b>19.981%</b>	19.529%
<b>Bank</b>				
	With Transitional Arrangement (%)		Without Transitional Arrangement (%)	
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
<u>Before deducting proposed dividend</u>				
CET1 Capital Ratio	<b>16.025%</b>	16.667%	<b>15.970%</b>	16.640%
Tier 1 Capital Ratio	<b>18.409%</b>	19.036%	<b>18.354%</b>	19.010%
Total Capital Ratio	<b>19.661%</b>	20.296%	<b>19.606%</b>	20.269%
<u>After deducting proposed dividend</u>				
CET1 Capital Ratio	<b>16.025%</b>	15.693%	<b>15.970%</b>	15.667%
Tier 1 Capital Ratio	<b>18.409%</b>	18.062%	<b>18.354%</b>	18.036%
Total Capital Ratio	<b>19.661%</b>	19.322%	<b>19.606%</b>	19.296%

## 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>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
<b>Principal amount</b>	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Direct credit substitutes	<b>729,145</b>	760,259	<b>673,090</b>	631,259
Transaction-related contingent items	<b>11,222,552</b>	10,951,980	<b>9,230,235</b>	9,032,845
Short-term self-liquidating trade-related contingencies	<b>570,585</b>	559,733	<b>398,122</b>	433,153
Formal standby facilities and credit lines				
- Maturity not exceeding one year	<b>8,124,645</b>	7,156,352	<b>6,539,089</b>	5,485,528
- Maturity exceeding one year	<b>15,247,715</b>	15,494,205	<b>11,388,377</b>	11,646,451
Other unconditionally cancellable	<b>20,144,657</b>	19,825,990	<b>17,072,254</b>	16,887,109
Unutilised credit card lines	<b>13,062,973</b>	12,852,558	<b>9,687,246</b>	9,506,159
Foreign exchange related contracts:				
- Less than one year	<b>113,676,954</b>	108,592,761	<b>115,354,028</b>	109,934,798
- Over one year to less than five years	<b>5,812,428</b>	5,003,270	<b>5,812,428</b>	5,002,919
- Over five years	<b>295,500</b>	363,413	<b>295,500</b>	363,413
Interest/profit rate related contracts:				
- Less than one year	<b>21,334,673</b>	15,882,496	<b>22,823,803</b>	17,115,656
- Over one year to less than five years	<b>22,228,524</b>	27,689,056	<b>23,569,065</b>	29,122,148
- Over five years	<b>1,260,693</b>	1,302,350	<b>1,260,693</b>	1,302,350
Gold and other precious metals contracts:				
- Less than one year	<b>6,790</b>	11,545	<b>6,790</b>	11,545
Equity related contracts:				
- Less than one year	<b>1,581,400</b>	1,586,730	<b>2,303,497</b>	2,175,327
- Over one year to less than five years	<b>1,574,078</b>	1,513,276	<b>2,585,734</b>	2,704,402
	<b>236,873,312</b>	229,545,974	<b>228,999,951</b>	221,355,062

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

*Formal standby facilities and credit lines:*

- Maturity not exceeding one year	<b>144,894</b>	144,981	<b>144,894</b>	144,981
- Maturity exceeding one year	<b>36,548</b>	83,548	<b>36,548</b>	83,548
	<b>181,442</b>	228,529	<b>181,442</b>	228,529

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	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total
At 31 Mar 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	111,110,090	2,226,177	–	113,336,267	747,601	37,223	–	784,824	954,683	9,067	–	963,750
- Swaps	2,259,251	3,586,251	295,500	6,141,002	78,910	185,086	7,121	271,117	32,831	126,158	33,272	192,261
- Options	307,613	–	–	307,613	1,430	–	–	1,430	657	–	–	657
Interest/profit rate related contracts												
- Options	260,954	362,482	–	623,436	1,355	880	–	2,235	1,341	476	–	1,817
- Swaps	19,023,719	20,366,042	1,260,693	40,650,454	76,276	200,818	24,614	301,708	41,964	243,496	20,951	306,411
Equity related contracts												
- Options	1,581,400	1,574,078	–	3,155,478	73,171	20,538	–	93,709	257,916	18,205	–	276,121
Precious metal contracts												
- Options	6,790	–	–	6,790	1	–	–	1	28	–	–	28
Sub- total	134,549,817	28,115,030	1,556,193	164,221,040	978,744	444,545	31,735	1,455,024	1,289,420	397,402	54,223	1,741,045
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest/profit rate related contracts												
- Swaps	2,050,000	1,500,000	–	3,550,000	3,548	2,528	–	6,076	411	–	–	411
Sub- total	2,050,000	1,500,000	–	3,550,000	3,548	2,528	–	6,076	411	–	–	411
<b>Total</b>	<b>136,599,817</b>	<b>29,615,030</b>	<b>1,556,193</b>	<b>167,771,040</b>	<b>982,292</b>	<b>447,073</b>	<b>31,735</b>	<b>1,461,100</b>	<b>1,289,831</b>	<b>397,402</b>	<b>54,223</b>	<b>1,741,456</b>

**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	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total
At 31 Dec 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	106,071,601	1,502,727	–	107,574,328	1,279,349	27,288	–	1,306,637	1,229,294	12,241	–	1,241,535
- Swaps	2,103,998	3,500,543	363,413	5,967,954	102,559	196,492	6,063	305,114	69,298	120,605	38,767	228,670
- Options	417,162	–	–	417,162	5,310	–	–	5,310	986	–	–	986
Interest/profit rate related contracts												
- Options	448,893	268,181	–	717,074	2,407	6	–	2,413	2,246	2,055	–	4,301
- Swaps	13,383,603	25,920,875	1,302,350	40,606,828	43,813	289,596	28,397	361,806	34,798	305,990	25,452	366,240
Equity related contracts												
- Options	1,586,730	1,513,276	–	3,100,006	59,297	14,477	–	73,774	272,566	40,372	–	312,938
Precious metal contracts												
- Options	11,545	–	–	11,545	1	–	–	1	27	–	–	27
Sub- total	124,023,532	32,705,602	1,665,763	158,394,897	1,492,736	527,859	34,460	2,055,055	1,609,215	481,263	64,219	2,154,697
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest/profit rate related contracts												
- Swaps	2,050,000	1,500,000	–	3,550,000	7,913	3,896	–	11,809	551	–	–	551
Sub- total	2,050,000	1,500,000	–	3,550,000	7,913	3,896	–	11,809	551	–	–	551
<b>Total</b>	<b>126,073,532</b>	<b>34,205,602</b>	<b>1,665,763</b>	<b>161,944,897</b>	<b>1,500,649</b>	<b>531,755</b>	<b>34,460</b>	<b>2,066,864</b>	<b>1,609,766</b>	<b>481,263</b>	<b>64,219</b>	<b>2,155,248</b>

**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	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total
At 31 Mar 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	112,787,164	2,226,177	–	115,013,341	739,254	37,223	–	776,477	949,212	9,067	–	958,279
- Swaps	2,259,251	3,586,251	295,500	6,141,002	78,910	185,086	7,225	271,221	32,831	126,158	33,272	192,261
- Options	307,613	–	–	307,613	1,430	–	–	1,430	657	–	–	657
Interest rate related contracts												
- Options	260,954	798,757	–	1,059,711	1,355	33,019	–	34,374	1,341	476	–	1,817
- Swaps	20,512,849	21,270,308	1,260,693	43,043,850	78,975	204,316	24,614	307,905	42,619	245,353	20,951	308,923
Equity related contracts												
- Options	2,303,497	2,585,734	–	4,889,231	91,884	47,115	–	138,999	261,151	18,205	–	279,356
Precious metal contracts												
- Options	6,790	–	–	6,790	1	–	–	1	28	–	–	28
Sub- total	138,438,118	30,467,227	1,556,193	170,461,538	991,809	506,759	31,839	1,530,407	1,287,839	399,259	54,223	1,741,321
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	2,050,000	1,500,000	–	3,550,000	3,548	2,528	–	6,076	411	–	–	411
Sub- total	2,050,000	1,500,000	–	3,550,000	3,548	2,528	–	6,076	411	–	–	411
<b>Total</b>	<b>140,488,118</b>	<b>31,967,227</b>	<b>1,556,193</b>	<b>174,011,538</b>	<b>995,357</b>	<b>509,287</b>	<b>31,839</b>	<b>1,536,483</b>	<b>1,288,250</b>	<b>399,259</b>	<b>54,223</b>	<b>1,741,732</b>

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	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total	Up to 1 Year	> 1 - 5 Years	> 5 Years	Total
At 31 Dec 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	107,392,816	1,502,376	–	108,895,192	1,275,321	27,001	–	1,302,322	1,195,598	12,241	–	1,207,839
- Swaps	2,124,820	3,500,543	363,413	5,988,776	102,913	196,492	5,925	305,330	70,085	120,605	38,767	229,457
- Options	417,162	–	–	417,162	5,310	–	–	5,310	986	–	–	986
Interest rate related contracts												
- Options	448,894	719,276	–	1,168,170	2,407	40,543	–	42,950	2,246	2,055	–	4,301
- Swaps	14,616,762	26,902,872	1,302,350	42,821,984	47,750	295,183	28,397	371,330	36,151	307,033	25,452	368,636
Equity related contracts												
- Options	2,175,327	2,704,402	–	4,879,729	76,650	58,270	–	134,920	275,849	40,454	–	316,303
Precious metal contracts												
- Options	11,545	–	–	11,545	1	–	–	1	27	–	–	27
Sub- total	127,187,326	35,329,469	1,665,763	164,182,558	1,510,352	617,489	34,322	2,162,163	1,580,942	482,388	64,219	2,127,549
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	2,050,000	1,500,000	–	3,550,000	7,913	3,896	–	11,809	551	–	–	551
Sub- total	2,050,000	1,500,000	–	3,550,000	7,913	3,896	–	11,809	551	–	–	551
<b>Total</b>	<b>129,237,326</b>	<b>36,829,469</b>	<b>1,665,763</b>	<b>167,732,558</b>	<b>1,518,265</b>	<b>621,385</b>	<b>34,322</b>	<b>2,173,972</b>	<b>1,581,493</b>	<b>482,388</b>	<b>64,219</b>	<b>2,128,100</b>

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

### 40 Performance Review, Economy and Prospects

---

#### Performance Review

The Group recorded profit before tax (PBT) of RM441.3 million for the financial period ended 31 March 2023, an increase of RM174.8 million year-on-year (y-o-y). The increase in PBT was mainly due to higher operating income of RM931.4 million (up RM225.5 million) from higher net interest income (up RM141.2 million) and higher income from Islamic banking operations (up RM93.4 million) on improved interest/financing margin. There was also lower operating expenses (down RM4.9m) as we continue to manage and prioritise our resources to ensure efficiency and adequate controls on processes. This was partly offset by higher impairment charges during the year (up RM55.6 million).

Total assets as at 31 March 2023 has increased by RM399.3 million or 0.4% to RM95.6 billion (31 December 2022: RM95.2 billion). The Group's capital and liquidity coverage ratios continue to remain strong and well above regulatory requirements.

#### Economy and Prospects

The Malaysian economy expanded strongly by 8.7% in 2022, the highest growth recorded since 2000 and became one of the fastest growing economies in Asia.

The growth is expected to moderate in 2023 with Bank Negara Malaysia (BNM) projecting GDP to grow at the range of 4.0% to 5.0% amid an escalation of geopolitical tensions, slower global economy growth and tightening in financial market conditions. Domestic demand is expected to provide upside risks to the domestic growth outlook. Further improvement in labour market conditions, implementation of projects from recently re-tabled Budget 2023 and uplifting of tourism-related activities are expected to support private consumption and investment growth.

Inflation is also expected to moderate over the course of 2023 but to remain at elevated levels, driven by lingering demand and cost pressures. This is on the back of BNM maintaining the Overnight Policy Rate (OPR) at 2.75% as of 1Q 2023, after a 100bps increase in 2022. Meanwhile, the US Federal Reserve continued to raise its interest rate by 50bps in 1Q 2023 after implemented seven interest rate hikes with a total of 425 bps in 2022. Such volatile fiscal condition has led to the recent banking stress in some advanced economies. Nevertheless, Malaysian banking system remains orderly and resilient.

To support our Government initiatives for the country's economic growth, HSBC Malaysia continues to work closely with our customers to facilitate and enable opportunities. HSBC Malaysia's CEO also had the honour of joining the Malaysian Government delegation at the Malaysia-China Business Forum in Beijing, in conjunction with the Malaysian's Prime Minister's visit to China. As the leading international bank, HSBC has played a key role in facilitating cross border investments between Malaysia and China across a range of sectors over the years. We will continue to work with our Government Malaysia to attract and facilitate more foreign direct investments from China while also provide essential services for Malaysian companies, including our customers, looking to expand and invest in China.

In addition, notable events organised in 1Q2023 includes: HSBC Asian Business Forum – in support of efforts and initiatives to achieve Malaysia's growth targets; Premier Investment Global Market Outlook – providing insights on building resilient investment portfolio; as well as Navigating the Startup Ecosystem in Malaysia – in support of start-ups and innovative small and medium sized enterprises.

HSBC Malaysia was awarded the "Digital Bank of the Year in Malaysia" by The Asset for the 3rd consecutive year, and the "Best Digital Wealth Management Experience". These are testaments of our effort and commitment in delivering the best experience for our customers. We also recently launched Apple Pay and Google Wallet for HSBC credit cards offering customers enhanced convenience and greater security.

We will continue on our efforts of being the preferred international financial partner for our clients.