

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 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 30 SEPTEMBER 2023

		<i>Group</i>		<i>Bank</i>	
		30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
Assets	Note	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	12	11,625,540	17,585,339	8,936,560	13,067,553
Securities purchased under resale agreements		10,005,661	5,551,731	9,890,940	5,551,731
Deposits and placements with banks and other financial institutions	13	208,784	633,429	563,796	1,621,375
Financial assets at fair value through profit and loss (FVTPL)	14	3,064,744	4,329,807	3,064,744	4,329,807
Financial investments at fair value through other comprehensive income (FVOCI)	15	15,671,470	11,424,139	13,267,142	9,981,490
Financial investments at amortised cost	16	5,696,889	4,116,831	4,806,644	3,662,707
Loans, advances and financing	17	45,210,224	46,352,337	31,498,341	32,509,326
Derivative financial assets	39	1,710,181	2,066,864	1,787,279	2,173,972
Other assets	20	1,789,759	1,223,784	1,843,960	1,356,832
Statutory deposits with Bank Negara Malaysia	21	533,301	565,087	299,040	366,227
Investments in subsidiary companies	22	—	—	1,161,084	1,161,084
Property and equipment		1,017,451	1,046,163	1,012,228	1,039,394
Intangible assets		13,854	18,450	13,854	18,450
Tax recoverable		20,850	27,954	20,850	20,850
Deferred tax assets		199,543	186,228	145,207	154,953
Property held for sale	23	8,377	52,342	8,377	52,342
Total assets		96,776,628	95,180,485	78,320,046	77,068,093
Liabilities					
Deposits from customers	24	70,719,912	70,486,335	56,535,516	56,528,704
Deposits and placements from banks and other financial institutions	25	3,187,735	2,349,993	3,372,876	2,641,010
Repurchase agreement		250,476	—	250,476	—
Bills payable		119,782	145,727	102,800	126,086
Derivative financial liabilities	39	1,836,094	2,155,248	1,840,511	2,128,100
Structured liabilities designated at fair value through profit and loss	26	4,451,633	3,754,684	2,460,000	1,652,201
Other liabilities	27	3,615,087	4,023,350	3,451,980	3,812,907
Provision for taxation		112,513	102,477	104,214	102,477
Multi-Currency Sukuk Programme	28	500,017	504,771	—	—
Total liabilities		84,793,249	83,522,585	68,118,373	66,991,485
Equity					
Share capital and other equity	29	2,545,875	2,545,875	2,545,875	2,545,875
Reserves		9,437,504	9,112,025	7,655,798	7,530,733
Total equity attributable to owner of the Bank		11,983,379	11,657,900	10,201,673	10,076,608
Total liabilities and equity		96,776,628	95,180,485	78,320,046	77,068,093
Commitments and contingencies	38	221,482,367	229,545,974	211,814,669	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 13 to 51 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 30 October 2023.

HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

		<i>Group</i>			
		Third Quarter		Nine Months Ended	
		30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	<i>Note</i>	RM'000	RM'000	RM'000	RM'000
Interest income	30	729,784	513,981	2,068,388	1,370,813
Interest expense	30	(237,732)	(144,327)	(655,995)	(362,046)
Net interest income	30	492,052	369,654	1,412,393	1,008,767
Fee and commission income	31	122,964	106,922	352,543	323,719
Fee and commission expense	31	(29,231)	(15,346)	(76,007)	(54,862)
Net fee and commission income	31	93,733	91,576	276,536	268,857
Net trading income	32	351,682	82,363	365,225	161,521
Income from Islamic banking operations	33	38,340	215,981	768,077	700,794
Net (expense)/income from Financial Liabilities Designated at Fair Value		(36,616)	63,407	(43,382)	103,622
Other operating income	34	17,005	12,046	49,293	38,914
Operating income before impairment losses		956,196	835,027	2,828,142	2,282,475
Impairment write-back/(allowance)	35	20,374	38,000	(39,301)	50,324
Net operating income		976,570	873,027	2,788,841	2,332,799
Other operating expenses	36	(448,688)	(442,327)	(1,326,306)	(1,275,829)
Profit before tax		527,882	430,700	1,462,535	1,056,970
Tax expense		(102,859)	(136,628)	(332,977)	(337,720)
Profit for the financial period		425,023	294,072	1,129,558	719,250
Profit attributable to owner of the Bank		425,023	294,072	1,129,558	719,250
Basic earnings per RM0.50 ordinary share		185.6 sen	128.4 sen	493.3 sen	314.1 sen
Dividends per RM0.50 ordinary share (net)					
- interim dividend paid in respect of the current period		153.4 sen	–	153.4 sen	–
- final dividend paid in respect of prior period		–	–	179.3 sen	106.0 sen
- special dividend paid in respect of current period		–	–	–	436.7 sen

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UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023 (Cont'd)

Bank

		Third Quarter		Nine Months Ended	
		30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	30	743,752	526,187	2,114,820	1,396,493
Interest expense	30	(239,540)	(145,567)	(662,786)	(363,601)
Net interest income	30	504,212	380,620	1,452,034	1,032,892
Fee and commission income	31	122,537	106,512	351,742	322,443
Fee and commission expense	31	(29,231)	(15,346)	(76,007)	(54,862)
Net fee and commission income	31	93,306	91,166	275,735	267,581
Net trading income	32	189,939	123,955	564,952	382,783
Net (expense)/income from Financial Liabilities Designated at Fair Value		(36,616)	63,407	(43,382)	103,622
Other operating income	34	75,219	48,651	196,675	149,292
Operating income before impairment losses		826,060	707,799	2,446,014	1,936,170
Impairment write-back	35	15,577	33,389	150	59,564
Net operating income		841,637	741,188	2,446,164	1,995,734
Other operating expenses	36	(424,600)	(421,689)	(1,256,284)	(1,209,296)
Profit before tax		417,037	319,499	1,189,880	786,438
Tax expense		(73,486)	(103,991)	(260,858)	(255,738)
Profit for the financial period		343,551	215,508	929,022	530,700
Profit attributable to owner of the Bank		343,551	215,508	929,022	530,700
Basic earnings per RM0.50 ordinary share		150.0 sen	94.1 sen	405.7 sen	231.7 sen
Dividends per RM0.50 ordinary share (net)					
- interim dividend paid in respect of the current period		153.4 sen	–	153.4 sen	–
- final dividend paid in respect of prior period		–	–	179.3 sen	106.0 sen
- special dividend paid in respect of current period		–	–	–	436.7 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 13 to 51 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 30 October 2023.

HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	425,023	294,072	1,129,558	719,250
Other comprehensive (expense)/income				
<i>Items that will not be reclassified to profit or loss</i>				
Revaluation reserve:				
Deficit on revaluation of properties	–	–	(1,967)	–
Income tax effect	–	–	5,034	–
Own credit reserve:				
Change in fair value	(3,528)	(13,546)	(14,085)	(14,649)
Income tax effect	847	3,251	3,381	3,516
Fair value through other comprehensive income reserve (equity instruments):				
Change in fair value	–	–	6,817	3,680
Income tax effect	–	–	(1,636)	(883)
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i>				
Fair value through other comprehensive income reserve (debt instruments):				
Change in fair value	1,663	(4,726)	31,600	(87,083)
Amount transferred to profit or loss	(236)	13,682	(10,391)	32,637
Impairment (write-back)/charges	(111)	221	(175)	(610)
Income tax effect	(342)	(2,150)	(5,090)	13,069
Other comprehensive (expense)/income for the financial period, net of income tax	(1,707)	(3,268)	13,488	(50,323)
Total comprehensive income for the financial period	423,316	290,804	1,143,046	668,927
Total comprehensive income attributable to owner of the Bank	423,316	290,804	1,143,046	668,927

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UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023 (Cont'd)

Bank

	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	343,551	215,508	929,022	530,700
Other comprehensive (expense)/income				
<i>Items that will not be reclassified to profit or loss</i>				
Revaluation reserve:				
Deficit on revaluation of properties	—	—	(1,967)	—
Income tax effect	—	—	5,034	—
Own credit reserve:				
Change in fair value	(1,438)	(1,480)	(5,824)	(434)
Income tax effect	345	355	1,398	104
Fair value through other comprehensive income reserve (equity instruments):				
Change in fair value	—	—	6,817	3,680
Income tax effect	—	—	(1,636)	(883)
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i>				
Fair value through other comprehensive income reserve (debt instruments):				
Change in fair value	(128)	(6,319)	23,376	(74,776)
Amount transferred to profit or loss	(236)	13,682	(10,391)	32,637
Impairment (write-back)/charges	(109)	181	(164)	(495)
Income tax effect	88	(1,768)	(3,116)	10,115
Other comprehensive (expense)/income for the financial period, net of income tax	(1,478)	4,651	13,527	(30,052)
Total comprehensive income for the financial period	342,073	220,159	942,549	500,648
Total comprehensive income attributable to owner of the Bank	342,073	220,159	942,549	500,648

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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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							
2023									
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	–	–	–	–	–	–	–	1,129,558	1,129,558
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits for realisation of revaluation upon disposal of property	–	–	(32,935)	–	–	–	–	32,935	–
Transfer to retained profits upon realisation of depreciation	–	–	(989)	–	–	–	–	989	–
Deficit on revaluation of properties	–	–	(1,967)	–	–	–	–	–	(1,967)
Deferred tax adjustment on revaluation reserve	–	–	5,034	–	–	–	–	–	5,034
FVOCI reserve/Own credit reserve									
Net change in fair value	–	–	–	29,197	(10,704)	–	–	–	18,493
Net amount transferred to profit or loss	–	–	–	(7,897)	–	–	–	–	(7,897)
Impairment write-back	–	–	–	(175)	–	–	–	–	(175)
Total other comprehensive (expense)/income	–	–	(30,857)	21,125	(10,704)	–	–	33,924	13,488
Total comprehensive (expense)/income for the financial year	–	–	(30,857)	21,125	(10,704)	–	–	1,163,482	1,143,046
Net change in regulatory reserves	–	–	–	–	–	–	(64,900)	64,900	–
Transactions with the owner, recorded directly in equity									
Share based payment transactions	–	–	–	–	–	(2,964)	–	(120)	(3,084)
Dividends paid to owner - 2022 final	–	–	–	–	–	–	–	(410,512)	(410,512)
Dividends paid to owner - 2023 interim	–	–	–	–	–	–	–	(351,283)	(351,283)
Dividends paid to preference shareholder	–	–	–	–	–	–	–	(52,688)	(52,688)
Balance at 30 September	1,045,875	1,500,000	128,685	151,385	(16,945)	95,283	369,600	8,709,496	11,983,379

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023 (Cont'd)

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

^[1] On 27 June 2022, the Group and the Bank issued RM1.5 billion Additional Tier 1 preference shares and redeemed RM500.0 million Additional Tier 1 perpetual capital term loan.

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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	–	–	–	–	–	–	–	929,022	929,022
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits for realisation of revaluation upon disposal of property	–	–	(32,935)	–	–	–	–	32,935	–
Transfer to retained profits upon realisation of depreciation	–	–	(989)	–	–	–	–	989	–
Deficit on revaluation of properties	–	–	(1,967)	–	–	–	–	–	(1,967)
Deferred tax adjustment on revaluation reserve	–	–	5,034	–	–	–	–	–	5,034
FVOCI reserve/Own credit reserve									
Net change in fair value	–	–	–	22,947	(4,426)	–	–	–	18,521
Net amount transferred to profit or loss	–	–	–	(7,897)	–	–	–	–	(7,897)
Impairment write-back	–	–	–	(164)	–	–	–	–	(164)
Total other comprehensive (expense)/income	–	–	(30,857)	14,886	(4,426)	–	–	33,924	13,527
Total comprehensive (expense)/income for the financial year	–	–	(30,857)	14,886	(4,426)	–	–	962,946	942,549
Net change in regulatory reserves	–	–	–	–	–	–	(33,100)	33,100	–
Transactions with the owner, recorded directly in equity									
Share based payment transactions	–	–	–	–	–	(2,875)	–	(126)	(3,001)
Dividends paid to owner - 2022 final	–	–	–	–	–	–	–	(410,512)	(410,512)
Dividends paid to owner - 2023 interim	–	–	–	–	–	–	–	(351,283)	(351,283)
Dividends paid to preference shareholder	–	–	–	–	–	–	–	(52,688)	(52,688)
Balance at 30 September	1,045,875	1,500,000	128,685	154,975	(5,536)	94,881	327,600	6,955,193	10,201,673

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023 (Cont'd)

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

^[1] On 27 June 2022, the Group and the Bank issued RM1.5 billion Additional Tier 1 preference shares and redeemed RM500.0 million Additional Tier 1 perpetual capital term loan.

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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Profit before tax	1,462,535	1,056,970	1,189,880	786,438
Adjustments for non-operating and non-cash items	556,218	55,144	170,527	(184,059)
Operating profit before working capital changes	2,018,753	1,112,114	1,360,407	602,379
Changes in working capital:				
Net changes in operating assets	(2,374,220)	(3,759,748)	(1,311,624)	(3,268,549)
Net changes in operating liabilities	1,137,608	6,591,238	1,065,812	5,922,184
Income tax paid	(327,536)	(24,987)	(247,695)	(6,849)
Net cash generated from operations	454,605	3,918,617	866,900	3,249,165
Net cash (used in)/generated from investing activities	(5,590,179)	1,848,061	(4,183,410)	740,912
Net cash used in financing activities	(824,225)	(267,867)	(814,483)	(263,478)
	(6,414,404)	1,580,194	(4,997,893)	477,434
Net changes in cash and cash equivalents	(5,959,799)	5,498,811	(4,130,993)	3,726,599
Cash and cash equivalents at 1 January	17,585,339	12,351,813	13,067,553	8,638,234
Cash and cash equivalents at 30 September	11,625,540	17,850,624	8,936,560	12,364,833
Analysis of cash and cash equivalents				
Cash and short-term funds	11,625,540	17,850,624	8,936,560	12,364,833

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 13 to 51 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 30 October 2023.

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

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023 (Cont'd)

Change in liabilities arising from financing activities

Group (RM'000)

	At 1 Jan	Cash outflow	Fair value movement	Interest/ Profit accrual	At 30 Sep
2023					
Multi-Currency Sukuk Programme	504,771	–	(4,754)	–	500,017
Subordinated liabilities	–	–	–	–	–
Other liabilities of which:					
Profit paid on Multi-Currency Sukuk Programme	5,301	(9,742)	–	15,103	10,662
Interest paid on Subordinated liabilities	–	–	–	–	–
	510,072	(9,742)	(4,754)	15,103	510,679
2022					
Multi-Currency Sukuk Programme	515,333	–	(8,860)	–	506,473
Subordinated liabilities	500,000	–	–	–	500,000
Other liabilities of which:					
Profit paid on Multi-Currency Sukuk Programme	5,242	(4,389)	–	9,750	10,603
Interest paid on Subordinated liabilities	4,151	(12,729)	–	18,886	10,308
	1,024,726	(17,118)	(8,860)	28,636	1,027,384

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

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023 (Cont'd)

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

Bank (RM'000)

	At 1 Jan	Cash outflow	Interest accrual	At 30 Sep
2023				
Subordinated liabilities	–	–	–	–
Other liabilities of which:				
Interest paid on Subordinated liabilities	–	–	–	–
	–	–	–	–
2022				
Subordinated liabilities	500,000	–	–	500,000
Other liabilities of which:				
Interest paid on Subordinated liabilities	4,151	(12,729)	18,886	10,308
	504,151	(12,729)	18,886	510,308

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 13 to 51 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 30 October 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 30 October 2023.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 30 September 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'
- Amendments to MFRS 112 on 'International Tax Reform-Pillar Two Model Rules'

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'

Effective for annual periods commencing on or after 1 January 2025

- Amendments to MFRS 121 on 'Lack of Exchangeability'

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 30 September 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 30 September 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 30 September 2023.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

9 Dividend

The dividends paid since the end of the previous financial year were as follows:

	Total (RM'million)
Ordinary shares	
<i>In respect of financial year ended 31 December 2022:</i>	
Final dividend of 179.26 sen (paid on 19 April 2023)	410.5
<i>In respect of financial period ended 30 June 2023:</i>	
Interim dividend of 153.40 sen (paid on 27 September 2023)	351.3
Preference shares	
<i>In respect of annual period ended 26 June 2023:</i>	
Annual dividend of 3-month KLIBOR plus 36 basis points per annum (paid on 27 June 2023)	52.7

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>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	802,475	1,184,545	653,227	906,068
Money at call and interbank placements maturing within one month	10,823,065	16,400,794	8,283,333	12,161,485
	11,625,540	17,585,339	8,936,560	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 RM914.8 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 RM25,000 for the Group and RM17,000 for the Bank as at 30 September 2023 (31 December 2022: RM103,000 for the Group and RM92,000 for the Bank).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

13 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Licensed banks	–	–	563,796	1,621,375
Bank Negara Malaysia	208,784	633,429	–	–
	208,784	633,429	563,796	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 RM563.8 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 30 September 2023 (31 December 2022: RM Nil for the Group and the Bank).

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

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government treasury bills	94,299	945,147	94,299	945,147
Malaysian Government Islamic treasury bills	742,867	750,641	742,867	750,641
Malaysian Government securities	1,450,628	1,216,126	1,450,628	1,216,126
Malaysian Government Islamic Sukuk	510,631	305,902	510,631	305,902
Cagamas bonds and notes	239,810	598,084	239,810	598,084
Negotiable Instruments of Deposits	–	500,094	–	500,094
	3,038,235	4,315,994	3,038,235	4,315,994
Unquoted:				
Corporate bonds and Sukuk	26,509	13,813	26,509	13,813
	3,064,744	4,329,807	3,064,744	4,329,807

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Debt instruments				
Money market instruments:				
Bank Negara Malaysia bills	4,789,848	3,098,296	4,789,848	3,098,296
Bank Negara Malaysia Islamic bills	1,499,708	–	1,499,708	–
Malaysian Government Islamic treasury bills	4,897,178	–	3,124,308	–
Malaysian Government securities	2,674,200	5,612,980	2,674,200	5,612,980
Malaysian Government Islamic Sukuk	1,122,644	2,483,704	491,186	1,041,055
US treasury bond	451,916	–	451,916	–
	15,435,494	11,194,980	13,031,166	9,752,331
Equity instruments designated as FVOCI				
Unquoted Shares, of which:	235,976	229,159	235,976	229,159
<i>Cagamas Holdings Berhad</i>	193,633	187,373	193,633	187,373
<i>Credit Guarantee Corporation Malaysia Berhad</i>	35,464	35,332	35,464	35,332
<i>Others</i>	6,879	6,454	6,879	6,454
	15,671,470	11,424,139	13,267,142	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.

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

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	13,592,832	7,645,307	11,659,733	6,672,728
More than one year to three years	1,617,940	3,549,673	1,146,711	3,079,603
More than three years to five years	224,722	–	224,722	–
	15,435,494	11,194,980	13,031,166	9,752,331

There are RM252,010,000 of the FVOCI instruments that are pledged against Repurchase Agreement as at 30 September 2023 (31 December 2022: RM Nil).

Financial investments at FVOCI are within Stage 1 allocation (12-month ECL) with RM563,000 impairment allowance for the Group and RM439,000 for the Bank as at 30 September 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16 Financial Investments at Amortised Cost

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Debt instruments				
Money market instruments:				
Malaysian Government Islamic treasury bills	–	1,931,267	–	1,735,858
Malaysian Government Islamic Sukuk	2,879,556	749,301	2,089,200	490,586
Malaysian Government securities	2,517,601	1,236,456	2,517,601	1,236,456
Unquoted:				
Corporate Sukuk	299,732	199,807	199,843	199,807
	5,696,889	4,116,831	4,806,644	3,662,707

Financial investments at amortised cost are within Stage 1 allocation (12-month ECL) with RM712,000 impairment allowance for the Group and RM539,000 for the Bank as at 30 September 2023 (31 December 2022: RM411,000 for the Group and RM409,000 for the Bank).

17 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts/cash line	492,130	807,248	410,607	722,851
Term loans/financing:				
Housing loans/financing	14,424,960	14,961,902	10,783,588	11,295,656
Syndicated term loans/financing	2,486,176	1,829,388	1,204,451	954,491
Factoring receivables	1,874,950	777,058	1,874,950	777,058
Hire purchase receivables	217,961	234,388	–	–
Other term loans/financing	8,361,014	10,054,944	4,224,040	5,404,169
Bills receivable	3,630,831	4,561,215	2,577,960	3,591,536
Trust receipts	3,366,509	3,295,874	2,819,026	2,552,114
Claims on customers under acceptance credits	1,028,263	1,168,132	815,815	972,187
Staff loans/financing	43,658	47,390	42,360	45,742
Credit/charge cards	3,875,404	3,734,285	2,670,709	2,548,877
Revolving financing	6,262,011	5,978,959	4,490,690	4,242,985
Other loans/financing	9,819	9,138	7,435	6,922
Gross loans, advances and financing ^[1]	46,073,686	47,459,921	31,921,631	33,114,588
Less: - Impairment allowances	(863,462)	(1,107,584)	(423,290)	(605,262)
Total net loans, advances and financing	45,210,224	46,352,337	31,498,341	32,509,326

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Loans, Advances and Financing (Cont'd)

(i) By type (Cont'd)

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

	<i>Bank</i>	
	30 Sep 2023	31 Dec 2022
	RM'000	RM'000
Syndicated term financing	515,653	643,511
Other term financing	708,495	674,918
Revolving financing	895,497	871,082
Trade financing	9,440	–
Gross loans, advances and financing	2,129,085	2,189,511
Less: - Impairment allowances	(96,416)	(240,817)
Total net loans, advances and financing	2,032,669	1,948,694

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	693,931	943,305	538,815	513,970
Domestic business enterprises:				
Small medium enterprises	3,216,009	3,260,745	2,080,667	2,092,246
Others	16,827,411	17,648,335	11,911,243	12,481,054
Individuals	17,699,240	18,270,660	12,253,840	12,737,821
Other domestic entities	1,127	1,169	434	400
Foreign entities/individuals	7,635,968	7,335,707	5,136,632	5,289,097
	46,073,686	47,459,921	31,921,631	33,114,588

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	22,179,036	21,135,856	16,595,727	16,022,086
More than one year to three years	4,005,830	5,252,470	2,097,466	2,930,548
More than three years to five years	3,027,291	3,305,916	1,144,133	1,401,293
More than five years	16,861,529	17,765,679	12,084,305	12,760,661
	46,073,686	47,459,921	31,921,631	33,114,588

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Loans, Advances and Financing (Cont'd)

(iv) By interest/profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Hire purchase receivables	217,961	234,388	—	—
Other fixed rate loans/financing	12,668,380	13,607,018	9,028,118	9,923,575
Variable rate:				
Base Rate/Base Lending/Financing Rate	16,188,249	17,482,039	11,935,031	12,940,167
Cost-plus	16,999,096	16,136,476	10,958,482	10,250,846
	46,073,686	47,459,921	31,921,631	33,114,588

(v) By sector

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	35,426	42,075	28,936	34,153
Mining and quarrying	266,434	173,389	222,672	123,803
Manufacturing	7,158,372	6,899,064	5,714,566	5,285,363
Electricity, gas and water	286,613	85,369	222,437	17,465
Construction	2,696,169	2,994,286	1,683,533	2,017,440
Real estate	2,357,250	2,473,806	1,044,643	1,205,418
Wholesale & retail trade and restaurants & hotels	3,393,719	4,150,172	2,433,715	3,025,175
Transport, storage and communication	681,362	772,301	424,220	466,553
Finance, insurance and business services	3,188,525	3,489,704	2,243,777	2,311,777
Household-retail	20,293,060	20,875,482	14,395,799	14,887,922
Others	5,716,756	5,504,273	3,507,333	3,739,519
	46,073,686	47,459,921	31,921,631	33,114,588

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Purchase of property:				
Residential	14,447,640	14,987,840	10,806,014	11,321,329
Non residential	1,125,897	1,235,917	534,970	581,320
Purchase of securities	2,355	2,568	2,355	2,568
Purchase of transport vehicles	15,641	15,480	14,800	14,338
Purchase of fixed assets excluding land & building	218,370	234,846	—	—
Consumption credit	5,593,957	5,607,540	3,494,738	3,459,630
Construction	2,312,615	2,414,138	1,492,473	1,590,821
Working capital	17,270,034	18,197,776	12,536,579	12,972,655
Other purpose	5,087,177	4,763,816	3,039,702	3,171,927
	46,073,686	47,459,921	31,921,631	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>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Northern Region	6,309,360	5,857,696	4,940,204	4,420,032
Southern Region	5,938,381	5,904,264	4,334,247	4,455,375
Central Region	32,402,185	34,174,779	21,520,667	23,022,661
Eastern Region	1,423,760	1,523,182	1,126,513	1,216,520
	46,073,686	47,459,921	31,921,631	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>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount as at 1 January	2,769,319	3,571,670	1,797,388	2,396,659
Transfer within stages	(241,403)	(228,824)	(197,460)	(259,657)
Net changes in risk parameters - further repayments	(153,663)	(273,701)	(116,316)	(122,924)
Written-off	(376,287)	(299,826)	(217,849)	(216,690)
Gross carrying amount as at 30 September	1,997,966	2,769,319	1,265,763	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>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	6,032	3,105	5,580	3,065
Manufacturing	25,998	24,316	12,839	10,287
Electricity, gas and water	59,938	58,342	–	516
Construction	123,846	126,754	22,790	10,684
Real estate	134,209	188,933	130,891	185,294
Wholesale & retail trade, restaurants & hotels	23,929	12,275	13,503	8,202
Transport, storage and communication	4,052	2,345	814	813
Finance, insurance and business services	103,802	296,225	99,851	242,349
Household-retail	1,516,160	2,018,084	979,495	1,315,591
Others	–	38,940	–	20,587
	1,997,966	2,769,319	1,265,763	1,797,388

(iii) By purpose

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Purchase of property:				
Residential	1,064,401	1,451,516	753,425	1,032,457
Non residential	19,331	27,764	11,656	18,436
Purchase of transport vehicles	–	6	–	6
Purchase of fixed assets excluding land & building	7,295	172	–	–
Consumption credit	447,763	562,470	224,661	280,431
Construction	108,306	126,754	7,249	10,684
Working capital	350,870	583,026	268,772	455,374
Other purpose	–	17,611	–	–
	1,997,966	2,769,319	1,265,763	1,797,388

(iv) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Northern Region	215,146	260,342	171,409	206,726
Southern Region	299,545	353,729	241,704	281,268
Central Region	1,427,510	2,074,375	809,206	1,247,286
Eastern Region	55,765	80,873	43,444	62,108
	1,997,966	2,769,319	1,265,763	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
Group	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2023	68,437	155,477	883,670	1,107,584
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	90,013	(48,053)	(41,960)	–
- Transferred to Stage 2	(5,687)	19,681	(13,994)	–
- Transferred to Stage 3	(528)	(6,514)	7,042	–
New financial assets originated or purchased	30,068	–	–	30,068
Net remeasurement due to changes in credit risk and assets derecognised	(53,167)	40,788	107,223	94,844
Asset written-off	–	–	(376,287)	(376,287)
Others	417	–	6,836	7,253
Balance at 30 September 2023	129,553	161,379	572,530	863,462
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 and assets derecognised	(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	68,437	155,477	883,670	1,107,584

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 decreased by RM244.1 million for the Group compared to the balance at the beginning of the year. This net decrease was mainly contributed by assets written off (RM376.3 million) partially offset by remeasurement due to changes in credit risk (RM94.8 million), new financial assets originated or purchased (RM30.1 million) and others (RM7.3 million).

- 12-month ECL not credit impaired (Stage 1) – increased by RM61.1 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 and assets derecognised.
- Lifetime ECL not credit-impaired (Stage 2) – increased by RM5.9 million for the Group, mainly from remeasurement due to changes in credit risk partly offset by net migration of loans, advances and financing to stages 1 and 3.
- Lifetime ECL credit-impaired (Stage 3) – decreased by RM311.1 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 and others.

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
Bank	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2023	35,476	82,333	487,453	605,262
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	52,722	(24,887)	(27,835)	–
- Transferred to Stage 2	(3,178)	11,261	(8,083)	–
- Transferred to Stage 3	(172)	(3,035)	3,207	–
New financial assets originated or purchased	7,396	–	–	7,396
Net remeasurement due to changes in credit risk and assets derecognised	(33,482)	21,835	39,711	28,064
Asset written-off	–	–	(217,849)	(217,849)
Others	417	–	–	417
Balance at 30 September 2023	59,179	87,507	276,604	423,290
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 and assets derecognised	(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	35,476	82,333	487,453	605,262

The total ECL allowances decreased by RM182.0 million for the Bank compared to the balance at the beginning of the year. This net decrease was mainly contributed by asset written-off (RM217.8 million) partially offset by remeasurement due to changes in credit risk (RM28.1 million) and new financial assets originated or purchased (RM7.4 million).

- 12-month ECL not credit impaired (Stage 1) – increased by RM23.7 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 based on HSBC Group's model and assets derecognised.
- Lifetime ECL not credit-impaired (Stage 2) – increased by RM5.2 million for the Bank, mainly due to increase in remeasurement due to changes in credit risk, offset by net migration of loans and advances to stages 1 and 3.
- Lifetime ECL credit-impaired (Stage 3) – decreased by RM210.8 million, primarily from asset written-off and net migration of loans and advances to stages 1 and 2, partially offset by remeasurement due to changes in credit risk.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances movement (Cont'd)

(ii) Movements in ECL allowances for loan commitments

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

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL not	ECL not	ECL	
	credit	credit	credit	
	impaired	impaired	impaired	Total
Group	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2023	3,856	13,728	27,019	44,603
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	2,282	(2,282)	–	–
- Transferred to Stage 2	(149)	149	–	–
- Transferred to Stage 3	(6)	–	6	–
New financial assets originated or purchased	603	–	–	603
Net remeasurement due to changes in credit risk and assets derecognised	220	(4,410)	(2,586)	(6,776)
Others	814	–	–	814
Balance at 30 September 2023	7,620	7,185	24,439	39,244
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 and assets derecognised	(12,323)	2,392	20,476	10,545
Others	(36)	–	–	(36)
Balance at 31 December 2022	3,856	13,728	27,019	44,603

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances movement (Cont'd)

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

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL not	ECL not	ECL	
	credit	credit	credit	
	impaired	impaired	impaired	Total
	RM'000	RM'000	RM'000	RM'000
Bank				
Balance at 1 January 2023	2,220	6,575	2,791	11,586
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	1,124	(1,124)	–	–
- Transferred to Stage 2	(131)	131	–	–
- Transferred to Stage 3	–	–	–	–
New financial assets originated or purchased	375	–	–	375
Net remeasurement due to changes in credit risk and assets derecognised	1,320	419	(2,440)	(701)
Others	485	–	–	485
Balance at 30 September 2023	5,393	6,001	351	11,745
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 and assets derecognised	(10,904)	1,557	(3,677)	(13,024)
Others	4	–	–	4
Balance at 31 December 2022	2,220	6,575	2,791	11,586

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20 Other Assets

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Settlements	682,681	671,735	669,871	670,462
Interest/profit receivable	155,482	129,781	144,116	122,980
Income receivable	36,948	35,690	139,398	49,687
Deposits and prepayments	18,395	2,164	16,216	2,164
Amount due from subsidiary company	–	–	3,366	161,528
Rights of Use (ROU) assets	50,322	54,961	29,997	33,421
Cash collateral	596,305	183,272	596,305	183,272
Other receivables	249,626	146,181	244,691	133,318
	1,789,759	1,223,784	1,843,960	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>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Investments in Subsidiary Companies				
Unquoted shares, at cost - in Malaysia	–	–	660,021	660,021
Additional Tier 1 USD Wakalah Financing Facility	–	–	501,063	501,063
	–	–	1,161,084	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>	
		30 Sep 2023	31 Dec 2022
HSBC Amanah Malaysia Berhad (HBMS)	Islamic banking and related financial services	100%	100%
HSBC (Kuala Lumpur) Nominees Sdn Bhd	Nominees, trustees or agents to receive securities for safe custody and management	100%	100%
HSBC Nominees (Tempatan) Sdn Bhd		100%	100%
HSBC Nominees (Asing) Sdn Bhd		100%	100%

All income and expenditure arising from the activities of subsidiaries which are nominee companies were recognised in the Bank's results, in respect of which the right of recovery has been waived. 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'.

In June 2023, the Bank has completed the disposal of its previous head-office building which was classified as 'Property Held for Sale' in 2022. A gain of RM1.036 million and real property gains tax (RPGT) of RM1.032 million have been recognised in the profit and loss statement. The property revaluation reserve of the said building of RM32.9 million has been realised and transferred to retained profits.

During the current year, the Bank has separately reclassified two other properties to 'Property Held for Sale'. The disposal of the properties is expected to be completed within a year of reclassification. These properties were measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification, resulting in the recognition of a property revaluation deficit of RM2.0 million in the statement of comprehensive income. Depreciation ceases when the property is classified as property held for sale.

24 Deposits from Customers

(i) By type of deposit	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Demand deposits	26,805,449	26,747,238	22,738,325	23,366,044
Savings deposits	15,734,364	16,789,370	12,777,941	13,868,467
Fixed deposits	28,180,099	26,949,727	21,019,250	19,294,193
	70,719,912	70,486,335	56,535,516	56,528,704

The maturity structure of fixed deposits is as follows:

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Due within six months	22,297,257	20,970,216	16,523,068	14,664,158
More than six months to one year	4,897,211	4,972,125	3,792,107	3,955,371
More than one year to three years	788,606	861,493	562,354	581,282
More than three years to five years	197,025	145,893	141,721	93,382
	28,180,099	26,949,727	21,019,250	19,294,193

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24 Deposits from Customers (Cont'd)

(ii) By type of customer	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023 RM'000	31 Dec 2022 RM'000	30 Sep 2023 RM'000	31 Dec 2022 RM'000
Government and statutory bodies	11,374	28,342	1,074	5,890
Business enterprises	27,908,665	27,436,193	24,395,575	23,703,337
Individuals	25,770,390	26,234,408	20,192,078	20,484,687
Foreign entities/individuals	14,449,626	15,001,801	10,831,536	11,355,092
Others	2,579,857	1,785,591	1,115,253	979,698
	70,719,912	70,486,335	56,535,516	56,528,704

25 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023 RM'000	31 Dec 2022 RM'000	30 Sep 2023 RM'000	31 Dec 2022 RM'000
Licensed banks	51,342	276	251,342	300,276
Bank Negara Malaysia	228,217	259,759	213,369	250,787
Other financial institutions	2,908,176	2,089,958	2,908,165	2,089,947
	3,187,735	2,349,993	3,372,876	2,641,010

26 Structured Liabilities Designated at Fair Value through Profit or Loss

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023 RM'000	31 Dec 2022 RM'000	30 Sep 2023 RM'000	31 Dec 2022 RM'000
Structured liabilities	4,451,633	3,754,684	2,460,000	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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Settlements	685,526	687,233	685,010	686,693
Interest/profit payable	281,713	204,522	203,696	146,345
Deferred income	190,464	180,413	169,715	161,514
Marginal deposit	295,031	334,438	270,518	299,225
Amount due to subsidiary company	—	—	161,954	105,975
Accrued expenses	793,841	736,146	775,402	712,231
Lease liabilities	54,528	59,291	32,206	35,552
Cash collateral	144,428	673,549	144,428	673,549
Other creditors	1,130,312	1,103,155	997,306	980,237
Provisions on loan and credit related commitments; and financial guarantees ^[1]	39,244	44,603	11,745	11,586
	3,615,087	4,023,350	3,451,980	3,812,907

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

28 Multi-Currency Sukuk Programme

	<i>Group</i>	
	30 Sep 2023	31 Dec 2022
	RM'000	RM'000
Multi-Currency Sukuk Programme (MCSP)	500,017	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>	Nominal Value (RM'000)	Issue Date	Maturity Date	Carrying Value (RM'000)	
				30 Sep 2023	31 Dec 2022
At fair value					
4th series	500,000	2 Oct 2018	2 Oct 2023	500,017	504,771

<u>Movement in MCSP</u>	<i>Group</i>	
	4th Series	4th Series
	30 Sep 2023	31 Dec 2022
	RM'000	RM'000
Balance at 1 January	504,771	515,333
Change in fair value other than from own credit risk	(3,673)	(14,521)
Change in fair value from own credit risk	(1,081)	3,959
Balance at 30 September 2023/ 31 December 2022	500,017	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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29 Share Capital and Other Equity

	<i>Group and Bank</i>			
	30 Sep 2023		31 Dec 2022	
	Number of Shares ('000)	RM'000	Number of Shares ('000)	RM'000
Share capital, issued and fully paid				
<u>Ordinary shares of RM0.50 each</u>				
At 1 January / 30 September 2023 / 31 December 2022	229,000	1,045,875	229,000	1,045,875
<u>Preference shares of RM1.00 each</u>				
At 1 January / 30 September 2023 / 31 December 2022	1,500,000	1,500,000	1,500,000	1,500,000
Total share capital and other equity	1,729,000	2,545,875	1,729,000	2,545,875

On 27 June 2022, the Group and the Bank issued non-cumulative and non-convertible redeemable perpetual preference shares amounting to RM1.5 billion. The preference shares qualify as Additional Tier 1 capital of the Group and the Bank as per the Capital Adequacy Framework (Capital Components) issued by Bank Negara Malaysia (BNM). The dividend rate of the preference shares is 3-month KLIBOR plus 36 basis points per annum. Dividend payments are non-cumulative and may be cancelled at the sole discretion of the Group and the Bank. On the occurrence of a trigger event as defined by BNM, the capital instruments will be written down at the point of non-viability. They rank higher than ordinary shares in the event of a wind-up. The capital instrument meets the requirements of equity classification as per MFRS 132.

30 Net Interest Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	398,552	327,407	1,134,973	902,818
- Interest income recognised from impaired loans	8,785	7,184	25,435	26,466
Money at call and deposit placements with financial institutions	151,237	113,171	448,660	253,673
Financial investments at FVOCI	129,470	56,439	331,817	174,548
Financial investments at amortised cost	41,740	9,780	127,503	13,308
	729,784	513,981	2,068,388	1,370,813

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Net Interest Income (Cont'd)

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Interest expense				
Deposits and placements of banks and other financial institutions	(14,534)	(4,543)	(33,447)	(8,490)
Deposits from customers	(222,355)	(132,880)	(620,519)	(333,100)
Subordinated liabilities	–	(6,365)	–	(18,886)
Lease liabilities	(402)	(409)	(1,263)	(1,183)
Others	(441)	(130)	(766)	(387)
	<u>(237,732)</u>	<u>(144,327)</u>	<u>(655,995)</u>	<u>(362,046)</u>
Net interest income	492,052	369,654	1,412,393	1,008,767

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	398,552	327,407	1,134,973	902,818
- Interest income recognised from impaired loans	8,785	7,184	25,435	26,466
Money at call and deposit placements with financial institutions	165,205	125,377	495,092	279,353
Financial investments at FVOCI	129,470	56,439	331,817	174,548
Financial investments at amortised cost	41,740	9,780	127,503	13,308
	<u>743,752</u>	<u>526,187</u>	<u>2,114,820</u>	<u>1,396,493</u>

Interest expense				
Deposits and placements of banks and other financial institutions	(16,342)	(5,783)	(40,238)	(10,045)
Deposits from customers	(222,355)	(132,880)	(620,519)	(333,100)
Subordinated liabilities	–	(6,365)	–	(18,886)
Lease liabilities	(402)	(409)	(1,263)	(1,183)
Others	(441)	(130)	(766)	(387)
	<u>(239,540)</u>	<u>(145,567)</u>	<u>(662,786)</u>	<u>(363,601)</u>
Net interest income	504,212	380,620	1,452,034	1,032,892

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Net Fee and Commission Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Credit cards	34,389	31,388	98,869	87,564
Service charges and fees	31,313	29,957	91,102	87,921
Fees on credit facilities	17,684	15,221	53,482	45,581
Agency fee	31,243	24,534	87,066	83,357
Others	8,335	5,822	22,024	19,296
	122,964	106,922	352,543	323,719
Fee and commission expense				
Debit/credit cards	(22,516)	(9,833)	(56,047)	(36,797)
Interbank and clearing fees	(362)	(182)	(1,035)	(678)
Brokerage	(1,003)	(778)	(2,934)	(2,486)
Cash management	(325)	(232)	(961)	(703)
Others	(5,025)	(4,321)	(15,030)	(14,198)
	(29,231)	(15,346)	(76,007)	(54,862)
Net fee and commission income	93,733	91,576	276,536	268,857

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Credit cards	34,389	31,388	98,869	87,564
Service charges and fees	31,313	29,957	91,102	87,921
Fees on credit facilities	17,684	15,221	53,482	45,581
Agency fee	31,243	24,534	87,066	83,357
Others	7,908	5,412	21,223	18,020
	122,537	106,512	351,742	322,443
Fee and commission expense				
Debit/credit cards	(22,516)	(9,833)	(56,047)	(36,797)
Interbank and clearing fees	(362)	(182)	(1,035)	(678)
Brokerage	(1,003)	(778)	(2,934)	(2,486)
Cash management	(325)	(232)	(961)	(703)
Others	(5,025)	(4,321)	(15,030)	(14,198)
	(29,231)	(15,346)	(76,007)	(54,862)
Net fee and commission income	93,306	91,166	275,735	267,581

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Net Trading Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Realised gains on financial assets/liabilities at FVTPL and other financial instruments	5,502	7,048	15,439	1,530
Net interest income from financial assets at FVTPL	21,292	24,779	71,165	48,564
Net unrealised (losses)/gains on revaluation of financial assets at FVTPL	(6,601)	(10,973)	5,142	(29,999)
Net realised gains arising from dealing in foreign currency	377,458	118,890	499,293	275,103
Net unrealised (losses)/gains from dealing in foreign currency	(49,849)	20,004	(231,169)	(9,483)
Net realised gains/(losses) arising from dealing in derivatives	30,189	(22,634)	46,213	(9,025)
Net unrealised losses on revaluation of derivatives	(26,095)	(55,305)	(40,073)	(114,294)
(Losses)/Gains arising from fair value hedges	(214)	554	(785)	(875)
	351,682	82,363	365,225	161,521

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Realised gains on financial assets/liabilities at FVTPL and other financial instruments	5,502	7,048	15,439	1,530
Net interest income from financial assets at FVTPL	21,292	24,779	71,165	48,564
Net unrealised (losses)/gains on revaluation of financial assets at FVTPL	(6,601)	(10,973)	5,142	(29,999)
Net realised gains arising from dealing in foreign currency	379,644	102,461	490,119	254,295
Net unrealised (losses)/gains from dealing in foreign currency	(218,980)	41,568	(6,832)	144,912
Net realised gains/(losses) arising from dealing in derivatives	33,753	(34,263)	57,341	(30,957)
Net unrealised losses on revaluation of derivatives	(24,457)	(7,219)	(66,637)	(4,687)
(Losses)/Gains arising from fair value hedges	(214)	554	(785)	(875)
	189,939	123,955	564,952	382,783

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Net Trading Income (Cont'd)

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

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Total net trading income (net of elimination with subsidiary)	200,449	74,592	621,052	329,783
of which:				
- is disclosed in Note 32	351,682	82,363	365,225	161,521
- is included under Income from Islamic Banking operations of the Group (Note 33)	(151,233)	(7,771)	255,827	168,262

33 Income from Islamic Banking operations

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

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
- depositor funds and others ^[1]	226,687	183,637	643,011	486,214
- shareholders funds	52,990	35,577	153,763	111,786
Total income before allowance for impairment losses on financing and advances	279,677	219,214	796,774	598,000
Income attributable to the depositors	(91,044)	(55,093)	(266,398)	(140,464)
Income from Islamic Banking operations before elimination	188,633	164,121	530,376	457,536
Elimination of intercompany income and expenses	(150,293)	51,860	237,701	243,258
Income from Islamic Banking operations reported in statement of profit or loss of the Group ^[2]	38,340	215,981	768,077	700,794

^[1] Included in income derived from investment of depositors' funds and others are net (expenses)/ income from financial liabilities designated at fair value through profit or loss for the period ended 30 September:

	(12,304)	32,690	(70,900)	82,158
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^[2] Included in income from Islamic Banking operations reported in statement of profit or loss of the Group is net trading (loss)/ income for the period ended 30 September:

	(151,233)	(7,771)	255,827	168,262
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NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Other Operating Income

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Dividend income from financial investments at FVOCI				
- Unquoted in Malaysia	310	310	2,553	1,485
Rental income	1,733	1,308	4,349	4,043
Net gain on disposal of property and equipment	—	—	1,161	147
Other operating income	14,962	10,428	41,230	33,239
	17,005	12,046	49,293	38,914

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Dividend income from financial investments at FVOCI				
- Unquoted in Malaysia	310	310	2,553	1,485
Discretionary coupon income on other equity instrument issued by subsidiary	16,626	—	29,109	—
Rental income	1,733	1,308	4,349	4,043
Net gain on disposal of property and equipment	—	—	1,161	147
Income recharges from subsidiary	41,588	36,605	118,273	110,378
Other operating income	14,962	10,428	41,230	33,239
	75,219	48,651	196,675	149,292

35 Impairment (Write-back) / Allowance

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	7,603	(7,375)	118,829	41,648
Recoveries	(28,190)	(31,298)	(81,511)	(93,133)
Written off	213	673	1,983	1,161
Total (write-back from)/charge to the statements of profit or loss	(20,374)	(38,000)	39,301	(50,324)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	(2,603)	(17,662)	35,047	(12,153)
Recoveries	(13,187)	(16,737)	(36,990)	(49,052)
Written off	213	1,010	1,793	1,641
Total write-back from the statements of profit or loss	(15,577)	(33,389)	(150)	(59,564)

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

(i) Loan, advances and financing

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	22,365	(16,972)	124,912	53,750
Recoveries	(28,190)	(31,298)	(81,511)	(93,133)
Written off	213	673	1,983	1,161
Total (write-back from)/charge to the statements of profit or loss	(5,612)	(47,597)	45,384	(38,222)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	4,463	(20,926)	35,460	(749)
Recoveries	(13,187)	(16,737)	(36,990)	(49,052)
Written off	213	1,010	1,793	1,641
Total (write-back from)/charge to the statements of profit or loss	(8,511)	(36,653)	263	(48,160)

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

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Net (release)/increase in allowance/provisions	(81)	34	(32)	(1)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Net (release)/increase in allowance/provisions	(80)	30	(47)	(5)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

(iii) Debt securities - FVOCI

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Net (release)/increase in allowance/ provisions	(113)	219	(180)	(615)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Net (release)/increase in allowance/ provisions	(111)	179	(169)	(500)

(iv) Financial investments at amortised costs

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Net increase/(release) in allowance/ provisions	139	284	302	(459)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Net increase/(release) in allowance/ provisions	192	284	129	(459)

(v) Loan commitments and contingencies

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Net (release)/increase in allowance/ provisions	(14,707)	9,060	(6,173)	(11,027)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Net (release)/increase in allowance/ provisions	(7,067)	2,771	(326)	(10,440)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Other Operating Expenses

	<i>Group</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	163,672	162,659	495,916	489,333
Promotion and marketing related expenses	11,653	6,644	29,161	29,046
Establishment related expenses	36,307	33,451	99,742	92,207
General administrative expenses	44,175	39,777	119,713	121,588
Related company charges	192,881	199,796	581,774	543,655
	448,688	442,327	1,326,306	1,275,829
Personnel expenses				
Salaries, allowances and bonuses	126,211	120,550	385,998	369,721
Employees Provident Fund contributions	21,675	21,311	66,221	62,831
Share based payment	2,011	1,994	7,556	5,695
Others	13,775	18,804	36,141	51,086
	163,672	162,659	495,916	489,333
Establishment related expenses				
Depreciation of property and equipment	12,224	7,924	37,289	23,781
Depreciation of RoU assets	3,435	3,482	10,048	10,756
Amortisation of intangible assets	1,454	1,979	4,616	6,207
Impairment for intangible asset	453	528	453	764
Information technology cost	2,983	3,172	10,231	9,665
Property and equipment written off	444	—	816	770
General repairs and maintenance	6,679	4,791	12,779	14,097
Utilities	1,339	1,566	4,100	4,656
Others	7,296	10,009	19,410	21,511
	36,307	33,451	99,742	92,207
Related company charges	192,881	199,796	581,774	543,655
Of which by:				
(i) Type of service				
- Information technology related cost	93,431	90,849	271,239	257,931
- Non information technology related cost	99,450	108,947	310,535	285,724
(ii) Countries/territories				
- Hong Kong	122,219	129,205	371,512	350,228
- United Kingdom	35,882	38,703	105,051	109,560
- Malaysia	18,861	19,224	60,371	51,356
- India	12,044	8,929	34,622	23,435
- Others	3,875	3,735	10,218	9,076

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Other Operating Expenses (Cont'd)

	<i>Bank</i>			
	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	154,261	153,496	466,543	462,525
Promotion and marketing related expenses	8,866	5,232	23,830	24,362
Establishment related expenses	32,418	31,106	88,745	83,960
General administrative expenses	37,971	34,185	101,980	100,694
Related company charges	191,084	197,670	575,186	537,755
	424,600	421,689	1,256,284	1,209,296
Personnel expenses				
Salaries, allowances and bonuses	118,588	113,027	362,816	348,350
Employees Provident Fund contributions	20,321	19,985	62,059	58,863
Share based payment	1,988	2,102	7,458	5,827
Others	13,364	18,382	34,210	49,485
	154,261	153,496	466,543	462,525
Establishment related expenses				
Depreciation of property and equipment	11,667	7,367	35,780	22,108
Depreciation of RoU assets	1,968	2,005	5,683	6,234
Amortisation of intangible assets	1,454	1,979	4,616	6,207
Impairment for intangible asset	453	528	453	764
Information technology cost	2,472	3,048	8,555	8,901
Property and equipment written off	444	—	811	698
General repairs and maintenance	5,754	5,081	10,449	14,226
Utilities	1,084	1,324	3,407	3,940
Others	7,122	9,774	18,991	20,882
	32,418	31,106	88,745	83,960
Related company charges	191,084	197,670	575,186	537,755
Of which by:				
(i) Type of service				
- Information technology related cost	93,418	90,849	271,221	257,931
- Non information technology related cost	97,666	106,821	303,965	279,824
(ii) Countries/territories				
- Hong Kong	122,208	129,203	371,458	350,223
- United Kingdom	35,851	38,698	104,969	109,567
- Malaysia	17,217	17,332	54,460	46,056
- India	11,939	8,712	34,103	22,858
- Others	3,869	3,725	10,196	9,051

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Capital Adequacy

	<i>Group</i>	
	30 Sep 2023	31 Dec 2022
	RM'000	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	8,296,956	8,295,717
Other reserves	727,446	881,752
Regulatory adjustments	(825,972)	(1,056,174)
Total CET1 capital	9,244,305	9,167,170
Tier 1 capital		
Additional Tier 1 preference shares	1,500,000	1,500,000
Total Tier 1 capital	10,744,305	10,667,170
Tier 2 capital		
Impairment allowance (unimpaired portion) & regulatory reserves	614,208	609,261
Regulatory adjustments	57,909	84,057
Total Tier 2 capital	672,117	693,318
Capital base	11,416,422	11,360,488
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	16.285%	16.364%
Tier 1 Capital ratio	18.927%	19.041%
Total Capital ratio	20.112%	20.279%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	16.285%	15.631%
Tier 1 Capital ratio	18.927%	18.308%
Total Capital ratio	20.112%	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>	
	30 Sep 2023	31 Dec 2022
	RM'000	RM'000
Total RWA for credit risk ^[1]	49,136,627	48,740,888
Total RWA for market risk	1,850,490	1,881,545
Total RWA for operational risk	5,778,519	5,399,331
	56,765,636	56,021,764

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

	<i>Group</i>	
	30 Sep 2023	31 Dec 2022
	RM'000	RM'000
Under SIAF/IAA arrangement	1,014,709	1,007,324

	<i>Bank</i>	
	30 Sep 2023	31 Dec 2022
	RM'000	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	6,611,642	6,773,756
Other reserves	700,167	827,323
Regulatory adjustments	(1,414,907)	(1,619,600)
Total CET1 capital	6,942,777	7,027,354
Tier 1 capital		
Additional Tier 1 preference shares	1,500,000	1,500,000
Regulatory adjustments	(501,063)	(501,063)
Total Tier 1 capital	7,941,714	8,026,291
Tier 2 capital		
Impairment allowance (unimpaired portion) & regulatory reserves	455,322	447,187
Regulatory adjustments	57,909	84,057
Total Tier 2 capital	513,231	531,244
Capital base	8,454,945	8,557,535

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	30 Sep 2023	31 Dec 2022
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	16.100%	16.667%
Tier 1 Capital ratio	18.417%	19.036%
Total Capital ratio	19.607%	20.296%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	16.100%	15.693%
Tier 1 Capital ratio	18.417%	18.062%
Total Capital ratio	19.607%	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>	
	30 Sep 2023	31 Dec 2022
	RM'000	RM'000
Total RWA for credit risk ^[1]	36,425,768	35,774,927
Total RWA for market risk	1,669,789	1,672,778
Total RWA for operational risk	5,027,234	4,716,651
	43,122,791	42,164,356

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

	<i>Bank</i>	
	30 Sep 2023	31 Dec 2022
	RM'000	RM'000
Under SIAF/IAA arrangement	1,014,709	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 (%)	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
<u>Before deducting proposed dividend</u>				
CET1 Capital Ratio	16.285%	16.364%	16.217%	16.346%
Tier 1 Capital Ratio	18.927%	19.041%	18.859%	19.024%
Total Capital Ratio	20.112%	20.279%	20.043%	20.261%
<u>After deducting proposed dividend</u>				
CET1 Capital Ratio	16.285%	15.631%	16.217%	15.613%
Tier 1 Capital Ratio	18.927%	18.308%	18.859%	18.291%
Total Capital Ratio	20.112%	19.546%	20.043%	19.529%
Bank				
	With Transitional Arrangement (%)		Without Transitional Arrangement (%)	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
<u>Before deducting proposed dividend</u>				
CET1 Capital Ratio	16.100%	16.667%	16.047%	16.640%
Tier 1 Capital Ratio	18.417%	19.036%	18.363%	19.010%
Total Capital Ratio	19.607%	20.296%	19.553%	20.269%
<u>After deducting proposed dividend</u>				
CET1 Capital Ratio	16.100%	15.693%	16.047%	15.667%
Tier 1 Capital Ratio	18.417%	18.062%	18.363%	18.036%
Total Capital Ratio	19.607%	19.322%	19.553%	19.296%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 Commitments and Contingencies

The table below shows the contracts or underlying principal 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.

Principal amount	Group		Bank	
	30 Sep 2023 RM'000	31 Dec 2022 RM'000	30 Sep 2023 RM'000	31 Dec 2022 RM'000
Direct credit substitutes	810,455	760,259	778,966	631,259
Transaction-related contingent items	11,671,938	10,951,980	9,569,391	9,032,845
Short-term self-liquidating trade-related contingencies	313,474	559,733	256,219	433,153
Formal standby facilities and credit lines				
- Maturity not exceeding one year	7,509,788	7,156,352	6,341,058	5,485,528
- Maturity exceeding one year	14,017,204	15,494,205	10,427,000	11,646,451
Other unconditionally cancellable	21,793,157	19,825,990	18,020,881	16,887,109
Unutilised credit card lines	13,445,312	12,852,558	10,072,758	9,506,159
Foreign exchange related contracts:				
- Less than one year	98,395,323	108,592,761	98,837,311	109,934,798
- Over one year to less than five years	4,552,089	5,003,270	4,552,089	5,002,919
- Over five years	272,615	363,413	272,615	363,413
Interest/profit rate related contracts:				
- Less than one year	23,480,824	15,882,496	24,759,172	17,115,656
- Over one year to less than five years	20,548,287	27,689,056	21,602,413	29,122,148
- Over five years	1,142,976	1,302,350	1,142,976	1,302,350
Gold and other precious metals contracts:				
- Less than one year	20,313	11,545	20,313	11,545
Equity related contracts:				
- Less than one year	1,654,078	1,586,730	2,509,298	2,175,327
- Over one year to less than five years	1,854,534	1,513,276	2,652,209	2,704,402
	221,482,367	229,545,974	211,814,669	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	20,395	144,981	20,395	144,981
- Maturity exceeding one year	41,548	83,548	41,548	83,548
	61,943	228,529	61,943	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 30 Sep 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	95,111,320	1,066,223	–	96,177,543	870,057	26,028	–	896,085	788,362	6,656	–	795,018
- Swaps	2,978,164	3,485,866	272,615	6,736,645	53,159	274,575	7,810	335,544	177,350	174,767	38,241	390,358
- Options	305,839	–	–	305,839	3,196	–	–	3,196	1,235	–	–	1,235
Interest/profit rate related contracts												
- Options	354,501	620,282	–	974,783	450	11	–	461	2,065	1,191	–	3,256
- Swaps	21,626,323	19,928,005	1,142,976	42,697,304	87,449	224,763	28,488	340,700	80,229	246,356	26,495	353,080
Equity related contracts												
- Options	1,654,078	1,854,534	–	3,508,612	111,796	21,106	–	132,902	265,619	27,309	–	292,928
Precious metal contracts												
- Options	20,313	–	–	20,313	189	–	–	189	219	–	–	219
Sub- total	122,050,538	26,954,910	1,415,591	150,421,039	1,126,296	546,483	36,298	1,709,077	1,315,079	456,279	64,736	1,836,094
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	1,500,000	–	–	1,500,000	1,104	–	–	1,104	–	–	–	–
Sub- total	1,500,000	–	–	1,500,000	1,104	–	–	1,104	–	–	–	–
Total	123,550,538	26,954,910	1,415,591	151,921,039	1,127,400	546,483	36,298	1,710,181	1,315,079	456,279	64,736	1,836,094

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
Trading derivatives:												
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
Hedging Derivatives:												
Fair Value Hedge												
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
Total	126,073,532	34,205,602	1,665,763	161,944,897	1,500,649	531,755	34,460	2,066,864	1,609,766	481,263	64,219	2,155,248

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 30 Sep 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	95,553,308	1,066,223	–	96,619,531	859,604	26,028	–	885,632	788,957	6,656	–	795,613
- Swaps	2,978,164	3,485,866	272,615	6,736,645	53,159	274,575	8,149	335,883	177,386	174,767	38,433	390,586
- Options	305,839	–	–	305,839	3,196	–	–	3,196	1,235	–	–	1,235
Interest rate related contracts												
- Options	354,501	1,040,985	–	1,395,486	450	28,470	–	28,920	2,065	1,191	–	3,256
- Swaps	22,904,671	20,561,428	1,142,976	44,609,075	91,610	227,295	28,488	347,393	80,718	247,594	26,495	354,807
Equity related contracts												
- Options	2,509,298	2,652,209	–	5,161,507	142,501	42,461	–	184,962	267,486	27,309	–	294,795
Precious metal contracts												
- Options	20,313	–	–	20,313	189	–	–	189	219	–	–	219
Sub- total	124,626,094	28,806,711	1,415,591	154,848,396	1,150,709	598,829	36,637	1,786,175	1,318,066	457,517	64,928	1,840,511
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	1,500,000	–	–	1,500,000	1,104	–	–	1,104	–	–	–	–
Sub- total	1,500,000	–	–	1,500,000	1,104	–	–	1,104	–	–	–	–
Total	126,126,094	28,806,711	1,415,591	156,348,396	1,151,813	598,829	36,637	1,787,279	1,318,066	457,517	64,928	1,840,511

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
Trading derivatives:												
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
Hedging Derivatives:												
Fair Value Hedge												
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
Total	129,237,326	36,829,469	1,665,763	167,732,558	1,518,265	621,385	34,322	2,173,972	1,581,493	482,388	64,219	2,128,100

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

40 Performance Review, Economy and Prospects

Performance Review

The Group has reported a profit before tax (PBT) of RM1,462.5 million for the financial period ended 30 September 2023, marking an increase of RM405.6 million or 38.4% year-on-year. The significant increase in PBT is attributed to the rise in operating income, which amounted to RM2,828.1 million, reflecting a growth of RM545.7 million. This surge in operating income is mainly due to increased net interest income, which saw a boost of RM403.6 million owing to interest rate hikes and improved margins. This was partly offset by an increase in impairment charges by RM89.6 million, as well as higher operating expenses, up by RM50.5 million.

Total assets as at 30 September 2023 has increased by RM1.6 billion or 1.7% to RM96.8 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

Global economic woes continue to weigh on countries worldwide. The Malaysian economy was also affected by the slower external demand. Gross domestic product (GDP) grew by 2.9% in the second quarter of 2023 (1Q 2023: 5.6%). Despite external weakness, domestic demand has, fortunately, remained resilient. This is reflected in the momentum in private consumption, rising almost 6% quarter-on-quarter. In particular, retail trade and consumer-oriented services continue to carry some momentum, thanks to an ongoing recovery in the job market. In particular, Malaysia's tourism-related sectors continue to provide some much-needed support. By May23, total visitors have recovered to around 75% of 2019's level, with the potential to recover more in 2H23. There are still pockets of resilience, including an expected trade stabilisation towards the end of the year and tourism momentum, to help Malaysia weather through economic headwinds in the remaining of 4Q23. The New Industrial Master Plan 2030 (NIMP 2030), Madani Economy framework and the National Energy Transition Roadmap (NETR) that were rolled out by our government recently are expected to revitalise the economy, enhance the country's competitiveness, and facilitate sustainable growth.

Malaysia continues to be central to HSBC Group's strategy and is especially crucial to the Group's growth plans across the ASEAN region.

During the recent quarter, HSBC Malaysia (the Bank) launched a RM500 million 'HSBC New Economy Fund' to support lending to technology-led businesses and emerging startups who are tapping opportunities within Malaysia's growing digital economy. The Bank also collaborated with a leading local real estate investment trust company to execute the company's first sustainability-linked cross currency swap in Malaysia. This collaboration is first-of-its-kind in the industry and aligns with Malaysia's national sustainability agenda.

The Bank's HSBC TravelOne Credit Card launched earlier this year was the first in Malaysia to offer instant reward redemption of airline miles and hotel points via mobile banking application. On the digital front, the Bank also rolled-out Apple Pay and Google Wallet for HSBC credit cards and launched the Investment Account Opening service on the HSBC Malaysia mobile banking app allowing our Premier customers to open investment accounts from their mobile phones. We are the first bank in Malaysia to offer bond/ sukuk investment account opening via a mobile application.

In support of cross-border banking flows between major trade corridors, the Bank joined the Malaysian Government delegation at the Malaysia-China Business Forum in Beijing in conjunction with the Malaysian's Prime Minister's visit to China. To solidify ties with key ASEAN markets including Malaysia, a Hong Kong Special Administrative Region government delegation together with HSBC Hong Kong visited Malaysia. As part of the trade visit, multiple memorandum of understanding were signed between both the Malaysian and Hong Kong governments. More recently, HSBC was one of the partner banks who assisted to bring the Invest Malaysia forum to New York. During the investor roadshow, the country's natural strengths and how the Madani economic framework can restore Malaysia's position as a major ASEAN economy were highlighted. As a leading international bank in the country, we will continue to play a key role in supporting cross border investments across a range of sectors while also catalysing greater domestic direct investment flows.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

40 Performance Review, Economy and Prospects (Cont'd)

Economy and Prospects (Cont'd)

We were honoured to be named as the “Best International Bank in Malaysia” at the Asiamoney Best Bank Awards 2023. Earlier this year, The Asset awarded us with the “Digital Bank of the Year in Malaysia” award, a recognition that we have retained for the third consecutive year, in addition to the “Best Bank for Sustainable Finance, Global”. Our Islamic subsidiary, HSBC Amanah Malaysia Berhad (HSBC Amanah), was also awarded the “Best International Islamic Bank” at the Euromoney Islamic Finance Awards 2023.

At HSBC Malaysia, we remain committed to serving our customers and will continue our efforts of being the preferred international financial partner for our clients.