

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**30 JUNE 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 JUNE 2023**

		<i>Group</i>		<i>Bank</i>	
		<b>30 Jun 2023</b>	<b>31 Dec 2022</b>	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
<b>Assets</b>	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and short-term funds	12	<b>15,283,376</b>	17,585,339	<b>12,174,137</b>	13,067,553
Securities purchased under resale agreements		<b>5,762,033</b>	5,551,731	<b>5,762,033</b>	5,551,731
Deposits and placements with banks and other financial institutions	13	–	633,429	<b>578,836</b>	1,621,375
Financial assets at fair value through profit and loss (FVTPL)	14	<b>3,033,848</b>	4,329,807	<b>3,033,848</b>	4,329,807
Financial investments at fair value through other comprehensive income (FVOCI)	15	<b>14,469,159</b>	11,424,139	<b>12,241,449</b>	9,981,490
Financial investments at amortised cost	16	<b>6,246,809</b>	4,116,831	<b>5,318,043</b>	3,662,707
Loans, advances and financing	17	<b>44,710,646</b>	46,352,337	<b>31,068,635</b>	32,509,326
Derivative financial assets	40	<b>2,417,017</b>	2,066,864	<b>2,454,184</b>	2,173,972
Other assets	20	<b>1,600,597</b>	1,223,784	<b>1,623,268</b>	1,356,832
Statutory deposits with Bank Negara Malaysia	21	<b>542,920</b>	565,087	<b>319,559</b>	366,227
Investments in subsidiary companies	22	–	–	<b>1,161,084</b>	1,161,084
Property and equipment		<b>1,029,294</b>	1,046,163	<b>1,022,947</b>	1,039,394
Intangible assets		<b>15,653</b>	18,450	<b>15,653</b>	18,450
Tax recoverable		<b>20,850</b>	27,954	<b>20,850</b>	20,850
Deferred tax assets		<b>198,936</b>	186,228	<b>144,671</b>	154,953
Property held for sale	23	<b>8,377</b>	52,342	<b>8,377</b>	52,342
<b>Total assets</b>		<b>95,339,515</b>	95,180,485	<b>76,947,574</b>	77,068,093
<b>Liabilities</b>					
Deposits from customers	24	<b>70,093,239</b>	70,486,335	<b>56,028,951</b>	56,528,704
Deposits and placements from banks and other financial institutions	25	<b>2,389,886</b>	2,349,993	<b>2,575,073</b>	2,641,010
Repurchase agreement		<b>98,640</b>	–	<b>98,640</b>	–
Bills payable		<b>156,757</b>	145,727	<b>122,025</b>	126,086
Derivative financial liabilities	40	<b>2,254,109</b>	2,155,248	<b>2,256,443</b>	2,128,100
Structured liabilities designated at fair value through profit and loss	26	<b>4,087,132</b>	3,754,684	<b>2,083,814</b>	1,652,201
Other liabilities	27	<b>3,713,982</b>	4,023,350	<b>3,442,313</b>	3,812,907
Provision for taxation		<b>131,872</b>	102,477	<b>128,541</b>	102,477
Multi-Currency Sukuk Programme	28	<b>501,632</b>	504,771	–	–
<b>Total liabilities</b>		<b>83,427,249</b>	83,522,585	<b>66,735,800</b>	66,991,485
<b>Equity</b>					
Share capital and other equity	29	<b>2,545,875</b>	2,545,875	<b>2,545,875</b>	2,545,875
Reserves		<b>9,366,391</b>	9,112,025	<b>7,665,899</b>	7,530,733
<b>Total equity attributable to owner of the Bank</b>		<b>11,912,266</b>	11,657,900	<b>10,211,774</b>	10,076,608
<b>Total liabilities and equity</b>		<b>95,339,515</b>	95,180,485	<b>76,947,574</b>	77,068,093
<b>Commitments and contingencies</b>	39	<b>219,375,117</b>	229,545,974	<b>210,492,970</b>	221,355,062

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2022 and the accompanying explanatory notes on pages 13 to 52 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 24 July 2023.*

**HSBC BANK MALAYSIA BERHAD**  
**(Company No. 198401015221 (127776-V))**  
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**UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023**

		<i>Group</i>			
		<b>Second Quarter</b>		<b>Six Months Ended</b>	
		<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<i>Note</i>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	30	<b>684,135</b>	440,856	<b>1,338,604</b>	856,832
Interest expense	30	<b>(217,541)</b>	(114,292)	<b>(418,263)</b>	(217,719)
Net interest income	30	<b>466,594</b>	326,564	<b>920,341</b>	639,113
Fee and commission income	31	<b>116,256</b>	115,283	<b>229,579</b>	216,797
Fee and commission expense	31	<b>(20,923)</b>	(19,561)	<b>(46,776)</b>	(39,516)
Net fee and commission income	31	<b>95,333</b>	95,722	<b>182,803</b>	177,281
Net trading income	32	<b>(84,050)</b>	43,899	<b>13,543</b>	79,158
Income from Islamic banking operations	33	<b>433,031</b>	281,457	<b>729,737</b>	484,813
Net income/(expense) from Financial Liabilities Designated at Fair Value		<b>16,044</b>	(22,688)	<b>(6,766)</b>	40,215
Other operating income	34	<b>13,579</b>	16,532	<b>32,288</b>	26,868
Operating income before impairment losses		<b>940,531</b>	741,486	<b>1,871,946</b>	1,447,448
Impairment write-back/(allowance)	35	<b>16,714</b>	33,103	<b>(59,675)</b>	12,324
Net operating income		<b>957,245</b>	774,589	<b>1,812,271</b>	1,459,772
Other operating expenses	36	<b>(463,873)</b>	(414,825)	<b>(877,618)</b>	(833,502)
Profit before tax		<b>493,372</b>	359,764	<b>934,653</b>	626,270
Tax expense		<b>(120,941)</b>	(115,246)	<b>(230,118)</b>	(201,092)
Profit for the financial period		<b>372,431</b>	244,518	<b>704,535</b>	425,178
Profit attributable to owner of the Bank		<b>372,431</b>	244,518	<b>704,535</b>	425,178
Basic earnings per RM0.50 ordinary share		<b>162.6 sen</b>	106.8 sen	<b>307.7 sen</b>	185.7 sen
Dividends per RM0.50 ordinary share (net)					
- final dividend paid in respect of prior period		<b>179.3 sen</b>	106.0 sen	<b>179.3 sen</b>	106.0 sen
- special dividend paid in respect of current period		<b>—</b>	436.7 sen	<b>—</b>	436.7 sen

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

*Bank*

		<b>Second Quarter</b>		<b>Six Months Ended</b>	
		<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	30	<b>699,146</b>	448,864	<b>1,371,068</b>	870,306
Interest expense	30	<b>(219,819)</b>	(114,607)	<b>(423,246)</b>	(218,034)
Net interest income	30	<b>479,327</b>	334,257	<b>947,822</b>	652,272
Fee and commission income	31	<b>116,026</b>	114,685	<b>229,205</b>	215,931
Fee and commission expense	31	<b>(20,923)</b>	(19,561)	<b>(46,776)</b>	(39,516)
Net fee and commission income	31	<b>95,103</b>	95,124	<b>182,429</b>	176,415
Net trading income	32	<b>159,196</b>	173,276	<b>375,013</b>	258,828
Net income/(expense) from Financial Liabilities Designated at Fair Value		<b>16,044</b>	(22,688)	<b>(6,766)</b>	40,215
Other operating income	34	<b>53,117</b>	53,433	<b>121,456</b>	100,641
Operating income before impairment losses		<b>802,787</b>	633,402	<b>1,619,954</b>	1,228,371
Impairment write-back/(allowance)	35	<b>15,245</b>	2,828	<b>(15,427)</b>	26,175
Net operating income		<b>818,032</b>	636,230	<b>1,604,527</b>	1,254,546
Other operating expenses	36	<b>(439,116)</b>	(389,686)	<b>(831,684)</b>	(787,607)
Profit before tax		<b>378,916</b>	246,544	<b>772,843</b>	466,939
Tax expense		<b>(93,035)</b>	(80,213)	<b>(187,372)</b>	(151,747)
<b>Profit for the financial period</b>		<b>285,881</b>	166,331	<b>585,471</b>	315,192
Profit attributable to owner of the Bank		<b>285,881</b>	166,331	<b>585,471</b>	315,192
Basic earnings per RM0.50 ordinary share		<b>124.8 sen</b>	72.6 sen	<b>255.7 sen</b>	137.6 sen
Dividends per RM0.50 ordinary share (net)					
- final dividend paid in respect of prior period		<b>179.3 sen</b>	106.0 sen	<b>179.3 sen</b>	106.0 sen
- special dividend paid in respect of current period		<b>–</b>	436.7 sen	<b>–</b>	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 52 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 24 July 2023.*

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

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit for the financial period</b>	<b>372,431</b>	<b>244,518</b>	<b>704,535</b>	<b>425,178</b>
<b>Other comprehensive (expense)/income</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Revaluation reserve:				
Deficit on revaluation of properties	(1,967)	–	(1,967)	–
Income tax effect	3,766	–	5,034	–
Own credit reserve:				
Change in fair value	(10,603)	7,946	(10,557)	(1,103)
Income tax effect	2,545	(1,907)	2,534	265
Fair value through other comprehensive income reserve (equity instruments):				
Change in fair value	6,817	3,680	6,817	3,680
Income tax effect	(1,636)	(883)	(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	(17,606)	(71,570)	29,937	(82,357)
Amount transferred to profit or loss	(954)	12,372	(10,155)	18,955
Impairment write-back/(charges)	29	(421)	(64)	(831)
Income tax effect	4,454	14,208	(4,748)	15,219
Other comprehensive (expense)/income for the financial period, net of income tax	(15,155)	(36,575)	15,195	(47,055)
<b>Total comprehensive income for the financial period</b>	<b>357,276</b>	<b>207,943</b>	<b>719,730</b>	<b>378,123</b>
Total comprehensive income attributable to owner of the Bank	357,276	207,943	719,730	378,123

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

*Bank*

	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit for the financial period</b>	<b>285,881</b>	<b>166,331</b>	<b>585,471</b>	<b>315,192</b>
<b>Other comprehensive (expense)/income</b>				
<b><i>Items that will not be reclassified to profit or loss</i></b>				
Revaluation reserve:				
Deficit on revaluation of properties	<b>(1,967)</b>	—	<b>(1,967)</b>	—
Income tax effect	<b>3,766</b>	—	<b>5,034</b>	—
Own credit reserve:				
Change in fair value	<b>(5,361)</b>	1,939	<b>(4,386)</b>	1,046
Income tax effect	<b>1,287</b>	(465)	<b>1,053</b>	(251)
Fair value through other comprehensive income reserve (equity instruments):				
Change in fair value	<b>6,817</b>	3,680	<b>6,817</b>	3,680
Income tax effect	<b>(1,636)</b>	(883)	<b>(1,636)</b>	(883)
<b><i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i></b>				
Fair value through other comprehensive income reserve (debt instruments):				
Change in fair value	<b>(16,220)</b>	(57,740)	<b>23,504</b>	(68,457)
Amount transferred to profit or loss	<b>(954)</b>	12,372	<b>(10,155)</b>	18,955
Impairment charges	<b>(15)</b>	(366)	<b>(55)</b>	(676)
Income tax effect	<b>4,122</b>	10,889	<b>(3,204)</b>	11,883
Other comprehensive (expense)/income for the financial period, net of income tax	<b>(10,161)</b>	(30,574)	<b>15,005</b>	(34,703)
<b>Total comprehensive income for the financial period</b>	<b>275,720</b>	<b>135,757</b>	<b>600,476</b>	<b>280,489</b>
Total comprehensive income attributable to owner of the Bank	<b>275,720</b>	<b>135,757</b>	<b>600,476</b>	<b>280,489</b>

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**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023**

Group (RM'000)	Non-distributable							Distributable	
	Share capital		Revaluation reserve	FVOCI reserve	Own credit reserve	Capital contribution reserve	Regulatory reserve	Retained profits	Total equity
	Ordinary shares	Preference shares							
<b>2023</b>									
Balance at 1 January	1,045,875	1,500,000	159,542	130,260	(6,241)	98,247	434,500	8,295,717	11,657,900
Profit for the financial period	–	–	–	–	–	–	–	704,535	704,535
<b>Other comprehensive income, net of income tax</b>									
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	–	–	(659)	–	–	–	–	659	–
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	–	–	–	27,933	(8,023)	–	–	–	19,910
Net amount transferred to profit or loss	–	–	–	(7,718)	–	–	–	–	(7,718)
Impairment write-back	–	–	–	(64)	–	–	–	–	(64)
Total other comprehensive (expense)/income	–	–	(30,527)	20,151	(8,023)	–	–	33,594	15,195
Total comprehensive (expense)/income for the financial year	–	–	(30,527)	20,151	(8,023)	–	–	738,129	719,730
Net change in regulatory reserves	–	–	–	–	–	–	(85,200)	85,200	–
<b>Transactions with the owner, recorded directly in equity</b>									
Share based payment transactions	–	–	–	–	–	(2,045)	–	(119)	(2,164)
Dividends paid to owner - 2022 final	–	–	–	–	–	–	–	(410,512)	(410,512)
Dividends paid to preference shareholder	–	–	–	–	–	–	–	(52,688)	(52,688)
Balance at 30 June	1,045,875	1,500,000	129,015	150,411	(14,264)	96,202	349,300	8,655,727	11,912,266

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

Group (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								
<b>2022</b>										
Balance at 1 January	1,045,875	–	500,000	176,430	155,378	(5,617)	100,073	386,400	8,666,100	11,024,639
Profit for the financial period	–	–	–	–	–	–	–	–	425,178	425,178
<b>Other comprehensive income, net of income tax</b>										
Revaluation reserve:										
Transfer to retained profits upon realisation of depreciation	–	–	–	(1,052)	–	–	–	–	1,052	–
FVOCI reserve/Own credit reserve										
Net change in fair value	–	–	–	–	(59,792)	(838)	–	–	–	(60,630)
Net amount transferred to profit or loss	–	–	–	–	14,406	–	–	–	–	14,406
Impairment write-back	–	–	–	–	(831)	–	–	–	–	(831)
Total other comprehensive (expense)/income	–	–	–	(1,052)	(46,217)	(838)	–	–	1,052	(47,055)
<b>Total comprehensive (expense)/income for the financial period</b>	–	–	–	(1,052)	(46,217)	(838)	–	–	426,230	378,123
Net change in regulatory reserves	–	–	–	–	–	–	–	76,400	(76,400)	–
Others	–	–	–	–	–	–	–	–	92	92
<b>Transactions with the owner, recorded directly in equity</b>										
Share based payment transactions	–	–	–	–	–	–	(2,644)	–	1,265	(1,379)
Issuance of preference shares <sup>[1]</sup>	–	1,500,000	–	–	–	–	–	–	–	1,500,000
Redemption of other equity instrument issued <sup>[1]</sup>	–	–	(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 June	<b>1,045,875</b>	<b>1,500,000</b>	–	<b>175,378</b>	<b>109,161</b>	<b>(6,455)</b>	<b>97,429</b>	<b>462,800</b>	<b>7,766,538</b>	<b>11,150,726</b>

<sup>[1]</sup> 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 JUNE 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	–	–	–	–	–	–	–	585,471	585,471
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	–	–	(659)	–	–	–	–	659	–
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	–	–	–	23,044	(3,333)	–	–	–	19,711
Net amount transferred to profit or loss	–	–	–	(7,718)	–	–	–	–	(7,718)
Impairment write-back	–	–	–	(55)	–	–	–	–	(55)
Total other comprehensive (expense)/income	–	–	(30,527)	15,271	(3,333)	–	–	33,594	15,005
Total comprehensive (expense)/income for the financial year	–	–	(30,527)	15,271	(3,333)	–	–	619,065	600,476
Net change in regulatory reserves	–	–	–	–	–	–	(43,800)	43,800	–
Transactions with the owner, recorded directly in equity									
Share based payment transactions	–	–	–	–	–	(1,984)	–	(126)	(2,110)
Dividends paid to owner - 2022 final	–	–	–	–	–	–	–	(410,512)	(410,512)
Dividends paid to preference shareholder	–	–	–	–	–	–	–	(52,688)	(52,688)
Balance at 30 June	1,045,875	1,500,000	129,015	155,360	(4,443)	95,772	316,900	6,973,295	10,211,774

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

**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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								
<b>2022</b>										
Balance at 1 January	1,045,875	–	500,000	176,430	158,229	(3,424)	99,562	339,600	7,358,326	9,674,598
Profit for the financial period	–	–	–	–	–	–	–	–	315,192	315,192
<b>Other comprehensive income, net of income tax</b>										
Revaluation reserve:										
Transfer to retained profits upon realisation of depreciation	–	–	–	(1,052)	–	–	–	–	1,052	–
FVOCI reserve/Own credit reserve										
Net change in fair value	–	–	–	–	(49,228)	795	–	–	–	(48,433)
Net amount transferred to profit or loss	–	–	–	–	14,406	–	–	–	–	14,406
Impairment write-back	–	–	–	–	(676)	–	–	–	–	(676)
Total other comprehensive (expense)/income	–	–	–	(1,052)	(35,498)	795	–	–	1,052	(34,703)
<b>Total comprehensive (expense)/income for the financial year</b>	–	–	–	(1,052)	(35,498)	795	–	–	316,244	280,489
Net change in regulatory reserves		–	–	–	–	–	–	31,100	(31,100)	–
Others		–	–	–	–	–	–	–	92	92
<b>Transactions with the owner, recorded directly in equity</b>										
Share based payment transactions	–	–	–	–	–	–	(2,602)	–	1,236	(1,366)
Issuance of preference shares <sup>[1]</sup>	–	1,500,000	–	–	–	–	–	–	–	1,500,000
Redemption of other equity instrument issued <sup>[1]</sup>	–	–	(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 June	1,045,875	1,500,000	–	175,378	122,731	(2,629)	96,960	370,700	6,394,049	9,703,064

<sup>[1]</sup> 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.

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 52 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 24 July 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 JUNE 2023**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2023</b>	30 Jun 2022	<b>30 Jun 2023</b>	30 Jun 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit before tax	<b>934,653</b>	626,270	<b>772,843</b>	466,939
Adjustments for non-operating and non-cash items	<b>397,906</b>	96,793	<b>(114,775)</b>	(94,294)
Operating profit before working capital changes	<b>1,332,559</b>	723,063	<b>658,068</b>	372,645
Changes in working capital:				
Net changes in operating assets	<b>2,266,850</b>	167,572	<b>3,118,903</b>	190,812
Net changes in operating liabilities	<b>(206,621)</b>	4,926,611	<b>(307,222)</b>	5,193,462
Income tax paid	<b>(205,181)</b>	(15,390)	<b>(149,778)</b>	(6,815)
<b>Net cash generated from operations</b>	<b>3,187,607</b>	5,801,856	<b>3,319,971</b>	5,750,104
<b>Net cash (used in)/generated from investing activities</b>	<b>(5,016,137)</b>	1,704,256	<b>(3,750,187)</b>	1,316,636
<b>Net cash used in financing activities</b>	<b>(473,433)</b>	(269,654)	<b>(463,200)</b>	(263,478)
	<b>(5,489,570)</b>	1,434,602	<b>(4,213,387)</b>	1,053,158
<b>Net changes in cash and cash equivalents</b>	<b>(2,301,963)</b>	7,236,458	<b>(893,416)</b>	6,803,262
<b>Cash and cash equivalents at 1 January</b>	<b>17,585,339</b>	12,351,813	<b>13,067,553</b>	8,638,234
<b>Cash and cash equivalents at 30 June</b>	<b>15,283,376</b>	19,588,271	<b>12,174,137</b>	15,441,496
<b>Analysis of cash and cash equivalents</b>				
Cash and short-term funds	<b>15,283,376</b>	19,588,271	<b>12,174,137</b>	15,441,496

*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 52 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 24 July 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 JUNE 2023 (Cont'd)**

**Change in liabilities arising from financing activities**

**Group (RM'000)**

	<b>At 1 Jan</b>	<b>Cash outflow</b>	<b>Fair value movement</b>	<b>Interest/ Profit accrual</b>	<b>At 30 Jun</b>
<b>2023</b>					
Multi-Currency Sukuk Programme	<b>504,771</b>	–	<b>(3,139)</b>	–	<b>501,632</b>
Subordinated liabilities	–	–	–	–	–
Other liabilities of which:					
Profit paid on Multi-Currency Sukuk Programme	<b>5,301</b>	<b>(10,233)</b>	–	<b>10,174</b>	<b>5,242</b>
Interest paid on Subordinated liabilities	–	–	–	–	–
	<b>510,072</b>	<b>(10,233)</b>	<b>(3,139)</b>	<b>10,174</b>	<b>506,874</b>
<b>2022</b>					
Multi-Currency Sukuk Programme	515,333	–	(7,558)	–	507,775
Subordinated liabilities	500,000	–	–	–	500,000
Other liabilities of which:					
Profit paid on Multi-Currency Sukuk Programme	5,242	(6,176)	–	6,118	5,184
Interest paid on Subordinated liabilities	4,151	(12,729)	–	12,521	3,943
	<b>1,024,726</b>	<b>(18,905)</b>	<b>(7,558)</b>	<b>18,639</b>	<b>1,016,902</b>

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

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

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

**Bank (RM'000)**

	<b>At 1 Jan</b>	<b>Cash outflow</b>	<b>Interest accrual</b>	<b>At 30 Jun</b>
<b>2023</b>				
Subordinated liabilities	–	–	–	–
Other liabilities of which:				
Interest paid on Subordinated liabilities	–	–	–	–
	–	–	–	–
<b>2022</b>				
Subordinated liabilities	500,000	–	–	500,000
Other liabilities of which:				
Interest paid on Subordinated liabilities	4,151	(12,729)	12,521	3,943
	504,151	(12,729)	12,521	503,943

*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 52 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 24 July 2023.*

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

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 General Information**

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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 24 July 2023.

### **2 Basis of Preparation**

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The unaudited condensed interim financial statements for the financial period ended 30 June 2023 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (MFRS) 134 'Interim Financial Reporting' and International Accounting Standard 34 'Interim Financial Reporting'. The unaudited condensed interim financial statements incorporate those activities relating to Islamic Banking which have been undertaken by the Bank's Islamic subsidiary.

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2022. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group and Bank since the financial year ended 31 December 2022.

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

The accounting policies, presentation, significant estimates and judgements adopted by the Group and the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following Amendments to MFRSs which are effective during the current financial period:

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

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

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

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

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

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

Effective for annual periods commencing on or after 1 January 2024

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

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

### 3 Functional and Presentation Currency

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

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

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The audit report on the audited annual financial statements for the financial year ended 31 December 2022 was not subject to any qualification.

### 5 Seasonal or Cyclical Factors

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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

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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 June 2023.

### 7 Changes in Estimates

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There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and Bank for the financial period ended 30 June 2023.

### 8 Debt and Equity Securities

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There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 30 June 2023.

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

### 9 Dividend

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

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

The Board of Directors via a resolution on 24 July 2023, has approved the payment of an interim dividend of 153.40 sen per ordinary share, amounting to net dividend payment of RM351.3 million in respect of the financial period ended 30 June 2023. The dividend will be accounted for in the shareholder's equity as an appropriation of retained earnings in the subsequent financial period.

### 10 Carrying Amount of Revalued Assets

Property and equipment are stated at cost/valuation less accumulated depreciation and impairment losses (if any) except for freehold land which is stated at professional valuation. There was no change in the valuation of property and equipment that was brought forward from the previous audited financial statements for the financial year ended 31 December 2022.

### 11 Significant and Subsequent Events

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

### 12 Cash and Short-Term Funds

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	<b>857,373</b>	1,184,545	<b>698,497</b>	906,068
Money at call and interbank placements maturing within one month	<b>14,426,003</b>	16,400,794	<b>11,475,640</b>	12,161,485
	<b>15,283,376</b>	17,585,339	<b>12,174,137</b>	13,067,553

Included in Cash and Short-Term Funds of the Bank are placements with the Bank's wholly owned subsidiary, HSBC Amanah Malaysia Berhad (HBMS) of RM937.8 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 RM104,000 for the Group and RM96,000 for the Bank as at 30 June 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>	
	<b>30 Jun 2023</b>	31 Dec 2022	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Licensed banks	–	–	<b>578,836</b>	1,621,375
Bank Negara Malaysia	–	633,429	–	–
	<b>–</b>	<b>633,429</b>	<b>578,836</b>	<b>1,621,375</b>

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 RM578.8 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 June 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>	
	<b>30 Jun 2023</b>	31 Dec 2022	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Money market instruments:				
Malaysian Government treasury bills	<b>178,914</b>	945,147	<b>178,914</b>	945,147
Malaysian Government Islamic treasury bills	<b>716,893</b>	750,641	<b>716,893</b>	750,641
Malaysian Government securities	<b>1,008,389</b>	1,216,126	<b>1,008,389</b>	1,216,126
Malaysian Government Islamic Sukuk	<b>456,659</b>	305,902	<b>456,659</b>	305,902
Cagamas bonds and notes	<b>599,757</b>	598,084	<b>599,757</b>	598,084
Negotiable Instruments of Deposits	–	500,094	–	500,094
	<b>2,960,612</b>	<b>4,315,994</b>	<b>2,960,612</b>	<b>4,315,994</b>
Unquoted:				
Corporate bonds and Sukuk	<b>73,236</b>	13,813	<b>73,236</b>	13,813
	<b>3,033,848</b>	<b>4,329,807</b>	<b>3,033,848</b>	<b>4,329,807</b>

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

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

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Debt instruments</b>				
Money market instruments:				
Bank Negara Malaysia bills	<b>4,388,156</b>	3,098,296	<b>4,388,156</b>	3,098,296
Bank Negara Malaysia Islamic bills	<b>666,011</b>	–	<b>466,184</b>	–
Malaysian Government Islamic treasury bills	<b>4,453,739</b>	–	<b>3,268,012</b>	–
Malaysian Government securities	<b>2,885,834</b>	5,612,980	<b>2,885,834</b>	5,612,980
Malaysian Government Islamic Sukuk	<b>1,383,808</b>	2,483,704	<b>541,652</b>	1,041,055
US treasury bond	<b>455,635</b>	–	<b>455,635</b>	–
	<b>14,233,183</b>	11,194,980	<b>12,005,473</b>	9,752,331
<b>Equity instruments designated as FVOCI</b>				
Unquoted Shares, of which:	<b>235,976</b>	229,159	<b>235,976</b>	229,159
<i>Cagamas Holdings Berhad</i>	<b>193,633</b>	187,373	<b>193,633</b>	187,373
<i>Credit Guarantee Corporation Malaysia Berhad</i>	<b>35,464</b>	35,332	<b>35,464</b>	35,332
<i>Others</i>	<b>6,879</b>	6,454	<b>6,879</b>	6,454
	<b>14,469,159</b>	11,424,139	<b>12,241,449</b>	9,981,490

The Group and the Bank have elected to designate these equity instruments at fair value through other comprehensive income as these instruments are held for business facilitation and not to generate a capital return. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss.

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

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	<b>11,831,210</b>	7,645,307	<b>10,075,067</b>	6,672,728
More than one year to three years	<b>2,173,995</b>	3,549,673	<b>1,702,428</b>	3,079,603
More than three years to five years	<b>227,978</b>	–	<b>227,978</b>	–
	<b>14,233,183</b>	11,194,980	<b>12,005,473</b>	9,752,331

There are RM100,100,000 of the FVOCI instruments that are pledged against Repurchase Agreement as at 30 June 2023 (31 December 2022: RM Nil).

Financial investments at FVOCI are within Stage 1 allocation (12-month ECL) with RM674,000 impairment allowance for the Group and RM548,000 for the Bank as at 30 June 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>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Debt instruments</b>				
Money market instruments:				
Malaysian Government Islamic treasury bills	<b>1,063,513</b>	1,931,267	<b>864,926</b>	1,735,858
Malaysian Government Islamic Sukuk	<b>2,395,688</b>	749,301	<b>1,765,336</b>	490,586
Malaysian Government securities	<b>2,487,781</b>	1,236,456	<b>2,487,781</b>	1,236,456
Unquoted:				
Corporate Sukuk	<b>299,827</b>	199,807	<b>200,000</b>	199,807
	<b>6,246,809</b>	4,116,831	<b>5,318,043</b>	3,662,707

Financial investments at amortised cost are within Stage 1 allocation (12-month ECL) with RM573,000 impairment allowance for the Group and RM347,000 for the Bank as at 30 June 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>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>				
Overdrafts/cash line	<b>503,279</b>	807,248	<b>419,298</b>	722,851
Term loans/financing:				
Housing loans/financing	<b>14,565,558</b>	14,961,902	<b>10,945,341</b>	11,295,656
Syndicated term loans/financing	<b>2,381,227</b>	1,829,388	<b>1,118,750</b>	954,491
Factoring receivables	<b>1,618,424</b>	777,058	<b>1,618,424</b>	777,058
Hire purchase receivables	<b>230,763</b>	234,388	–	–
Other term loans/financing	<b>8,667,875</b>	10,054,944	<b>4,436,778</b>	5,404,169
Bills receivable	<b>3,524,728</b>	4,561,215	<b>2,480,590</b>	3,591,536
Trust receipts	<b>3,375,085</b>	3,295,874	<b>2,948,286</b>	2,552,114
Claims on customers under acceptance credits	<b>863,367</b>	1,168,132	<b>637,856</b>	972,187
Staff loans/financing	<b>44,258</b>	47,390	<b>42,833</b>	45,742
Credit/charge cards	<b>3,742,815</b>	3,734,285	<b>2,560,789</b>	2,548,877
Revolving financing	<b>6,079,100</b>	5,978,959	<b>4,295,567</b>	4,242,985
Other loans/financing	<b>10,172</b>	9,138	<b>7,771</b>	6,922
Gross loans, advances and financing <sup>[1]</sup>	<b>45,606,651</b>	47,459,921	<b>31,512,283</b>	33,114,588
Less: - Impairment allowances	<b>(896,005)</b>	(1,107,584)	<b>(443,648)</b>	(605,262)
Total net loans, advances and financing	<b>44,710,646</b>	46,352,337	<b>31,068,635</b>	32,509,326

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

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

#### (i) By type (Cont'd)

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

	<i>Bank</i>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Syndicated term financing	<b>514,680</b>	643,511
Other term financing	<b>724,253</b>	674,918
Revolving financing	<b>895,448</b>	871,082
Trade financing	<b>7,801</b>	–
Gross loans, advances and financing	<b>2,142,182</b>	2,189,511
Less: - Impairment allowances	<b>(96,677)</b>	(240,817)
Total net loans, advances and financing	<b>2,045,505</b>	1,948,694

#### (ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Domestic non-bank financial institutions	<b>729,009</b>	943,305	<b>588,666</b>	513,970
Domestic business enterprises:				
Small medium enterprises	<b>3,271,075</b>	3,260,745	<b>2,108,249</b>	2,092,246
Others	<b>16,306,395</b>	17,648,335	<b>11,393,151</b>	12,481,054
Individuals	<b>17,750,900</b>	18,270,660	<b>12,321,877</b>	12,737,821
Other domestic entities	<b>1,125</b>	1,169	<b>369</b>	400
Foreign entities/individuals	<b>7,548,147</b>	7,335,707	<b>5,099,971</b>	5,289,097
	<b>45,606,651</b>	47,459,921	<b>31,512,283</b>	33,114,588

#### (iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Maturity within one year	<b>21,498,552</b>	21,135,856	<b>16,031,676</b>	16,022,086
More than one year to three years	<b>4,096,269</b>	5,252,470	<b>2,165,895</b>	2,930,548
More than three years to five years	<b>2,950,510</b>	3,305,916	<b>1,054,054</b>	1,401,293
More than five years	<b>17,061,320</b>	17,765,679	<b>12,260,658</b>	12,760,661
	<b>45,606,651</b>	47,459,921	<b>31,512,283</b>	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>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fixed rate:				
Hire purchase receivables	<b>230,763</b>	234,388	—	—
Other fixed rate loans/financing	<b>12,241,539</b>	13,607,018	<b>8,728,179</b>	9,923,575
Variable rate:				
Base Rate/Base Lending/Financing Rate	<b>16,632,322</b>	17,482,039	<b>12,295,894</b>	12,940,167
Cost-plus	<b>16,502,027</b>	16,136,476	<b>10,488,210</b>	10,250,846
	<b>45,606,651</b>	47,459,921	<b>31,512,283</b>	33,114,588

#### (v) By sector

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Agricultural, hunting, forestry and fishing	<b>37,866</b>	42,075	<b>30,935</b>	34,153
Mining and quarrying	<b>412,068</b>	173,389	<b>364,269</b>	123,803
Manufacturing	<b>6,624,470</b>	6,899,064	<b>5,228,896</b>	5,285,363
Electricity, gas and water	<b>86,547</b>	85,369	<b>19,516</b>	17,465
Construction	<b>2,925,050</b>	2,994,286	<b>1,868,609</b>	2,017,440
Real estate	<b>2,378,740</b>	2,473,806	<b>1,067,083</b>	1,205,418
Wholesale & retail trade and restaurants & hotels	<b>3,285,207</b>	4,150,172	<b>2,293,400</b>	3,025,175
Transport, storage and communication	<b>637,033</b>	772,301	<b>386,977</b>	466,553
Finance, insurance and business services	<b>3,165,481</b>	3,489,704	<b>2,241,881</b>	2,311,777
Household-retail	<b>20,345,921</b>	20,875,482	<b>14,469,759</b>	14,887,922
Others	<b>5,708,268</b>	5,504,273	<b>3,540,958</b>	3,739,519
	<b>45,606,651</b>	47,459,921	<b>31,512,283</b>	33,114,588

#### (vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Purchase of property:				
Residential	<b>14,589,376</b>	14,987,840	<b>10,968,904</b>	11,321,329
Non residential	<b>1,146,990</b>	1,235,917	<b>538,051</b>	581,320
Purchase of securities	<b>2,427</b>	2,568	<b>2,427</b>	2,568
Purchase of transport vehicles	<b>15,231</b>	15,480	<b>14,309</b>	14,338
Purchase of fixed assets excluding land & building	<b>231,197</b>	234,846	—	—
Consumption credit	<b>5,494,514</b>	5,607,540	<b>3,401,486</b>	3,459,630
Construction	<b>2,266,690</b>	2,414,138	<b>1,440,142</b>	1,590,821
Working capital	<b>16,867,398</b>	18,197,776	<b>12,155,173</b>	12,972,655
Other purpose	<b>4,992,828</b>	4,763,816	<b>2,991,791</b>	3,171,927
	<b>45,606,651</b>	47,459,921	<b>31,512,283</b>	33,114,588

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

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

#### (vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2023</b>	31 Dec 2022	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Northern Region	<b>6,374,971</b>	5,857,696	<b>4,950,785</b>	4,420,032
Southern Region	<b>5,848,508</b>	5,904,264	<b>4,316,722</b>	4,455,375
Central Region	<b>31,946,074</b>	34,174,779	<b>21,111,416</b>	23,022,661
Eastern Region	<b>1,437,098</b>	1,523,182	<b>1,133,360</b>	1,216,520
	<b>45,606,651</b>	47,459,921	<b>31,512,283</b>	33,114,588

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

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

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

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

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

### 18 Impaired Loans, Advances and Financing

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

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2023</b>	31 Dec 2022	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Gross carrying amount as at 1 January	<b>2,769,319</b>	3,571,670	<b>1,797,388</b>	2,396,659
Transfer within stages	<b>(238,130)</b>	(228,824)	<b>(182,492)</b>	(259,657)
Net changes in risk parameters - further lending/ (repayments)	<b>(127,291)</b>	(273,701)	<b>(88,146)</b>	(122,924)
Written-off	<b>(321,231)</b>	(299,826)	<b>(193,039)</b>	(216,690)
Gross carrying amount as at 30 June	<b>2,082,667</b>	2,769,319	<b>1,333,711</b>	1,797,388

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

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

#### (ii) By sector

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Agricultural, hunting, forestry and fishing	<b>6,221</b>	3,105	<b>5,769</b>	3,065
Manufacturing	<b>26,451</b>	24,316	<b>14,164</b>	10,287
Electricity, gas and water	<b>59,695</b>	58,342	–	516
Construction	<b>104,310</b>	126,754	<b>10,262</b>	10,684
Real estate	<b>151,611</b>	188,933	<b>148,163</b>	185,294
Wholesale & retail trade, restaurants & hotels	<b>28,284</b>	12,275	<b>15,115</b>	8,202
Transport, storage and communication	<b>4,227</b>	2,345	<b>814</b>	813
Finance, insurance and business services	<b>104,650</b>	296,225	<b>100,726</b>	242,349
Household-retail	<b>1,597,218</b>	2,018,084	<b>1,038,698</b>	1,315,591
Others	–	38,940	–	20,587
	<b>2,082,667</b>	<b>2,769,319</b>	<b>1,333,711</b>	<b>1,797,388</b>

#### (iii) By purpose

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Purchase of property:				
Residential	<b>1,113,784</b>	1,451,516	<b>795,313</b>	1,032,457
Non residential	<b>21,308</b>	27,764	<b>14,799</b>	18,436
Purchase of transport vehicles	–	6	–	6
Purchase of fixed assets excluding land & building	<b>8,248</b>	172	–	–
Consumption credit	<b>478,937</b>	562,470	<b>240,119</b>	280,431
Construction	<b>104,303</b>	126,754	<b>10,262</b>	10,684
Working capital	<b>356,087</b>	583,026	<b>273,218</b>	455,374
Other purpose	–	17,611	–	–
	<b>2,082,667</b>	<b>2,769,319</b>	<b>1,333,711</b>	<b>1,797,388</b>

#### (iv) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Northern Region	<b>228,205</b>	260,342	<b>181,947</b>	206,726
Southern Region	<b>304,702</b>	353,729	<b>243,314</b>	281,268
Central Region	<b>1,490,778</b>	2,074,375	<b>863,151</b>	1,247,286
Eastern Region	<b>58,982</b>	80,873	<b>45,299</b>	62,108
	<b>2,082,667</b>	<b>2,769,319</b>	<b>1,333,711</b>	<b>1,797,388</b>

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

### 19 ECL allowances

#### (i) Movements in ECL allowances for loans, advances and financing

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

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL not	ECL not	ECL	
	credit	credit	credit	
	impaired	impaired	impaired	Total
<b>Group</b>	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2023	<b>68,437</b>	<b>155,477</b>	<b>883,670</b>	<b>1,107,584</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>72,778</b>	<b>(26,728)</b>	<b>(46,050)</b>	–
- Transferred to Stage 2	<b>(9,053)</b>	<b>21,455</b>	<b>(12,402)</b>	–
- Transferred to Stage 3	<b>(406)</b>	<b>(7,719)</b>	<b>8,125</b>	–
New financial assets originated or purchased	<b>8,880</b>	–	–	<b>8,880</b>
Net remeasurement due to changes in credit risk and assets derecognised	<b>(42,071)</b>	<b>48,733</b>	<b>87,005</b>	<b>93,667</b>
Asset written-off	–	–	<b>(321,231)</b>	<b>(321,231)</b>
Others	<b>428</b>	–	<b>6,677</b>	<b>7,105</b>
Balance at 30 June 2023	<b>98,993</b>	<b>191,218</b>	<b>605,794</b>	<b>896,005</b>
Balance at 1 January 2022	85,357	202,123	1,021,851	1,309,331
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	129,951	(48,074)	(81,877)	–
- Transferred to Stage 2	(10,403)	54,691	(44,288)	–
- Transferred to Stage 3	(742)	(14,813)	15,555	–
New financial assets originated or purchased	24,882	–	–	24,882
Net remeasurement due to changes in credit risk 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	<b>68,437</b>	<b>155,477</b>	<b>883,670</b>	<b>1,107,584</b>

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

Total ECL allowances decreased by RM211.6 million for the Group compared to the balance at the beginning of the year. This net decrease was mainly contributed by assets written off (RM321.2 million) partially offset by remeasurement due to changes in credit risk (RM93.7 million), new financial assets originated or purchased (RM8.9 million) and others (RM7.1 million).

- 12-month ECL not credit-impaired (Stage 1) – increased by RM30.6 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 RM35.7 million for the Group, mainly from remeasurement due to changes in credit risk partly offset by net migration of loans, advances and financing to stage 1 and 3.
- Lifetime ECL credit-impaired (Stage 3) – decreased by RM277.9 million for the Group, primarily from asset written-off and net migration of loans, advances and financing to stages 1 and 2 partially offset by remeasurement due to changes in credit risk 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
<b>Bank</b>	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2023	<b>35,476</b>	<b>82,333</b>	<b>487,453</b>	<b>605,262</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>42,840</b>	<b>(14,871)</b>	<b>(27,969)</b>	–
- Transferred to Stage 2	<b>(3,691)</b>	<b>10,731</b>	<b>(7,040)</b>	–
- Transferred to Stage 3	<b>(155)</b>	<b>(3,064)</b>	<b>3,219</b>	–
New financial assets originated or purchased	<b>5,147</b>	–	–	<b>5,147</b>
Net remeasurement due to changes in credit risk and assets derecognised	<b>(19,421)</b>	<b>7,235</b>	<b>38,036</b>	<b>25,850</b>
Asset written-off	–	–	<b>(193,039)</b>	<b>(193,039)</b>
Others	<b>428</b>	–	–	<b>428</b>
Balance at 30 June 2023	<b>60,624</b>	<b>82,364</b>	<b>300,660</b>	<b>443,648</b>
Balance at 1 January 2022	53,262	115,584	617,103	785,949
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	70,095	(24,417)	(45,678)	–
- Transferred to Stage 2	(7,147)	36,737	(29,590)	–
- Transferred to Stage 3	(552)	(8,346)	8,898	–
New financial assets originated or purchased	11,763	–	–	11,763
Net remeasurement due to changes in credit risk 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	<b>35,476</b>	<b>82,333</b>	<b>487,453</b>	<b>605,262</b>

The total ECL allowances decreased by RM161.6 million for the Bank compared to the balance at the beginning of the year. This net decrease was mainly contributed by asset written-off (RM193.0 million) partially offset by remeasurement due to changes in credit risk (RM25.9 million) and new financial assets originated or purchased (RM5.1 million).

- 12-month ECL not credit impaired (Stage 1) – increased by RM25.1 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) – minimal movement observed 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 RM186.8 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:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	12-month	Lifetime	Lifetime	
	ECL not	ECL not	ECL	
	credit	credit	credit	
	impaired	impaired	impaired	Total
<b>Group</b>	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2023	<b>3,856</b>	<b>13,728</b>	<b>27,019</b>	<b>44,603</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>528</b>	<b>(528)</b>	–	–
- Transferred to Stage 2	<b>(110)</b>	<b>110</b>	–	–
- Transferred to Stage 3	–	–	–	–
New financial assets originated or purchased	<b>466</b>	–	–	<b>466</b>
Net remeasurement due to changes in credit risk and assets derecognised	<b>8,278</b>	<b>2,369</b>	<b>(2,579)</b>	<b>8,068</b>
Others	<b>852</b>	–	–	<b>852</b>
Balance at 30 June 2023	<b>13,870</b>	<b>15,679</b>	<b>24,440</b>	<b>53,989</b>
Balance at 1 January 2022	10,034	19,076	4,048	33,158
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	7,202	(7,202)	–	–
- Transferred to Stage 2	(461)	461	–	–
- Transferred to Stage 3	(1,496)	(999)	2,495	–
New financial assets originated or purchased	936	–	–	936
Net remeasurement due to changes in credit risk and assets derecognised	(12,323)	2,392	20,476	10,545
Others	(36)	–	–	(36)
Balance at 31 December 2022	<b>3,856</b>	<b>13,728</b>	<b>27,019</b>	<b>44,603</b>

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

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

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

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	12-month	Lifetime	Lifetime	
	ECL not	ECL not	ECL	
	credit	credit	credit	
	impaired	impaired	impaired	Total
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Balance at 1 January 2023	<b>2,220</b>	<b>6,575</b>	<b>2,791</b>	<b>11,586</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>278</b>	<b>(278)</b>	–	–
- Transferred to Stage 2	<b>(87)</b>	<b>87</b>	–	–
- Transferred to Stage 3	–	–	–	–
New financial assets originated or purchased	<b>270</b>	–	–	<b>270</b>
Net remeasurement due to changes in credit risk and assets derecognised	<b>5,912</b>	<b>2,998</b>	<b>(2,439)</b>	<b>6,471</b>
Others	<b>480</b>	–	–	<b>480</b>
Balance at 30 June 2023	<b>9,073</b>	<b>9,382</b>	<b>352</b>	<b>18,807</b>
Balance at 1 January 2022	7,492	12,681	4,048	24,221
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	7,157	(7,157)	–	–
- Transferred to Stage 2	(418)	418	–	–
- Transferred to Stage 3	(1,496)	(924)	2,420	–
New financial assets originated or purchased	385	–	–	385
Net remeasurement due to changes in credit risk and assets derecognised	(10,904)	1,557	(3,677)	(13,024)
Others	4	–	–	4
Balance at 31 December 2022	<b>2,220</b>	<b>6,575</b>	<b>2,791</b>	<b>11,586</b>

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

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

### 20 Other Assets

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Settlements	351,855	671,735	328,780	670,462
Interest/profit receivable	127,388	129,781	115,393	122,980
Income receivable	32,487	35,690	116,189	49,687
Deposits and prepayments	25,408	2,164	21,079	2,164
Amount due from subsidiary company	—	—	315	161,528
Rights of Use (ROU) assets	51,106	54,961	31,068	33,421
Cash collateral	824,452	183,272	824,452	183,272
Other receivables	187,901	146,181	185,992	133,318
	<b>1,600,597</b>	<b>1,223,784</b>	<b>1,623,268</b>	<b>1,356,832</b>

### 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 Jun 2023 RM'000	31 Dec 2022 RM'000	30 Jun 2023 RM'000	31 Dec 2022 RM'000
<b>Investments in Subsidiary Companies</b>				
Unquoted shares, at cost - in Malaysia	—	—	660,021	660,021
Additional Tier 1 USD Wakalah Financing Facility	—	—	501,063	501,063
	<b>—</b>	<b>—</b>	<b>1,161,084</b>	<b>1,161,084</b>

#### 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 Jun 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>	
	<b>30 Jun 2023</b>	31 Dec 2022	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Demand deposits	<b>25,627,380</b>	26,747,238	<b>22,362,883</b>	23,366,044
Savings deposits	<b>16,136,890</b>	16,789,370	<b>13,150,810</b>	13,868,467
Fixed deposits	<b>28,328,969</b>	26,949,727	<b>20,515,258</b>	19,294,193
	<b>70,093,239</b>	70,486,335	<b>56,028,951</b>	56,528,704

The maturity structure of fixed deposits is as follows:

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2023</b>	31 Dec 2022	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Due within six months	<b>22,812,801</b>	20,970,216	<b>16,262,820</b>	14,664,158
More than six months to one year	<b>4,550,231</b>	4,972,125	<b>3,576,967</b>	3,955,371
More than one year to three years	<b>781,069</b>	861,493	<b>553,728</b>	581,282
More than three years to five years	<b>183,996</b>	145,893	<b>120,871</b>	93,382
Over five years	<b>872</b>	—	<b>872</b>	—
	<b>28,328,969</b>	26,949,727	<b>20,515,258</b>	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 Jun 2023 RM'000	31 Dec 2022 RM'000	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Government and statutory bodies	15,120	28,342	4,100	5,890
Business enterprises	27,301,173	27,436,193	23,752,941	23,703,337
Individuals	26,203,918	26,234,408	20,443,551	20,484,687
Foreign entities/individuals	14,706,621	15,001,801	10,832,879	11,355,092
Others	1,866,407	1,785,591	995,480	979,698
	<b>70,093,239</b>	<b>70,486,335</b>	<b>56,028,951</b>	<b>56,528,704</b>

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

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Licensed banks	7,586	276	207,586	300,276
Bank Negara Malaysia	183,804	259,759	169,002	250,787
Other financial institutions	2,198,496	2,089,958	2,198,485	2,089,947
	<b>2,389,886</b>	<b>2,349,993</b>	<b>2,575,073</b>	<b>2,641,010</b>

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

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Structured liabilities	<b>4,087,132</b>	<b>3,754,684</b>	<b>2,083,814</b>	<b>1,652,201</b>

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 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
	RM'000	RM'000	RM'000	RM'000
Settlements	694,907	687,233	694,430	686,693
Interest/profit payable	260,906	204,522	188,584	146,345
Deferred income	176,542	180,413	156,907	161,514
Marginal deposit	292,899	334,438	264,254	299,225
Amount due to subsidiary company	—	—	90,712	105,975
Accrued expenses	697,929	736,146	680,421	712,231
Lease liabilities	55,066	59,291	32,996	35,552
Cash collateral	122,352	673,549	122,352	673,549
Other creditors	1,359,392	1,103,155	1,192,850	980,237
Provisions on loan and credit related commitments; and financial guarantees <sup>[1]</sup>	53,989	44,603	18,807	11,586
	<b>3,713,982</b>	<b>4,023,350</b>	<b>3,442,313</b>	<b>3,812,907</b>

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

### 28 Multi-Currency Sukuk Programme

	<i>Group</i>	
	30 Jun 2023	31 Dec 2022
	RM'000	RM'000
Multi-Currency Sukuk Programme (MCSP)	<b>501,632</b>	<b>504,771</b>

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

<u>Issuance under MCSP</u>	<b>Nominal Value (RM'000)</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Carrying Value (RM'000)</b>	
				30 Jun 2023	31 Dec 2022
<b>At fair value</b>					
4th series	500,000	2 Oct 2018	2 Oct 2023	<b>501,632</b>	<b>504,771</b>

<u>Movement in MCSP</u>	<i>Group</i>	
	4th Series	4th Series
	30 Jun 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	(2,210)	(14,521)
Change in fair value from own credit risk	(929)	3,959
Balance at 31 December	<b>501,632</b>	<b>504,771</b>

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

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

### 30 Net Interest Income

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Interest income</b>				
Loans and advances				
- Interest income other than from impaired loans	<b>374,452</b>	287,980	<b>736,421</b>	575,411
- Interest income recognised from impaired loans	<b>8,963</b>	10,811	<b>16,650</b>	19,282
Money at call and deposit placements with financial institutions	<b>146,770</b>	82,405	<b>297,423</b>	140,502
Financial investments at FVOCI	<b>109,091</b>	57,554	<b>202,347</b>	118,109
Financial investments at amortised cost	<b>44,859</b>	2,106	<b>85,763</b>	3,528
	<b>684,135</b>	440,856	<b>1,338,604</b>	856,832



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

### 30 Net Interest Income (Cont'd)

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	30 Jun 2022	<b>30 Jun 2023</b>	30 Jun 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Interest expense</b>				
Deposits and placements of banks and other financial institutions	(8,398)	(1,828)	(18,913)	(3,947)
Deposits from customers	(208,609)	(105,625)	(398,164)	(200,220)
Subordinated liabilities	–	(6,295)	–	(12,521)
Lease liabilities	(423)	(407)	(861)	(774)
Others	(111)	(137)	(325)	(257)
	<b>(217,541)</b>	<b>(114,292)</b>	<b>(418,263)</b>	<b>(217,719)</b>
<b>Net interest income</b>	<b>466,594</b>	<b>326,564</b>	<b>920,341</b>	<b>639,113</b>

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	30 Jun 2022	<b>30 Jun 2023</b>	30 Jun 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Interest income</b>				
Loans and advances				
- Interest income other than from impaired loans	374,452	287,980	736,421	575,411
- Interest income recognised from impaired loans	8,963	10,811	16,650	19,282
Money at call and deposit placements with financial institutions	161,781	90,413	329,887	153,976
Financial investments at FVOCI	109,091	57,554	202,347	118,109
Financial investments at amortised cost	44,859	2,106	85,763	3,528
	<b>699,146</b>	<b>448,864</b>	<b>1,371,068</b>	<b>870,306</b>

<b>Interest expense</b>				
Deposits and placements of banks and other financial institutions	(10,676)	(2,143)	(23,896)	(4,262)
Deposits from customers	(208,609)	(105,625)	(398,164)	(200,220)
Subordinated liabilities	–	(6,295)	–	(12,521)
Lease liabilities	(423)	(407)	(861)	(774)
Others	(111)	(137)	(325)	(257)
	<b>(219,819)</b>	<b>(114,607)</b>	<b>(423,246)</b>	<b>(218,034)</b>
<b>Net interest income</b>	<b>479,327</b>	<b>334,257</b>	<b>947,822</b>	<b>652,272</b>

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

### 31 Net Fee and Commission Income

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Fee and commission income</b>				
Credit cards	<b>32,038</b>	29,653	<b>64,480</b>	56,176
Service charges and fees	<b>29,457</b>	29,928	<b>59,789</b>	57,964
Fees on credit facilities	<b>19,938</b>	15,713	<b>35,798</b>	30,360
Agency fee	<b>28,010</b>	33,429	<b>55,823</b>	58,823
Others	<b>6,813</b>	6,560	<b>13,689</b>	13,474
	<b>116,256</b>	115,283	<b>229,579</b>	216,797
<b>Fee and commission expense</b>				
Debit/credit cards	<b>(13,996)</b>	(13,659)	<b>(33,531)</b>	(26,964)
Interbank and clearing fees	<b>(351)</b>	(187)	<b>(673)</b>	(496)
Brokerage	<b>(987)</b>	(930)	<b>(1,931)</b>	(1,708)
Cash management	<b>(333)</b>	(227)	<b>(636)</b>	(471)
Others	<b>(5,256)</b>	(4,558)	<b>(10,005)</b>	(9,877)
	<b>(20,923)</b>	(19,561)	<b>(46,776)</b>	(39,516)
<b>Net fee and commission income</b>	<b>95,333</b>	95,722	<b>182,803</b>	177,281

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Fee and commission income</b>				
Credit cards	<b>32,038</b>	29,653	<b>64,480</b>	56,176
Service charges and fees	<b>29,457</b>	29,928	<b>59,789</b>	57,964
Fees on credit facilities	<b>19,938</b>	15,713	<b>35,798</b>	30,360
Agency fee	<b>28,010</b>	33,429	<b>55,823</b>	58,823
Others	<b>6,583</b>	5,962	<b>13,315</b>	12,608
	<b>116,026</b>	114,685	<b>229,205</b>	215,931
<b>Fee and commission expense</b>				
Debit/credit cards	<b>(13,996)</b>	(13,659)	<b>(33,531)</b>	(26,964)
Interbank and clearing fees	<b>(351)</b>	(187)	<b>(673)</b>	(496)
Brokerage	<b>(987)</b>	(930)	<b>(1,931)</b>	(1,708)
Cash management	<b>(333)</b>	(227)	<b>(636)</b>	(471)
Others	<b>(5,256)</b>	(4,558)	<b>(10,005)</b>	(9,877)
	<b>(20,923)</b>	(19,561)	<b>(46,776)</b>	(39,516)
<b>Net fee and commission income</b>	<b>95,103</b>	95,124	<b>182,429</b>	176,415

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

### 32 Net Trading Income

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	30 Jun 2022	<b>30 Jun 2023</b>	30 Jun 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Realised gains/(losses) on financial assets / liabilities at FVTPL and other financial instruments	<b>5,375</b>	(6,999)	<b>9,937</b>	(5,518)
Net interest income from financial assets at FVTPL	<b>24,349</b>	13,359	<b>49,873</b>	23,785
Net unrealised gains/(losses) on revaluation of financial assets at FVTPL	<b>3,397</b>	(7,032)	<b>11,743</b>	(19,026)
Net realised (losses)/gains arising from dealing in foreign currency	<b>(327,691)</b>	(9,114)	<b>121,835</b>	156,213
Net unrealised gains/(losses) from dealing in foreign currency	<b>241,189</b>	49,871	<b>(181,320)</b>	(29,487)
Net realised gains/(losses) arising from dealing in derivatives	<b>5,411</b>	(33,419)	<b>16,024</b>	13,609
Net unrealised (losses)/gains on revaluation of derivatives	<b>(34,836)</b>	38,573	<b>(13,978)</b>	(58,989)
Losses arising from fair value hedges	<b>(1,244)</b>	(1,340)	<b>(571)</b>	(1,429)
	<b>(84,050)</b>	43,899	<b>13,543</b>	79,158

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	30 Jun 2022	<b>30 Jun 2023</b>	30 Jun 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Realised gains/(losses) on financial assets / liabilities at FVTPL and other financial instruments	<b>5,375</b>	(6,999)	<b>9,937</b>	(5,518)
Net interest income from financial assets at FVTPL	<b>24,349</b>	13,359	<b>49,873</b>	23,785
Net unrealised gains/(losses) on revaluation of financial assets at FVTPL	<b>3,397</b>	(7,032)	<b>11,743</b>	(19,026)
Net realised (losses)/gains arising from dealing in foreign currency	<b>(339,513)</b>	(14,021)	<b>110,475</b>	151,834
Net unrealised gains from dealing in foreign currency	<b>491,987</b>	158,561	<b>212,148</b>	103,344
Net realised gains/(losses) arising from dealing in derivatives	<b>11,163</b>	(39,108)	<b>23,588</b>	3,306
Net unrealised (losses)/gains on revaluation of derivatives	<b>(36,318)</b>	69,856	<b>(42,180)</b>	2,532
Losses arising from fair value hedges	<b>(1,244)</b>	(1,340)	<b>(571)</b>	(1,429)
	<b>159,196</b>	173,276	<b>375,013</b>	258,828

## 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>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total net trading income (net of elimination with subsidiary)	<b>166,919</b>	157,650	<b>420,603</b>	229,226
of which:				
- is disclosed in Note 32	<b>(84,050)</b>	43,899	<b>13,543</b>	79,158
- is included under Income from Islamic Banking operations of the Group (Note 33)	<b>250,969</b>	113,751	<b>407,060</b>	150,068

### 33 Income from Islamic Banking operations

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

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of:				
- depositor funds and others <sup>[1]</sup>	<b>215,777</b>	154,592	<b>416,324</b>	302,577
- shareholders funds	<b>52,225</b>	34,926	<b>100,773</b>	76,209
Total income before allowance for impairment losses on financing and advances	<b>268,002</b>	189,518	<b>517,097</b>	378,786
Income attributable to the depositors	<b>(90,439)</b>	(44,254)	<b>(175,354)</b>	(85,371)
Income from Islamic Banking operations before elimination	<b>177,563</b>	145,264	<b>341,743</b>	293,415
Elimination of intercompany income and expenses	<b>255,468</b>	136,193	<b>387,994</b>	191,398
Income from Islamic Banking operations reported in statement of profit or loss of the Group <sup>[2]</sup>	<b>433,031</b>	281,457	<b>729,737</b>	484,813

<sup>[1]</sup> 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 June:

	<b>(13,094)</b>	24,209	<b>(58,596)</b>	49,468
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<sup>[2]</sup> Included in income from Islamic Banking operations reported in statement of profit or loss of the Group is net trading income for the period ended 30 June:

	<b>250,969</b>	113,751	<b>407,060</b>	150,068
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## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 34 Other Operating Income

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Dividend income from financial investments at FVOCI				
- Unquoted in Malaysia	<b>1,193</b>	1,175	<b>2,243</b>	1,175
Rental income	<b>1,324</b>	1,339	<b>2,616</b>	2,735
Net gain on disposal of property and equipment	<b>1,161</b>	14	<b>1,161</b>	147
Other operating income	<b>9,901</b>	14,004	<b>26,268</b>	22,811
	<b>13,579</b>	<b>16,532</b>	<b>32,288</b>	<b>26,868</b>

  

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Dividend income from financial investments at FVOCI				
- Unquoted in Malaysia	<b>1,193</b>	1,175	<b>2,243</b>	1,175
Discretionary coupon income on other equity instrument issued by subsidiary	—	—	<b>12,483</b>	—
Rental income	<b>1,324</b>	1,339	<b>2,616</b>	2,735
Net gain on disposal of property and equipment	<b>1,161</b>	14	<b>1,161</b>	147
Income recharges from subsidiary	<b>39,538</b>	36,901	<b>76,685</b>	73,773
Other operating income	<b>9,901</b>	14,004	<b>26,268</b>	22,811
	<b>53,117</b>	<b>53,433</b>	<b>121,456</b>	<b>100,641</b>

### 35 Impairment (Write-back) / Allowance

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
New and increased allowance (net of releases)	<b>5,650</b>	2,626	<b>111,226</b>	49,023
Recoveries	<b>(23,483)</b>	(36,213)	<b>(53,321)</b>	(61,835)
Written off	<b>1,119</b>	484	<b>1,770</b>	488
<b>Total (write-back from)/charge to the statements of profit or loss</b>	<b>(16,714)</b>	<b>(33,103)</b>	<b>59,675</b>	<b>(12,324)</b>

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

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

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
New and increased allowance (net of releases)	(5,183)	15,998	37,650	5,509
Recoveries	(10,993)	(19,453)	(23,803)	(32,315)
Written off	931	627	1,580	631
<b>Total (write-back from)/charge to the statements of profit or loss</b>	<b>(15,245)</b>	<b>(2,828)</b>	<b>15,427</b>	<b>(26,175)</b>

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

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

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
New and increased allowance (net of releases)	1,344	3,879	102,547	70,722
Recoveries	(23,483)	(36,213)	(53,321)	(61,835)
Written off	1,119	484	1,770	488
<b>Total (write-back from)/charge to the statements of profit or loss</b>	<b>(21,020)</b>	<b>(31,850)</b>	<b>50,996</b>	<b>9,375</b>

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
New and increased allowance (net of releases)	(10,995)	15,506	30,997	20,177
Recoveries	(10,993)	(19,453)	(23,803)	(32,315)
Written off	931	627	1,580	631
<b>Total (write-back from)/charge to the statements of profit or loss</b>	<b>(21,057)</b>	<b>(3,320)</b>	<b>8,774</b>	<b>(11,507)</b>

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

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net (release)/increase in allowance/provisions</b>	<b>(214)</b>	<b>22</b>	<b>49</b>	<b>(35)</b>

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

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

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

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net (release)/increase in allowance/ provisions</b>	<b>(232)</b>	<b>21</b>	<b>33</b>	<b>(35)</b>

**(iii) Debt securities - FVOCI**

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net increase/(release) in allowance/ provisions</b>	<b>26</b>	<b>(424)</b>	<b>(67)</b>	<b>(834)</b>

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net release in allowance/provisions</b>	<b>(18)</b>	<b>(369)</b>	<b>(58)</b>	<b>(679)</b>

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

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net (release)/increase in allowance/ provisions</b>	<b>(271)</b>	<b>(134)</b>	<b>163</b>	<b>(743)</b>

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net release in allowance/provisions</b>	<b>(267)</b>	<b>(134)</b>	<b>(63)</b>	<b>(743)</b>

**(v) Loan commitments and contingencies**

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net increase/(release) in allowance/ provisions</b>	<b>4,765</b>	<b>(717)</b>	<b>8,534</b>	<b>(20,087)</b>

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net increase/(release) in allowance/ provisions</b>	<b>6,329</b>	<b>974</b>	<b>6,741</b>	<b>(13,211)</b>

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

### 36 Other Operating Expenses

	<i>Group</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	30 Jun 2022	<b>30 Jun 2023</b>	30 Jun 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personnel expenses	<b>182,005</b>	165,110	<b>332,244</b>	326,674
Promotion and marketing related expenses	<b>9,004</b>	12,243	<b>17,508</b>	22,402
Establishment related expenses	<b>26,848</b>	24,827	<b>63,435</b>	58,756
General administrative expenses	<b>41,689</b>	45,344	<b>75,538</b>	81,811
Related company charges	<b>204,327</b>	167,301	<b>388,893</b>	343,859
	<b>463,873</b>	414,825	<b>877,618</b>	833,502
Personnel expenses				
Salaries, allowances and bonuses	<b>143,626</b>	126,294	<b>259,787</b>	249,171
Employees Provident Fund contributions	<b>24,508</b>	21,342	<b>44,546</b>	41,520
Share based payment	<b>2,482</b>	(1,237)	<b>5,545</b>	3,701
Others	<b>11,389</b>	18,711	<b>22,366</b>	32,282
	<b>182,005</b>	165,110	<b>332,244</b>	326,674
Establishment related expenses				
Depreciation of property and equipment	<b>16,170</b>	7,950	<b>25,065</b>	15,857
Depreciation of RoU assets	<b>3,439</b>	3,500	<b>6,613</b>	7,274
Impairment of RoU assets	—	—	—	95
Amortisation of intangible assets	<b>1,470</b>	2,076	<b>3,162</b>	4,228
Impairment for intangible asset	—	236	—	236
Information technology cost	<b>3,334</b>	(1,290)	<b>7,248</b>	6,493
Property and equipment written off	<b>372</b>	—	<b>372</b>	770
General repairs and maintenance	<b>(5,322)</b>	5,229	<b>6,100</b>	9,306
Utilities	<b>1,181</b>	1,336	<b>2,761</b>	3,090
Others	<b>6,204</b>	5,790	<b>12,114</b>	11,407
	<b>26,848</b>	24,827	<b>63,435</b>	58,756
Related company charges	<b>204,327</b>	167,301	<b>388,893</b>	343,859
Of which by:				
(i) Type of service				
- Information technology related cost	<b>95,428</b>	86,742	<b>177,807</b>	169,171
- Non information technology related cost	<b>108,899</b>	80,559	<b>211,086</b>	174,688
(ii) Countries/territories				
- Hong Kong	<b>131,312</b>	110,511	<b>249,293</b>	221,023
- United Kingdom	<b>34,833</b>	31,979	<b>69,169</b>	70,857
- Malaysia	<b>21,274</b>	15,941	<b>41,510</b>	32,132
- India	<b>13,151</b>	7,496	<b>22,578</b>	14,506
- Others	<b>3,757</b>	1,374	<b>6,343</b>	5,341



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

### 36 Other Operating Expenses (Cont'd)

	<i>Bank</i>			
	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses	<b>171,403</b>	155,213	<b>312,282</b>	309,029
Promotion and marketing related expenses	<b>7,408</b>	10,466	<b>14,964</b>	19,130
Establishment related expenses	<b>23,626</b>	21,831	<b>56,327</b>	52,854
General administrative expenses	<b>34,574</b>	36,696	<b>64,009</b>	66,509
Related company charges	<b>202,105</b>	165,480	<b>384,102</b>	340,085
	<b>439,116</b>	389,686	<b>831,684</b>	787,607
Personnel expenses				
Salaries, allowances and bonuses	<b>135,421</b>	118,319	<b>244,228</b>	235,323
Employees Provident Fund contributions	<b>23,037</b>	19,923	<b>41,738</b>	38,878
Share based payment	<b>2,450</b>	(1,112)	<b>5,470</b>	3,725
Others	<b>10,495</b>	18,083	<b>20,846</b>	31,103
	<b>171,403</b>	155,213	<b>312,282</b>	309,029
Establishment related expenses				
Depreciation of property and equipment	<b>15,696</b>	7,395	<b>24,113</b>	14,741
Depreciation of RoU assets	<b>1,994</b>	1,914	<b>3,715</b>	4,229
Impairment of RoU assets	–	–	–	95
Amortisation of intangible assets	<b>1,470</b>	2,076	<b>3,162</b>	4,228
Impairment for intangible asset	–	236	–	236
Information technology cost	<b>2,866</b>	(1,446)	<b>6,083</b>	5,853
Property and equipment written off	<b>367</b>	–	<b>367</b>	698
General repairs and maintenance	<b>(5,859)</b>	5,007	<b>4,695</b>	9,145
Utilities	<b>1,017</b>	1,080	<b>2,323</b>	2,616
Others	<b>6,075</b>	5,569	<b>11,869</b>	11,013
	<b>23,626</b>	21,831	<b>56,327</b>	52,854
Related company charges	<b>202,105</b>	165,480	<b>384,102</b>	340,085
Of which by:				
(i) Type of service				
- Information technology related cost	<b>95,470</b>	86,775	<b>177,802</b>	169,171
- Non information technology related cost	<b>106,635</b>	78,705	<b>206,300</b>	170,914
(ii) Countries/territories				
- Hong Kong	<b>131,279</b>	110,511	<b>249,250</b>	221,020
- United Kingdom	<b>34,839</b>	31,996	<b>69,118</b>	70,869
- Malaysia	<b>19,279</b>	14,264	<b>37,243</b>	28,724
- India	<b>12,959</b>	7,315	<b>22,164</b>	14,146
- Others	<b>3,749</b>	1,394	<b>6,327</b>	5,326

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

**37 Credit Exposure to Connected Parties**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2023</b>	31 Dec 2022	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Aggregate value of outstanding credit exposures to connected parties	<b>2,373,264</b>	2,320,075	<b>2,592,570</b>	2,224,030
As a percentage of total credit exposures	<b>2.1 %</b>	2.1 %	<b>2.9 %</b>	2.6 %
Aggregate value of outstanding credit exposures to connected parties which is impaired or in default	—	—	—	—
As a percentage of total credit exposures	—	—	—	—

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

### 38 Capital Adequacy

	<i>Group</i>	
	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
<b>Common Equity Tier 1 (CET1) capital</b>		
Paid-up ordinary share capital	<b>1,045,875</b>	1,045,875
Retained profits	<b>8,668,210</b>	8,295,717
Other reserves	<b>731,887</b>	881,752
Regulatory adjustments	<b>(826,920)</b>	(1,056,174)
Total CET1 capital	<b>9,619,052</b>	9,167,170
<b>Tier 1 capital</b>		
Additional Tier 1 preference shares	<b>1,500,000</b>	1,500,000
<b>Total Tier 1 capital</b>	<b>11,119,052</b>	10,667,170
<b>Tier 2 capital</b>		
Impairment allowance (unimpaired portion) & regulatory reserves	<b>614,336</b>	609,261
Regulatory adjustments	<b>67,910</b>	84,057
<b>Total Tier 2 capital</b>	<b>682,246</b>	693,318
<b>Capital base</b>	<b>11,801,298</b>	11,360,488
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	<b>16.984%</b>	16.364%
Tier 1 Capital ratio	<b>19.633%</b>	19.041%
Total Capital ratio	<b>20.837%</b>	20.279%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	<b>16.364%</b>	15.631%
Tier 1 Capital ratio	<b>19.013%</b>	18.308%
Total Capital ratio	<b>20.217%</b>	19.546%

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

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

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

### 38 Capital Adequacy (Cont'd)

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

	<i>Group</i>	
	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Total RWA for credit risk <sup>[1]</sup>	<b>49,146,877</b>	48,740,888
Total RWA for market risk	<b>1,881,057</b>	1,881,545
Total RWA for operational risk	<b>5,607,222</b>	5,399,331
	<b>56,635,156</b>	56,021,764

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

	<i>Group</i>	
	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Under SIAF/IAA arrangement	<b>1,035,378</b>	1,007,324

	<i>Bank</i>	
	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	<b>1,045,875</b>	1,045,875
Retained profits	<b>6,973,296</b>	6,773,756
Other reserves	<b>713,953</b>	827,323
Regulatory adjustments	<b>(1,429,324)</b>	(1,619,600)
Total CET1 capital	<b>7,303,800</b>	7,027,354
Tier 1 capital		
Additional Tier 1 preference shares	<b>1,500,000</b>	1,500,000
Regulatory adjustments	<b>(501,063)</b>	(501,063)
<b>Total Tier 1 capital</b>	<b>8,302,737</b>	8,026,291
<b>Tier 2 capital</b>		
Impairment allowance (unimpaired portion) & regulatory reserves	<b>452,560</b>	447,187
Regulatory adjustments	<b>67,910</b>	84,057
<b>Total Tier 2 capital</b>	<b>520,470</b>	531,244
<b>Capital base</b>	<b>8,823,207</b>	8,557,535

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

### 38 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	<b>30 Jun 2023</b>	31 Dec 2022
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	<b>17.074%</b>	16.667%
Tier 1 Capital ratio	<b>19.409%</b>	19.036%
Total Capital ratio	<b>20.626%</b>	20.296%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	<b>16.253%</b>	15.693%
Tier 1 Capital ratio	<b>18.588%</b>	18.062%
Total Capital ratio	<b>19.805%</b>	19.322%

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

Breakdown of RWA in the various risk categories:

	<i>Bank</i>	
	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Total RWA for credit risk <sup>[1]</sup>	<b>36,204,825</b>	35,774,927
Total RWA for market risk	<b>1,705,816</b>	1,672,778
Total RWA for operational risk	<b>4,866,692</b>	4,716,651
	<b>42,777,333</b>	42,164,356

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

	<i>Bank</i>	
	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Under SIAF/IAA arrangement	<b>1,035,378</b>	1,007,324

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

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

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

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

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

### 38 Capital Adequacy (Cont'd)

Group	With Transitional Arrangement (%)		Without Transitional Arrangement (%)	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
<u>Before deducting proposed dividend</u>				
CET1 Capital Ratio	<b>16.984%</b>	16.364%	<b>16.904%</b>	16.346%
Tier 1 Capital Ratio	<b>19.633%</b>	19.041%	<b>19.552%</b>	19.024%
Total Capital Ratio	<b>20.837%</b>	20.279%	<b>20.757%</b>	20.261%
<u>After deducting proposed dividend</u>				
CET1 Capital Ratio	<b>16.364%</b>	15.631%	<b>16.283%</b>	15.613%
Tier 1 Capital Ratio	<b>19.013%</b>	18.308%	<b>18.932%</b>	18.291%
Total Capital Ratio	<b>20.217%</b>	19.546%	<b>20.137%</b>	19.529%
<b>Bank</b>				
	With Transitional Arrangement (%)		Without Transitional Arrangement (%)	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
<u>Before deducting proposed dividend</u>				
CET1 Capital Ratio	<b>17.074%</b>	16.667%	<b>17.016%</b>	16.640%
Tier 1 Capital Ratio	<b>19.409%</b>	19.036%	<b>19.351%</b>	19.010%
Total Capital Ratio	<b>20.626%</b>	20.296%	<b>20.568%</b>	20.269%
<u>After deducting proposed dividend</u>				
CET1 Capital Ratio	<b>16.253%</b>	15.693%	<b>16.195%</b>	15.667%
Tier 1 Capital Ratio	<b>18.588%</b>	18.062%	<b>18.530%</b>	18.036%
Total Capital Ratio	<b>19.805%</b>	19.322%	<b>19.747%</b>	19.296%

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

### 39 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 Jun 2023 RM'000	31 Dec 2022 RM'000	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Direct credit substitutes	804,607	760,259	774,237	631,259
Transaction-related contingent items	11,384,662	10,951,980	9,530,063	9,032,845
Short-term self-liquidating trade-related contingencies	465,901	559,733	362,567	433,153
Formal standby facilities and credit lines				
- Maturity not exceeding one year	7,384,919	7,156,352	6,294,502	5,485,528
- Maturity exceeding one year	14,759,182	15,494,205	10,843,218	11,646,451
Other unconditionally cancellable	21,454,412	19,825,990	17,507,663	16,887,109
Unutilised credit card lines	13,243,223	12,852,558	9,881,448	9,506,159
Foreign exchange related contracts:				
- Less than one year	98,457,517	108,592,761	99,961,102	109,934,798
- Over one year to less than five years	5,275,407	5,003,270	5,275,407	5,002,919
- Over five years	326,751	363,413	326,751	363,413
Interest/profit rate related contracts:				
- Less than one year	20,913,384	15,882,496	21,965,864	17,115,656
- Over one year to less than five years	20,305,038	27,689,056	21,501,982	29,122,148
- Over five years	1,213,979	1,302,350	1,213,979	1,302,350
Gold and other precious metals contracts:				
- Less than one year	1,907	11,545	1,907	11,545
Equity related contracts:				
- Less than one year	1,610,270	1,586,730	2,374,187	2,175,327
- Over one year to less than five years	1,773,958	1,513,276	2,678,093	2,704,402
	<b>219,375,117</b>	<b>229,545,974</b>	<b>210,492,970</b>	<b>221,355,062</b>

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	107,200	144,981	107,200	144,981
- Maturity exceeding one year	39,048	83,548	39,048	83,548
	<b>146,248</b>	<b>228,529</b>	<b>146,248</b>	<b>228,529</b>

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

**40 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 Jun 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	95,427,438	1,731,131	–	97,158,569	1,531,784	56,881	–	1,588,665	1,223,422	9,160	–	1,232,582
- Swaps	2,703,119	3,526,189	326,751	6,556,059	93,264	270,027	6,699	369,990	146,704	163,850	42,179	352,733
- Options	326,960	18,087	–	345,047	2,775	–	–	2,775	966	28	–	994
Interest/profit rate related contracts												
- Options	303,795	457,860	–	761,655	–	3	–	3	4,190	2,839	–	7,029
- Swaps	19,039,589	19,847,178	1,213,979	40,100,746	89,519	216,371	26,478	332,368	77,916	248,448	23,289	349,653
Equity related contracts												
- Options	1,610,270	1,773,958	–	3,384,228	97,190	24,494	–	121,684	288,094	22,965	–	311,059
Precious metal contracts												
- Options	1,907	–	–	1,907	–	–	–	–	8	–	–	8
Sub- total	119,413,078	27,354,403	1,540,730	148,308,211	1,814,532	567,776	33,177	2,415,485	1,741,300	447,290	65,468	2,254,058
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest/profit rate related contracts												
- Swaps	1,570,000	–	–	1,570,000	1,532	–	–	1,532	51	–	–	51
Sub- total	1,570,000	–	–	1,570,000	1,532	–	–	1,532	51	–	–	51
<b>Total</b>	<b>120,983,078</b>	<b>27,354,403</b>	<b>1,540,730</b>	<b>149,878,211</b>	<b>1,816,064</b>	<b>567,776</b>	<b>33,177</b>	<b>2,417,017</b>	<b>1,741,351</b>	<b>447,290</b>	<b>65,468</b>	<b>2,254,109</b>



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

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

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

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

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

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

**40 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 Jun 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	96,931,023	1,731,131	–	98,662,154	1,483,139	56,881	–	1,540,020	1,221,702	9,160	–	1,230,862
- Swaps	2,703,119	3,526,189	326,751	6,556,059	93,264	270,027	7,400	370,691	146,795	163,850	42,389	353,034
- Options	326,960	18,087	–	345,047	2,775	–	–	2,775	966	28	–	994
Interest rate related contracts												
- Options	303,795	886,081	–	1,189,876	–	28,708	–	28,708	4,190	2,839	–	7,029
- Swaps	20,092,069	20,615,901	1,213,979	41,921,949	92,413	221,218	26,478	340,109	78,654	249,886	23,289	351,829
Equity related contracts												
- Options	2,374,187	2,678,093	–	5,052,280	124,355	45,994	–	170,349	289,671	22,965	–	312,636
Precious metal contracts												
- Options	1,907	–	–	1,907	–	–	–	–	8	–	–	8
Sub- total	122,733,060	29,455,482	1,540,730	153,729,272	1,795,946	622,828	33,878	2,452,652	1,741,986	448,728	65,678	2,256,392
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	1,570,000	–	–	1,570,000	1,532	–	–	1,532	51	–	–	51
Sub- total	1,570,000	–	–	1,570,000	1,532	–	–	1,532	51	–	–	51
<b>Total</b>	<b>124,303,060</b>	<b>29,455,482</b>	<b>1,540,730</b>	<b>155,299,272</b>	<b>1,797,478</b>	<b>622,828</b>	<b>33,878</b>	<b>2,454,184</b>	<b>1,742,037</b>	<b>448,728</b>	<b>65,678</b>	<b>2,256,443</b>

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

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

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

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

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

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

### 41 Performance Review, Economy and Prospects

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#### Performance Review

The Group recorded profit before tax (PBT) of RM934.7 million for the financial period ended 30 June 2023, an increase of RM308.4 million year-on-year (y-o-y). The increase in PBT was mainly due to higher operating income of RM1,871.9 million (up RM424.5 million) from higher net interest income (up RM281.2 million) and higher income from Islamic banking operations (up RM244.9 million) on improved interest/financing margin. This was partly offset by higher impairment charges during the year (up RM72.0 million) and higher operating expenses (up RM44.1 million).

Total assets as at 30 June 2023 has increased by RM159.0 million or 0.2% to RM95.3 billion (31 December 2022: RM95.2 billion). The Group's capital and liquidity coverage ratios continue to remain strong and well above regulatory requirements.

#### Economy and Prospects

The global economy appears poised for a gradual recovery with China having its economy reopened and effects of supply chain disruptions seeing signs of receding. Global headline inflation continued to moderate, although core inflation remains above historical average. Interest rates were raised rapidly to allay inflation, including that of the United States which had raised 75 basis points thus far for this year.

At domestic front, after a resilient economic growth of 8.7% in 2022, Malaysia continued its strong performance into 1Q23 with GDP growth of 5.6% underpinned by robust private consumption, continued investment activities especially from implementation of multi-year projects, improved labour market and recovery from inbound tourism. There is also an observed limited spill over effects from US banking sector stress.

Looking ahead, the Malaysian economy is expected to expand to circa of 5.0% in 2023, largely driven by domestic demand. Both headline and core inflation are expected to moderate over the course of 2023. Nevertheless, banking industry continues to face challenges especially on its asset quality, mainly attributable to high interest rate environment. Bank Negara Malaysia (BNM) in May 2023 increased the Overnight Policy Rate (OPR) by 25bps, bringing the policy rate to its pre-pandemic level of 3.00%. In addition, elevated core inflation level, moderate export growth, gradual subsidy rationalisation and China's slower pace of economic recovery provide further stress to the environment.

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

Earlier this year, HSBC Bank Malaysia Berhad (the Bank)'s CEO 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. We will continue to work with our Malaysian Government to attract and facilitate more foreign direct investments from China while also provide essential services for Malaysian companies, including our customers, looking to expand and invest in China.

During 1Q23, the Bank organised a few notable events for its customers, namely HSBC Asian Business Forum, Premier Investment Global Market Outlook, and Navigating the Startup Ecosystem in Malaysia. The Bank also launched Apple Pay and Google Wallet for HSBC credit cards offering customers enhanced convenience and greater security. This was followed by another launch in 2Q23 on HSBC TravelOne Credit Card, which is the first in Malaysia to allow customers to instantly redeem credit card reward points for a wide range of airline miles and hotel stays via the HSBC Malaysia Mobile Banking App.

During the year, the Bank was awarded the "Digital Bank of the Year in Malaysia" for the third consecutive year and "Best Digital Wealth Management Experience" by The Asset Triple A.

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

### 41 Performance Review, Economy and Prospects (Cont'd)

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#### Economy and Prospects (Cont'd)

The Bank's subsidiary, HSBC Amanah Malaysia Berhad (HSBC Amanah), was also awarded the "Best International Islamic Bank" at the Euromoney Islamic Finance Awards 2023. This world's best award by Euromoney recognises the strength of HSBC Amanah in several categories including cross-border transactions, supply-side financing and capital markets, as well as its strong suite of Shariah-compliant hedging instruments and its role as a Value-Based Intermediation practitioner and sustainability leader. HSBC Amanah also won several other awards including the "Islamic ESG Bank of the Year" for the fourth consecutive year and "Best Islamic Trade Finance Bank" for the sixth consecutive year by The Asset Triple A Islamic Finance Awards 2023.

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