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

FINANCIAL STATEMENTS – 31 DECEMBER 2024

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

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

CONTENTS

BOARD OF DIRECTORS

Datuk Kamaruddin bin Taib
Independent Non-Executive Chairman

Surendranath Ravi Rosha
Non-Independent Executive Director

Dato’ Omar Siddiq bin Amin Noer Rashid
Non-Independent Executive Director/Chief Executive Officer

Datin Seri Sunita-Mei Lin Rajakumar
Independent Non-Executive Director

Yoong Sin Min
Independent Non-Executive Director

Tunku Dato’ Mahmood Fawzy Bin Tunku Muhiyiddin (appointed on 1 February 2025)
Independent Non-Executive Director

Choo Yoo Kwan @ Choo Yee Kwan (retired on 24 January 2025)
Independent Non-Executive Director

Zuraida binti Jamaluddin (retired on 31 January 2025)
Independent Non-Executive Director

CORPORATE GOVERNANCE DISCLOSURES

The corporate governance practices set out on pages 2 to 16 and the information referred to therein constitute the Corporate Governance Report of HSBC Bank Malaysia Berhad (the Bank). As a banking institution licensed under the Financial Services Act 2013, the Bank complies with the corporate governance standards set out in the Bank Negara Malaysia (BNM) Policy Document on Corporate Governance (BNM Corporate Governance Policy).

Directors

The Directors serving as at the date of this report are:

Datuk Kamaruddin bin Taib, 68
Independent Non-Executive Chairman
Member of Risk Committee and Audit Committee
Appointed to the Board: January 2022

Datuk Kamaruddin was appointed as Independent Non-Executive Chairman of the Bank on 1 April 2022. He was previously appointed as Independent Non-Executive Director on 1 January 2022. He is a member of the Risk Committee and Audit Committee of the Bank.

Datuk Kamaruddin holds a Bachelor of Science Degree in Mathematics from the University of Salford, United Kingdom.

Datuk Kamaruddin was the Chairman of DNV Malaysia Sdn Bhd (formerly known as DNV GL Malaysia Sdn Bhd), part of the Global DNV GL Group. He has been with the DNV GL Group since 1995, and was a substantial shareholder until December 2016. He retired as the Executive Chairman in June 2017. He retired from the Board in November 2021.

Datuk Kamaruddin has significant experience in investment banking, corporate finance, mergers and acquisitions. His career started in 1980 with a leading investment bank in Malaysia. Subsequently, he served as a Director of several private companies and companies listed on Bursa Malaysia. He has personal experience in listing several companies on Bursa Malaysia. Apart from his vast experience of serving on the board of companies listed on Bursa Malaysia, his experience included serving on the board of companies listed on the Stock Exchange of India as well as listed on Nasdaq.

Datuk Kamaruddin is currently the Independent Non-Executive Chairman of Malaysia Life Reinsurance Group Berhad, RAM Holdings Berhad, RAM Rating Services Berhad and FIDE Forum. He is also a Director of Fraser & Neave Holdings Berhad and Malaysia Smelting Corporation Berhad.

Datuk Kamaruddin does not have any shareholding in the Bank.

Directors (Cont'd)

Surendranath Ravi Rosha, 57
Non-Independent Executive Director
Appointed to the Board: January 2023

Mr Rosha was appointed as Non-Independent Executive Director of the Bank on 5 January 2023.

Mr Rosha holds a Master's Degree in Business Administration from the Indian Institute of Management, Ahmedabad. He is a member of the Hong Kong Academy of Finance and a member of Advisory Board of the Lee Kong Chian School of Business, Singapore Management University.

Mr Rosha is Co-Chief Executive of HSBC Asia and Middle East. He is also a member of HSBC Group Operating Committee and serves as an Executive Director on the Board of The Hongkong and Shanghai Banking Corporation Limited. He sits on the Board of other entities within the HSBC Group, including Non-Executive Director of HSBC Global Asset Management Limited.

Mr Rosha joined HSBC as a graduate trainee in 1991 and has since held several senior positions within the Global Banking and Markets, including Head of Global Markets in Indonesia in 2005 and Head of Institutional Sales, Asia-Pacific in 2007. He was appointed Chief Executive, HSBC India from 2018 to 2021. Prior to that, he was Head of Financial Institutions Group (FIG) for Asia-Pacific.

Mr Rosha does not have any shareholding in the Bank. His interest in the Bank's related corporation is as disclosed in the Directors' Report on page 20.

Dato' Omar Siddiq bin Amin Noer Rashid, 52
Non-Independent Executive Director and Chief Executive Officer
Appointed to the Board: March 2022

Dato' Omar was appointed as the Non-Independent Executive Director and Chief Executive Officer (CEO) on 31 March 2022. He was also appointed as Head of Banking on 1 February 2025.

Dato' Omar graduated from the London School of Economics and Political Science with a Bachelor of Science degree in Economics. He is a Fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants. He is also a CFA charterholder.

Prior to his appointment to HSBC Malaysia, Dato' Omar was the Deputy CEO, Malaysia and CEO, Group Wholesale Banking at CIMB Group Holdings Berhad. Before that, he has held other senior leadership roles including Group Chief Operating Officer at CIMB Group Holdings Berhad, Head of Group Wholesale Banking at RHB Bank Berhad, Executive Director/Group Chief Financial Officer at Malaysia Airlines Berhad and Executive Director in the Investments Division at Khazanah Nasional Berhad.

Dato' Omar is also a Non-Independent Executive Director of HSBC Amanah Malaysia Berhad and Co-Deputy Chair of British Malaysian Chamber of Commerce Berhad. He is also serving on the Advisory Council of Yayasan Peneraju Pendidikan Bumiputra.

Dato' Omar does not have any shareholding in the Bank. His interest in the Bank's related corporation is as disclosed in the Directors' Report on page 20.

Directors (Cont'd)

Datin Seri Sunita Mei-Lin Rajakumar, 57
Independent Non-Executive Director
Chairperson of the Audit Committee and member of the Nominations and Remuneration Committee
Appointed to the Board: May 2022

Datin Sunita was appointed as Independent Non-Executive Director of the Bank on 29 May 2022. She is Chairperson of the Audit Committee and a member of the Nominations and Remuneration Committee of the Bank.

Datin Sunita possesses a Legal degree (LLB (Hons), University of Bristol) and qualified as a Chartered Accountant (England and Wales), which led to a career in investment banking. After 6 years in investment banking, she was invited by the Ministry of Finance Malaysia to manage the first government-owned foreign technology venture capital fund (Encipta Ltd).

Datin Sunita founded Climate Governance Malaysia, is a Fellow of the Institute of Corporate Directors Malaysia, a member of the Global Advisory Board of Nottingham University's School of Business, the Advisory Panel of the UN Global Compact Malaysia's Sustainability Center of Excellence, supports the CEO Action Network, an industry led initiative to increase sustainability and climate resilience, and promotes gender and generational diversity on boards with the 30% Club.

Datin Sunita is currently the Independent Chairperson of Bursa-listed Dutch Lady Milk Industries Berhad as well as an Independent Director of Bursa-listed Petronas Chemicals Group Berhad, MCIS Insurance Berhad and Zurich General Insurance Malaysia Berhad. She also serves as trustee of 6 charitable foundations.

Datin Sunita does not have any shareholding in the Bank. Her interest in the Bank's related corporation is as disclosed in the Directors' Report on page 20.

Yoong Sin Min, 65
Independent Non-Executive Director
Chairperson of the Nominations and Remuneration Committee and member of the Risk Committee
Appointed to the Board: March 2023

Ms Yoong was appointed as Independent Non-Executive Director of the Bank on 1 March 2023. She is Chairperson of the Nominations and Remuneration Committee and a member of the Risk Committee of the Bank.

Ms Yoong holds a Bachelor of Laws LLB (Hons) from National University of Singapore. She has been admitted to both the Bars in Malaya and Singapore.

Ms Yoong is an experienced lawyer who commenced her legal career with Messrs Shook Lin & Bok in 1985 and became a partner of the firm in 1992. She was the co-head of the Dispute Resolution practice of the firm and also headed the Banking and Finance Litigation Department. On 1 January 2022, she became a consultant of the firm. She then retired from Messrs Shook Lin & Bok as of 1 August 2023.

She specialised in banking and finance, land, corporate, restructuring and insolvency matters as well as matters involving private debt securities. She was involved in many landmark legal cases in Malaysia and has been recognised by several established publications including Benchmark Litigation, Legal 500, Chambers Asia Pacific and Asialaw Profiles and was listed in Malaysia's Top 100 Lawyers by Asia Business Law Journal.

Ms Yoong was a member of the Financial Stability Executive Committee of Bank Negara Malaysia, set up under the Central Bank Act, 2009 as well as a council member of the Insolvency Practitioners Association of Malaysia (IPAM).

Ms Yoong does not have any shareholding in the Bank.

Directors (Cont'd)

Tunku Dato' Mahmood Fawzy Bin Tunku Muhiyiddin, 67
Independent Non-Executive Director
Chairman of the Risk Committee and member of the Audit Committee and Nominations and Remuneration Committee
Appointed to the Board: 1 February 2025

Tunku Fawzy was appointed as Independent Non-Executive Director of the Bank on 1 February 2025. He is Chairman of the Risk Committee and a member of the Audit Committee and Nominations and Remuneration Committee of the Bank.

Tunku Fawzy holds a Bachelor of Arts (Honours) Business Studies from the Polytechnic of Central London, Masters in Business Administration from the University of Warwick, and Diploma in Marketing from the Chartered Institute of Marketing. He is a Chartered Management Accountant and a Fellow of the Chartered Institute of Management Accountants. In addition, he is also a member of the Institute of Public Accountants and Life Member of the Malaysian Institute of Corporate Governance.

Tunku Fawzy carries the Royal Court Title "Tunku Kecil Muda of Negeri Sembilan" with his current position as Head of Heraldry Customs & Ceremonies – Istana Besar Seri Menanti.

Tunku Fawzy draws on a wealth of experience around strategy, governance, risk management, and cross border activity in banking and financial services, telecommunications, investment management and private equity activity, oil and gas, marine and aviation logistics, corporate advisory, across several international locations.

Currently, Tunku Fawzy serves as the Chairman of EdgePoint Malaysia Holdings Sdn Bhd. He is also a Board member of AIA General Berhad and Hong Leong Asset Management Berhad.

Previously, Tunku Fawzy was the Chairman of Deutsche Bank (Malaysia) Berhad, Air Asia X Bhd and Financial Services Professional Board. He also served as Senior Independent Director of Telekom Malaysia Berhad, Board member of Hong Leong Islamic Bank Berhad, Hong Leong Assurance Berhad, Hong Leong MSIG Takaful Berhad, Malaysia Airports Holdings Berhad, Pos Malaysia Berhad, SapuraKencana Petroleum Berhad and various public and private entities.

He was formerly an Executive Director (Investments) with Khazanah Nasional Berhad and Chief Executive Officer / Managing Director of Engen Petroleum Limited in South Africa. Prior to that, he was an Executive Director at PricewaterhouseCoopers and held a variety of senior and middle level management positions at Tajo Bhd and Shell Malaysia Trading Sdn Bhd (with a cross posting to Shell New Zealand Limited).

Tunku Fawzy does not have any shareholding in the Bank.

BOARD RESPONSIBILITY AND OVERSIGHT

Board of Directors

The management structure of the Bank is headed by the Board of Directors and is led by the Independent Non-Executive Chairman. The objectives of the Board are to deliver sustainable value to shareholders and promote a culture of openness and debate. The Board is responsible for overseeing the management of the Bank and reviewing the Bank's strategic plans and key policies. Although the Board delegates the day-to-day management of the Bank's business and implementation of strategy to the Executive Committee, certain matters, including financial resource plans, risk appetite and performance targets, procedures for monitoring and controlling operations, approval of credit or market risk limits, specified senior appointments and any substantial change in balance sheet management policy are reserved by the Board for approval.

The Board meets regularly to review reports on performance against financial and other strategic objectives, key business challenges, risk, business developments, and investor and external relations. All Directors have full and timely access to all relevant information and are encouraged to have free and open contact with management at all levels. Directors may take independent professional advice, if necessary, at the Bank's expense.

At the date of this report, the Board consists of six (6) members; comprising one (1) Independent Non-Executive Chairman, two (2) Non-Independent Executive Directors and three (3) Independent Non-Executive Directors. The names of the Directors serving at the date of this report and brief biographical particulars for each of them are set out on pages 2 to 5.

Appointments to the Board are based on merit, and candidates are selected based on agreed criteria to ensure the Board's diversity. The Nominations and Remuneration Committee will oversee the rigorous selection process to ensure the agreed requirements, including those guidelines prescribed under the BNM Corporate Governance Policy, are strictly adhered to.

All Directors, including those appointed by the Board to fill a casual vacancy, are subjected to annual re-election by shareholder at the Bank's Annual General Meeting. Non-Executive Directors are appointed for an initial three-year term and, subject to re-election by shareholder at Annual General Meetings, are typically expected to serve two three-year terms. Any term beyond six (6) years is subject to rigorous review. Tenure of Independent Non-Executive Directors shall not exceed a cumulative term of nine (9) years.

The terms and conditions of appointment of Non-Executive Directors are set out in a letter of appointment, which include the expectations required of them and the time estimated for them to meet their commitment to the Bank. The current anticipated minimum time of commitment, which is subject to periodic review and adjustment by the Board, is 30 days per year and with appointment in not more than five (5) public listed companies. Time devoted to the Bank could be considerably more, particularly if serving on Board committees. All Non-Executive Directors have confirmed that they can meet this requirement.

Independent Non-Executive Directors are not HSBC employees and do not participate in the daily business management of the Bank. Instead, they provide views from an external perspective, challenge constructively as well as help the management in the development of the Bank's strategy. They also scrutinise the performance of management in meetings, and monitor the risk profile and reporting of performance of the Bank. The Board has determined that each Non-Executive Director is independent in character and judgement, and there are no relationships or circumstances likely to affect the judgement of the Independent Non-Executive Directors.

The roles of the Independent Chairman and CEO are separate, with a clear division of responsibilities between the running of the Board and executive responsibility for running the Bank's business.

BOARD RESPONSIBILITY AND OVERSIGHT (Cont'd)

Board of Directors (Cont'd)

Board and Committee Meetings

Seven (7) Board meetings were held in 2024. The table below shows each Director's attendance (including attendance via video conferencing) at meetings of all Board and Committees' meetings during 2024. All Directors have complied with the Bank Negara Malaysia requirements that Directors must attend at least 75% of Board meetings held in the financial year.

2024 Board and Committee meeting attendance	Board	Audit Committee	Risk Committee	Nominations and Remuneration Committee
Total number of meetings held	**7**	**4**	**6**	**5**
Independent Non-Executive Chairman				
Datuk Kamaruddin bin Taib	7	4	6	–
Non-Independent Executive Directors				
Surendranath Ravi Rosha	7	–	–	–
Dato' Omar Siddiq bin Amin Noer Rashid	7	–	–	–
Independent Non-Executive Directors				
Choo Yoo Kwan @ Choo Yee Kwan	7	4	6	5
Datin Seri Sunita-Mei Lin Rajakumar	7	4	–	5
Zuraida binti Jamaluddin	7	–	6	5
Yoong Sin Min	7	–	6	5

BOARD RESPONSIBILITY AND OVERSIGHT (Cont'd)

Board of Directors (Cont'd)

Directors' Emoluments

Details of the emoluments of the Directors of the Bank for 2024, disclosed in accordance with the Companies Act 2016, are shown in Note 34(b) to the financial statements.

Training and Development

Formal, induction programmes are tailored for newly appointed Directors. The programmes consist of a series of meetings with senior executives to enable new Directors to familiarise themselves with the Bank's business. Directors also receive comprehensive guidance from the Company Secretary on Directors' duties and responsibilities.

Directors are provided continuous training and their development requirements are reviewed regularly by the Nominations and Remuneration Committee with the support of the Company Secretary. Executive Directors develop and refresh their skills and knowledge through day-to-day interactions and briefings with senior management of the Bank's businesses and functions. Non-Executive Directors have access to external training and development resources under the Directors' training and development framework that is approved by the Board.

During the year, Directors attended trainings, dialogue sessions and focus group sessions organised by various organisations, among others including Financial Institutions Directors' Education (FIDE) Forum, Bank Negara Malaysia, Asia School of Business (ASB), Perbadanan Insurans Deposit Malaysia (PIDM), Rating Agency Malaysia, Institute of Corporate Directors of Malaysia and Securities Industry Development Corporation.

They were also kept updated with current development/issues relating to emerging technologies, financial crime compliance, regulatory initiatives and other business developments via awareness and discussion sessions that were conducted by senior executives and subject matter experts.

Board Committees

The Board has established a number of committees, which members comprise Independent Non-Executive Directors who have the skills, knowledge and experience relevant to the responsibilities of the committees. The Board and each Board committee have terms of reference that document their responsibilities and governance procedures. The details of the Board Charter comprising the Board and Board committees' Terms of Reference are available at https://www.about.hsbc.com.my/hsbc-in-malaysia/management-team.

The key roles of the Board committees are described in the paragraph below. The Chairman of each Board committee reports to each subsequent Board meeting on the activities of the Board committee. Each Board committee will evaluate its terms of reference and its own effectiveness annually.

BOARD RESPONSIBILITY AND OVERSIGHT (Cont'd)

Board Committees (Cont'd)

As at the date of this report, the following are the principal Board committees:

1. Audit Committee

The Audit Committee is accountable to the Board and has a non-executive responsibility for oversight of and advice to the Board on financial reporting related matters including Pillar 3 Disclosures and internal financial controls. The Audit Committee reviews the financial statements of the Bank before submission to the Board. It also monitors and reviews the effectiveness of the internal audit function and the Bank's financial and accounting policies and practices. The Audit Committee advises the Board on the appointment of the external auditors and is responsible for the oversight of the external auditors.

The Audit Committee reviews and approves internal audit's annual plan and also discusses on the internal audit resources.

The Audit Committee meets regularly with the senior management of the Bank's finance and internal audit department as well as the external auditor to consider, inter alia, the Bank's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control relating to financial reporting.

The current members of the Audit Committee, all being Independent Non-Executive Directors, are:
- Datin Seri Sunita-Mei Lin Rajakumar (Chairperson)
- Datuk Kamaruddin bin Taib
- Tunku Dato' Mahmood Fawzy Bin Tunku Muhiyiddin (appointed on 1 February 2025)
- Yoong Sin Min (appointed as Interim Audit Committee member from 25 January 2025 to 31 January 2025)
- Choo Yoo Kwan @ Choo Yee Kwan (retired on 24 January 2025)

During 2024, the Audit Committee held 4 meetings. The attendance is set out in the table on page 7.

2. Risk Committee

The Risk Committee is accountable to the Board and has a non-executive responsibility for oversight of and advice to the Board on risk related matters impacting the Bank, risk governance and internal control systems (other than internal financial control systems).

The Risk Committee meets regularly with the Bank's senior financial, risk, internal audit and compliance management to consider, inter alia, risk reports and the effectiveness of compliance.

The Board and the Risk Committee oversee the maintenance and development of a strong risk management framework by continually monitoring the risk environment, top and emerging risks facing the Bank and mitigation actions planned and taken. The Risk Committee recommends the approval of the Bank's risk appetite statement to the Board and monitors performance against the key performance/risk indicators included within the statement. The Risk Committee monitors the risk profiles for all of the risk categories within the Bank's business.

The current members of the Risk Committee, all being Independent Non-Executive Directors, are:
- Choo Yoo Kwan @ Choo Yee Kwan (Chairman) (retired on 24 January 2025)
- Tunku Dato' Mahmood Fawzy Bin Tunku Muhiyiddin (Chairman) (appointed on 1 February 2025)
- Datuk Kamaruddin bin Taib
- Yoong Sin Min
- Zuraida binti Jamaluddin (retired on 31 January 2025)

During 2024, the Risk Committee held 6 meetings. The attendance is set out in the table on page 7.

BOARD RESPONSIBILITY AND OVERSIGHT (Cont'd)

Board Committees (Cont'd)

3. Nominations and Remuneration Committee

The combined Nominations and Remuneration Committee is accountable to the Board and has a non-executive responsibility (i) to lead the process for Board appointments, i.e. to identify and nominate candidates for the approval by the Board; (ii) to review the candidates for appointment to the senior management team; and (iii) to support the Board in overseeing the operation of the Bank's remuneration system and review the remuneration of Directors on the Board.

The Nominations and Remuneration Committee also considers plans for orderly succession to the Board by taking into consideration the appropriate balance of skills, knowledge and experience on the Board. The Nominations and Remuneration Committee assists the Board in the evaluation of the Board's own effectiveness and that of its committees annually. The findings of the performance evaluation and the actions to be taken to address the gaps, are reported to the Board during 2024.

CEO's performance evaluation is undertaken as part of the performance management process for all employees. The results will be considered by the Nominations and Remuneration Committees when reviewing the variable pay awards.

The current members of the Nominations and Remuneration Committee, all being Independent Non-Executive Directors, are:
- Yoong Sin Min (Chairperson)
- Datin Seri Sunita-Mei Lin Rajakumar
- Tunku Dato' Mahmood Fawzy Bin Tunku Muhiyiddin (appointed on 1 February 2025)
- Choo Yoo Kwan @ Choo Yee Kwan (retired on 24 January 2025)
- Zuraida binti Jamaluddin (retired on 31 January 2025)

During 2024, the Nominations and Remuneration Committee held 5 meetings. The attendance is set out in the table on page 7.

Delegations by the Board

Connected Party Transactions Committee

The Connected Party Transactions Committee is delegated with the authority of the Board to approve transactions with connected parties of the Bank.

The current members of the Connected Party Transactions Committee are:
- Yoong Sin Min
- Datuk Kamaruddin bin Taib
- Datin Seri Sunita-Mei Lin Rajakumar
- Chief Risk Officer (Chief Risk and Compliance Officer effective from January 2025)
- Head of Wholesale Credit Risk Management

Executive Committee

The Executive Committee which consists of key senior management members, meets regularly and operates as a general management committee under the direct authority of the Board. The committee exercises all power, authorities and discretions of the Board in the management and day-to-day running of the Bank and these are performed in accordance with the policies and directions set by the Board. The Bank's CEO, Dato' Omar Siddiq bin Amin Noer Rashid, chairs the Executive Committee.

BOARD RESPONSIBILITY AND OVERSIGHT (Cont'd)

Board Committees (Cont'd)

Executive Committee (Cont'd)

To strengthen the governance framework in anticipation of structural and regulatory changes that affect the Bank, the following sub-committees of the Executive Committee are established:

(i) Asset and Liability Management Committee

The Asset and Liability Management Committee is responsible for the efficient management of the Bank's balance sheet and the prudent management of risks pertaining to capital, liquidity and funding as well as interest rate risk, structural foreign exchange and structural/strategic equity risk.

(ii) Risk Management Meeting

The Risk Management Meeting is responsible for the oversight of the risk framework. Regular Risk Management Meetings (RMM) which are chaired by the Chief Risk Officer are held to establish, maintain and periodically review the policies and guidelines for the management of risk within the Bank. It serves as the governance body for enterprise-wide risk management with particular focus on risk culture, risk appetite, risk profile and integration of risk management into the Bank's strategic objectives including the management of all financial crime risks.

Conflicts of Interest and Indemnification of Directors

The Board has adopted policies and procedures relating to Directors' conflicts of interest. Where conflicts of interest arise, the Board has the power to authorise them. A review of those conflicts which have been authorised, and the terms of those authorisations, is undertaken by the Audit Committee annually.

The Bank and its subsidiaries (the Group), maintain on a group basis, a Directors' and Officers' Liability and Company Reimbursement Insurance which provides adequate insurance cover for the Directors and officers of the Group against any legal liability incurred by the Directors and officers in the discharge of their duties while holding office for the Group. The Directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. During the financial year, the limit of indemnity of the Directors' and Officers' Liability and Company Reimbursement Insurance of the Group was USD25,000,000 for any one claim and in the aggregate for all claims. The amount of insurance premium paid by the Group for the Directors' and Officers' Liability and Company Reimbursement Insurance for the financial year 2024 was RM339,587 (2023: RM344,612).

During the year, none of the Directors had any material interest, directly or indirectly, in any contract of significance with the Group and the Bank. All Directors are regularly reminded of their obligations in respect of disclosure of conflicts or potential conflicts of interest in any transactions with the Group and the Bank.

MANAGEMENT REPORTS

The Board and Board Committee meetings are structured around a pre-set agenda and reports for discussion, notation and approvals are circulated in advance of the meeting dates. To enable Directors to keep abreast with the performance of the Bank and its subsidiaries (collectively known as the Group), key reports submitted to the Board and Board Committees during the financial year include:

- Minutes of the Board Committees
- Financial Resource Plan (FRP)
- CEO Updates
- Credit Transactions and Exposures to Connected Parties
- Financial Crime Compliance, Anti-Money Laundering and Counter Terrorist Financing Reports
- Quarterly and Annual Financial Statements
- Quarterly Internal Audit Progress Reports
- Internal Capital Adequacy Assessment Process, including Capital Plan
- Internal Liquidity Adequacy Assessment Process
- Recovery Plan
- Risk Appetite Statement
- Risk and Compliance Reports
- Enterprise-Wide Stress Testing Results
- Human Resource Update
- Quarterly Climate Risk Update

INTERNAL CONTROL FRAMEWORK

The Board is responsible for monitoring, maintaining and reviewing the effectiveness of risk management and internal control framework, and for approving the aggregate levels and types of risks the Group and the Bank are willing to take in achieving their strategic objectives.

To meet this requirement and to discharge its obligations, procedures have been designed to provide reasonable assurance against material misstatement, errors, losses or fraud. They are designed to provide effective internal control within the Group and the Bank. The procedures have been in place throughout the year and up to the date of approval of the audited financial statements of the Group and the Bank for the financial year ended 31 December 2024.

The Board, the Risk Committee and Audit Committee monitored the effectiveness of the Group's system of risk management and internal control throughout the year. In particular, this focused on the Group's and the Bank's regulatory remediation on change programmes and involved working closely with management to better prioritise and understand where there are key interdependencies. In 2025, continued focus will be placed on the quality and timeliness of data used to inform management decisions and overseeing emerging risks and potential risks arising from new product and offerings.

To support the work of the Board, the Risk Committee and Audit Committee in discharging their responsibilities in this regard, assurance was also provided by the executive management confirming that a risk assessment had been undertaken and controls were in place to mitigate the risks arising from the the Group's key activities. Necessary actions will be taken to remedy any failings and weaknesses identified from these activities.

The key risk management and internal control procedures include the following:

- **The HSBC Book**
  In 2024, the HSBC Book replaced the Global Principles document and is situated at the top of the HSBC document hierarchy. It underpins the key principles, policies and procedures that are fundamental to the Group and the Bank's risk management structure. It informs and connects, our purpose, ambition, strategy and values, guiding us to make responsible decisions aligned to our risk culture and risk management approach, to do the right thing and to treat our customers and our colleagues fairly at all times.

- **Risk Management Framework (RMF)**
  The RMF supports our HSBC Book. It outlines the key principles and practices that we employ in managing material risk. It applies to all categories of risk, and supports a consistent approach in identifying, assessing, managing and reporting the risks we accept and incur in our activities.

- **Delegation of authority within limits set by the Board**
  Subject to certain matters reserved for the Board, the Group and the Bank's Chief Executive Officer, Chief Risk Officer and other authorised persons, have been delegated authority limits and powers within which to manage the day-to-day affairs of the Group and the Bank. A delegation of authorities framework is in place globally in HSBC Group providing a structure within which the HSBC Group Board and its subsidiaries can manage their delegated powers. These delegated authorities can be used for the approval, signing and execution of specific written agreements and documents such as procurement contracts.

  The delegation of authority framework is adopted on a legal entity basis via board resolution which is reviewed annually. Matters not covered by the delegation of authority framework can be set out in a separate board resolution, powers of attorney or the relevant Group Policy with clear systems of control that are appropriate to the business or function. Authorities to enter into credit and market risk exposures are delegated with limits to line management and group companies in line with HSBC Group policy. Credit and Market risks are measured and reported at subsidiary company level and aggregated for risk concentration analysis on a Group wide basis,

INTERNAL CONTROL FRAMEWORK (Cont'd)

- **Risk identification and monitoring**
  Systems and procedures are in place to identify, assess, control and monitor the material risk types facing the Group and the Bank as set out in the Risk Management Framework. The Group and the Bank's risk measurement and reporting systems are designed to help ensure that material risks are captured with all the attributes necessary to support well-founded decisions, that those attributes are accurately assessed and that information is delivered in a timely manner for those risks to be successfully managed and mitigated.

- **Changes in market conditions/practices**
  Processes are in place to identify new risks arising from changes in market conditions/practices or customer behaviours, which could expose the Group and the Bank to heightened risk of loss or reputational damage. The Group and the Bank employ both top risk and emerging risks processes to provide forward-looking views of issues with the potential to threaten the execution of our strategy over the medium to long term.

  Global tool and workflow to support enterprise wide horizon scanning for identifying, assessing and communicating new regulatory developments and changes to existing regulatory developments are in place to ensure effective management of the response to regulatory change.

  We remain committed to investing in the reliability and resilience of our IT systems and critical services, including those provided by third parties, that support all parts of our business. We do so to help protect our customers, affiliates and counterparties, and to help ensure that we minimise any disruption to services that could result in reputational and regulatory consequences. In our approach to defend against these threats, we invest in business and technical controls to help us detect, manage and recover from issues, including data loss, in a timely manner.

  We continue our focus on the quality and timeliness of the data used to inform management decisions, through measures such as early warning indicators, prudent active risk management of our risk appetite, and ensuring regular communication with our Board and other key stakeholders.

- **Responsibility for risk management**
  All employees are responsible for identifying and managing risk within the scope of their role as part of the three lines of defence model. This is an activity-based model to delineate management accountabilities and responsibilities for risk management and the control environment. The second line of defence sets the policy and guidelines for managing specific risk areas, provides advice and guidance in relation to the risk, and challenges the first line of defence (the risk owners) on effective risk management.

  The Board delegated authority to the Audit Committee to annually review the independence, autonomy and effectiveness of the Group's policies and procedures on whistleblowing, including the procedures for the protection of staff who raise concerns of detrimental treatment.

- **Strategic plans**
  Strategic plans are prepared for global businesses, global functions and geographical region within the framework of the HSBC Group's overall strategy. Financial Resource Plan, informed by detailed analysis of risk appetite describing the types and quantum of risk that the Group and the Bank are prepared to take in executing its strategy, are prepared and adopted by the Group and the Bank and sets out the key business initiatives and the likely financial effects of those initiatives.

- **Internal control over financial reporting**
  As subsidiaries of HSBC Holding plc, the Group and the Bank are required to comply with Section 404 of the US Sarbanes-Oxley Act of 2002 and assess its effectiveness of internal control over financial reporting at 31 December 2024. In 2014, HSBC Group Audit Committee (GAC) endorsed the adoption of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) 2013 framework for the monitoring of risk management and internal control systems to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act.

INTERNAL CONTROL FRAMEWORK (Cont'd)

- **Internal control over financial reporting (Cont'd)**
  The primary mechanism through which comfort over risk management and internal control systems is achieved through regular review of the effectiveness of controls to manage risk, and the reporting of issues on a regular basis through the various risk management and risk governance forums, including regular updates to the Audit Committee.

  The key risk management and internal control procedures over financial reporting include the following:

  - **Entity level controls**
    Entity level controls are a defined suite of internal controls that have a pervasive influence over the entity as a whole and meet the principles of the COSO framework.

    They include controls related to the control environment, such as the Group and the Bank's values and ethics, the promotion of effective risk management and the overarching governance exercised by the Board and its non-executive committees.

    The design and operational effectiveness of entity level controls are assessed on an ongoing basis. If issues are significant to the Group and the Bank, they are escalated to the Risk Committee and also Audit Committee, if concerning financial reporting matters.

  - **Process level transactional controls**
    Key process level controls that mitigate the risk of financial misstatement are identified, recorded and monitored in accordance with the risk framework. This includes the identification and assessment of relevant control issues, against which action plans are tracked through to remediation.

  - **Financial reporting controls**
    The Group and the Bank's financial reporting process for preparing the financial statements is in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, Companies Act 2016 in Malaysia and guidelines issued by Bank Negara Malaysia. The financial reporting process is further supported by documented accounting policies and reporting formats with detailed instructions and guidance on the reporting requirements issued by Global Finance to the Group and the Bank in advance of each reporting period end, as well as analytical review procedure. The financial reports of the Group and the Bank are subjected to certification by the Chief Financial Officer and Board's approval.

  - **Subsidiary certifications**
    Half yearly confirmations are provided to the holding company's Audit Committee and Risk Committee; and yearly confirmation is provided to the holding company's Nominations/Remuneration Committee from the respective Audit, Risk and Nominations/Remuneration Committees of key material subsidiary companies confirming amongst other things that:
    a. Audit Committee– the financial statements of the subsidiary have been prepared in accordance with group policies, present fairly the state of affairs of the subsidiary and are prepared on a going concern basis;
    b. Risk Committee– the Risk Committee of the subsidiary has carried out its oversight activities consistent with and in alignment to the RMF; and
    c. Nomination/Remuneration Committee– the Nomination/Remuneration Committee of the subsidiary has discharged its obligations in overseeing the implementation and operation of HSBC's Group Remuneration Policy.

The review of the effectiveness of the Group and the Bank's system of risk management and internal control over financial reporting was conducted with reference to the COSO 2013 framework, and is reviewed regularly by the Board, the Risk Committee and the Audit Committee.

INTERNAL CONTROL FRAMEWORK (Cont'd)

Going concern

The Board, having made appropriate enquiries, is satisfied that the Group and the Bank as a whole has adequate resources to continue operations for a period of at least 12 months from the date of this report, and therefore the Group and the Bank continue to adopt the going concern basis in preparing the financial statements.

REMUNERATION POLICY

The Group and the Bank's goal is to deliver a unique and exceptional experience to energise colleagues to perform at their best. This is critical to strengthening our ability to attract, retain and motivate the people we need in competitive markets where employee expectations continue to evolve.

The Group and the Bank's performance and pay framework is underpinned by HSBC Group's Remuneration Strategy and principles. Our reward principles and commitments guide our approach to workforce reward and are set out below. They support our focus on being a great place to work, provide clarity on our proposition and ensure prioritisation in the right areas.

- **We will reward our colleagues responsibly** through fixed pay security and protection through core benefits, a competitive total compensation opportunity, pay equity, and a more inclusive and sustainable benefits proposition over time.

- **We will recognise our colleagues success** through our performance culture and routines, including feedback and recognition, pay for performance, and all employee share ownership opportunities.

- **We will support our colleagues to grow** through our proposition beyond pay, with a focus on future skills and development, your mental, physical, social and financial well-being, and flexibility.

In 2024, the Group and the Bank made several significant changes to improve our proposition to unlock our performance edge:

- We introduced performance routines to help ensure colleagues know what is expected of them, how they are doing and how they can improve. This is achieved by setting ambitious goals, discussing performance frequently through the year, regularly exchanging feedback and recognising outstanding performance via our simplified performance assessment;

- We introduced "Target Variable Pay" to majority of our junior to mid-level employees, helping to improve fairness and consistency in reward outcomes, and providing more clarity and transparency on how we make pay decisions and the impact of Group, business and individual performance on variable pay; and

- We continued to improve our wellbeing offering by enhancing country Employee Assistance Programmes, increasing the number of mental health first aiders and part of the newly established Mindfulness Hub for the region. In addition, we have also developed new financial wellbeing support and running activity challenges to improve employees' physical activity.

Please refer to the HSBC remuneration practices and governance at www.hsbc.com/who-we-are/leadership-and-governance/remuneration for details of the major design characteristics of the remuneration strategy including alignment between risk and reward and the updates on the reward strategy and principles in 2024.

In recognition to local regulations, the materiality of definition needs to be taken into consideration to ensure a robust corporate governance framework is duly applied for the Group and the Bank.

Quantitative disclosures on remuneration of the Group and the Bank's key management and other material risk takers are in Note 34 to the financial statements.

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating Agency	Date	Rating Classification	Ratings Received
RAM Ratings Services Berhad	August 2024	• Long term	AAA
		• Short term	P1
		• Outlook	Stable
Moody's Investors Service	February 2025	• Foreign currency long term deposits	A2
		• Local currency long term deposits	A2
		• Foreign currency short term deposits	P-1
		• Local currency short term deposits	P-1
		• Outlook	Stable

Details of the ratings of the Bank's wholly owned subsidiary, HSBC Amanah Malaysia Berhad are as follows:

Rating Agency	Date	Rating Classification	Ratings Received
RAM Ratings Services Berhad	August 2024	• Long term	AAA
		• Short term	P1
		• Multi-Currency Sukuk Programme [1]	AAA
		• Outlook	Stable

[1] HSBC Amanah Malaysia Berhad's RM3.0 billion Multi-Currency Sukuk Programme (MCSP) remains available for future issuances although there is no outstanding sukuk issued as at 31 December 2024. The programme will mature on 28 September 2032.

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of HSBC Bank Malaysia Berhad (the Bank) and its subsidiaries (the Group) for the financial year ended 31 December 2024.

DIRECTORS

The Directors of the Bank who have held office during the financial year to the date of the report are:

- Datuk Kamaruddin bin Taib
- Dato' Omar Siddiq bin Amin Noer Rashid
- Datin Seri Sunita-Mei Lin Rajakumar
- Surendranath Ravi Rosha
- Yoong Sin Min
- Tunku Dato' Mahmood Fawzy Bin Tunku Muhiyiddin (appointed on 1 February 2025)
- Choo Yoo Kwan @ Choo Yee Kwan (retired on 24 January 2025)
- Zuraida binti Jamaluddin (retired on 31 January 2025)

The Directors of the Bank's subsidiaries who have held office during the financial year to the date of the report are:

- Datin Che Teh Ija binti Mohd Jalil
- Dato' Omar Siddiq bin Amin Noer Rashid
- Lim Tiang Siew
- Datuk Md Arif bin Mahmood
- Ng Ing Peng
- Leow Choon Yen
- Jacklin Violet A/P R. Victor
- S Kumaravel Murthy A/L Suppiah
- Nur Farah Farezah binti Mohd Azizi
- Wong Sook Wai
- Cheah Wai Cheng
- Norfarizan binti Osman
- Chan Yun Kwan
- Ho Chai Huey (retired on 1 January 2024)

In accordance with Rule 21.6 of the Constitution, all Directors shall retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

PRINCIPAL ACTIVITIES

The principal activities of the Group and the Bank are banking, which includes Islamic banking operations, and related financial services. There have been no significant changes in these activities during the financial year.

FINANCIAL RESULTS

Profit for the financial year attributable to the owner of the Bank

	Group RM'000	Bank RM'000
Profit before tax	2,211,358	1,777,257
Tax expense	(535,781)	(409,522)
Profit for the financial year	1,675,577	1,367,735

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year under review other than those disclosed in the Notes to the financial statements.

ISSUANCE AND/OR REDEMPTION OF DEBT AND EQUITY SECURITIES

On 11 July 2024, the Group and the Bank had issued non-cumulative and non-convertible redeemable perpetual preference shares amounting to RM700.0 million, for which there were issuance cost of RM7.0 million. The preference shares qualify as Additional Tier 1 capital of the Group and the Bank as per the Capital Adequacy Framework (Capital Components) issued by Bank Negara Malaysia (BNM). Further details is disclosed in Note 23.

Other than the above, there were no other issuance and/or redemption of debt and equity securities during the financial year under review.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Bank or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Bank or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, except for:

(i) Directors who were granted the option to subscribe for shares in the ultimate holding company, HSBC Holdings plc, under Executive/Savings-Related Share Option Schemes at prices and terms as determined by the schemes; and

(ii) Directors who were conditionally awarded shares of the ultimate holding company, HSBC Holdings plc, under its Restricted Share Plan/HSBC Share Plan.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Bank or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year except as follows:

	Number of Ordinary Shares			
	As at 1.1.2024	Acquired	Disposed	As at 31.12.2024
HSBC Holdings plc				
Ordinary shares of USD0.50				
Surendranath Ravi Rosha [(1)]	473,955	143,595	–	617,550
Dato' Omar Siddiq bin Amin Noer Rashid	18,410	–	–	18,410
Datin Seri Sunita-Mei Lin Rajakumar	53,531	–	–	53,531

	Number of Shares			
	As at 1.1.2024	Shares issued during the year	Shares vested during the year	As at 31.12.2024
HSBC Holdings plc				
HSBC Share Plan				
Surendranath Ravi Rosha	445,623	116,915	–	562,538
Dato' Omar Siddiq bin Amin Noer Rashid	38,314	–	–	38,314
HSBC ShareMatch				
Surendranath Ravi Rosha	1,584	–	(1,583)	1

Notes:
(1) Including interest jointly held with spouse

None of the other Directors holding office as at 31 December 2024 had any interest in the ordinary shares and options over shares of the Bank and of its related corporations during the financial year.

DIVIDENDS

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

	Total (RM'million)
Ordinary shares	
In respect of financial year ended 31 December 2023:	
– Final dividend of 137.34 sen (paid by 10 May 2024)	314.5
In respect of financial year ended 31 December 2024:	
– Special dividend of 305.68 sen (paid on 11 July 2024)	700.0
– Interim dividend of 190.09 sen (paid on 8 October 2024)	435.3
Preference shares	
– Annual dividend of 3-month KLIBOR plus 36 basis points per annum (paid on 27 June 2024)	59.3

The Board of Directors via a resolution on 10 February 2025, has approved the payment of a final dividend of 168.26 sen per ordinary share, amounting to net dividend payment of RM385.3 million in respect of the financial year ended 31 December 2024. The dividend will be accounted for in the shareholder's equity as an appropriation of retained earnings in the subsequent financial year.

HOLDING COMPANIES

The Directors regard The Hongkong and Shanghai Banking Corporation Limited, a company incorporated in Hong Kong and HSBC Holdings plc, a company incorporated in the United Kingdom, as the immediate and ultimate holding companies of the Bank respectively.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Bank were prepared, the Directors took reasonable steps:

i) to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing and satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing; and

ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Bank had been written down to an amount which the current assets might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) which would render the amount written off for bad debts and financing, or the amount of the allowance for doubtful debts and financing inadequate to any substantial extent, or

ii) which would render the values attributed to current assets in the financial statements of the Group and of the Bank misleading, or

iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

OTHER STATUTORY INFORMATION (Cont'd)

At the date of this report, there does not exist:

i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group and of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and Bank.

No contingent liability or other liability of the Group and the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Bank to meet their obligations as and when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the respective financial statements misleading.

In the opinion of the Directors:

i) the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

SIGNIFICANT AND SUBSEQUENT EVENTS

There were no significant events and events subsequent to the date of the statement of financial position that require disclosure or adjustment to the audited financial statements.

SUBSIDIARIES

Details of subsidiaries are set out in Note 16 to the financial statements.

DIRECTORS' REMUNERATION

Directors' remuneration for the financial year is RM10,339,000 for the Group and RM9,602,000 for the Bank (2023: RM7,717,000 for the Group and RM6,738,000 for the Bank). Details of Directors' remuneration are set out in Note 34(b) to the financial statements.

AUDITORS' REMUNERATION

Auditors' remuneration for the financial year is RM1,004,000 for the Group and RM721,000 for the Bank (2023: RM1,340,000 for the Group and RM963,000 for the Bank). Details of auditors' remuneration are set out in Note 31 to the financial statements.

PERFORMANCE REVIEW, BUSINESS HIGHLIGHTS AND OUTLOOK

Performance Review

The Group recorded profit before tax (PBT) of RM2,211.4 million for the financial year ended 31 December 2024, marking an increase of RM340.0 million or 18.2% year-on-year. The increase in PBT is attributed to the rise in operating income, which amounted to RM4,127.6 million, reflecting a growth of RM329.1 million or 8.7%. The Group recorded RM82.3 million or 21.8% increase in net fee and commission income and RM278.4 million or 38.2% increase in net trading income.

The Group also recorded a writeback of impairment charges due to overall improvement in quality of loan, financing and advances and forward looking macroeconomics variables.

The operating expenses increased by RM111.0 million or 6.0% with overall cost-income-ratio at 47.7%. The Group will continuously review and ensure we operate efficient and focus on investments in talents and infrastructure.

Total assets as at 31 December 2024 has grown by 2.2% or RM2.2 billion to RM99.5 billion (31 December 2023: RM97.4 billion). After deducting proposed dividends, the Group continues to be well capitalised with Common Equity Tier 1 capital ratio of 16.3%, Tier 1 capital ratio of 20.0% and Total capital ratio of 21.1% respectively. The Group also has a strong liquidity position with its liquidity ratio well above regulatory requirements.

Business Highlights during the Year 2024

2024 continued to be a positive year for HSBC Bank Malaysia Berhad (the Bank) and its Islamic subsidiary, HSBC Amanah Malaysia Berhad (HBMS) (hereinafter collectively referred to as 'HSBC Malaysia').

In addition to the improved financial performance as highlighted in the Performance Review section, 2024 marked HSBC's 140th year anniversary in the country. We celebrated this significant milestone with longstanding clients, government officials and industry partners through several celebratory dinners across the different states in Malaysia and organised numerous industry events to provide the community with insights into our businesses and key market opportunities. Our 140 years legacy in Malaysia emphasises the Bank's dedication to supporting the people and businesses of Malaysia.

In 2024, HSBC Malaysia was recognised as "Malaysia's Best International Bank" as part of the prestigious Euromoney Awards for Excellence 2024. This accolade is a testament to our continuous commitment to enhance our offerings and invest in innovation, while prioritising sustainable growth.

HSBC Malaysia also won other awards during the year under review including "Best Wealth Manager" (The Asset Triple A Private Capital), "Best in Services in Malaysia" (Euromoney Trade Finance), "Digital Bank of the Year" (The Asset Triple A Digital) and "Best Bank for Sustainable Finance – International" (The Asset Triple A Sustainable Finance). Additionally, HBMS was awarded the "Malaysia's Best International Islamic Bank" from the Euromoney Islamic Finance Awards 2024.

RAM reaffirmed the Bank and its subsidiary's long- and short-term ratings of AAA and P1 ratings respectively. More awards and recognitions are disclosed on page 26 to 27 under the Directors' Report section.

We continued to roll out innovative propositions and solutions for our customers in 2024. From our Wealth and Personal Banking Business (WPB), we provided a full suite of services to our customers focusing on affluent and high net worth clients in meeting their wealth and personal banking needs while leveraging our international presence to serve our customers better. Some of the key initiatives included:

- Launched Premier Elite, an elevated priority service and privilege designed for our high-net-worth customers. It synergises our core competencies of international and wealth management services with beyond banking lifestyle solutions. Premier Elite offers bespoke structured investments, dedicated bond services, wealth and legacy preservation, international banking services and much more.

PERFORMANCE REVIEW, BUSINESS HIGHLIGHTS AND OUTLOOK (Cont'd)

Business Highlights during the Year 2024 (Cont'd)

- Introduced Foreign Exchange Services via the mobile app, providing customers with a holistic one-stop platform that contains a set of premium features to help customers capitalise on FX market opportunities and enjoy benefits such as: dedicated entry point to FX services in the mobile app, triggering an alert to the client when their FX target rate is reached and providing clients with the latest market information to make informed buy/sell decisions. Our clients will have a more comprehensive banking experience while meeting their foreign exchange needs in one mobile app.

- Launched Live+ Credit Card, a new lifestyle credit card which offers cardholders a compelling 15% dining discount with access to over 200 dining offers across Asia. Designed to elevate the lifestyle experience of internationally minded customers, HSBC Live+ cardholders also get to enjoy cashback of up to 8% on their lifestyle spending which includes dining, shopping, and entertainment.

- Introduced SmartCash+, which allows customers to cash out from the additional credit limit granted to their HSBC Malaysia credit card account, helping customers maximise the value from their banking products,

On the wholesale banking front, Commercial Banking (CMB) and Global Banking (GB) continued to grow whilst ensuring improved client and colleague experience by leveraging on industry-best digital solutions. Two flagship digital solutions launched in 2024 are:

- HSBC TradePay, an innovative, first in market trade finance solution that simplifies and speeds up loan drawdown and supplier payments through a seamless, digital process; and

- Trade Customer Service Surveillance (GSNA), a post transaction monitoring system that uses network analytics to detect potential fraud and money laundering in trade finance by focusing on holistic customer activity rather than individual transactions.

As a key connector in the business community, HSBC has played a vital role as a major conduit in the financial services space, fostering the development of trade and investment between Malaysia and the wider world. Our interests align with the country's focus as a trading nation as well as a nation that is looking to build on further Foreign Direct Investment.

Markets and Securities Services (MSS) continue to collaborate with WPB to expand equity investment products variation and innovating on our wealth propositions. In addition, we are also expanding our offerings and supporting multiple product lines across all asset classes including rates, bonds, structured investments and unit trust funds. Our product strategies also encompass digitalising FX for companies in new economy and tailored solutions for the larger e-commerce customers and assets/fund managers.

We continue to support our wholesale customers in their transition towards achieving greener and sustainable operation. Through our subsidiary, HSBC Amanah Malaysia Berhad (HBMS), the following sustainability initiatives were undertaken:

- HBMS acted as the sole sustainability structuring coordinator and Shariah adviser, amongst other roles, for the first social sukuk issued by a real estate developer in Malaysia and the first ASEAN Sustainable and Responsible Investment (SRI) Sukuk where proceeds are to be fully utilised for affordable housing.

- During the year, HBMS also arranged various sustainable financing and Sukuk issuance programmes for customers.

- HBMS also solidified its position as a leading bank in Sustainability, winning the coveted 'Islamic ESG Bank of the Year' by The Asset Triple A Islamic Finance Awards 2024 for the fifth year in a row.

PERFORMANCE REVIEW, BUSINESS HIGHLIGHTS AND OUTLOOK (Cont'd)

Business Highlights during the Year 2024 (Cont'd)

As a catalyst for positive change, we are dedicated to supporting initiatives that address social, economic, and environmental challenges, including the preservation of Malaysia's cultural heritage. In celebration of our 140th year anniversary in Malaysia, we donated RM115,000 to the Penang Heritage Trust's "Living Heritage Treasures of Penang Awards". The awards honour Penangites who are master artisans that are preserving essential skills for future generations, ensuring the vibrant spirit of our heritage endures. HSBC Malaysia also contributed RM60,000 to The Bendahari in Melaka to preserve the stories, culture, and heritage of Praya Lane, a mixed neighbourhood that was predominantly Portuguese Eurasian that predates the establishment of the Portuguese Settlement. We also supported efforts to restore the forest in North Selangor and its surrounding areas through tree planting initiatives as well as the National Kidney Foundation which focuses on providing essential medical equipment to those suffering with kidney disease. Additionally, HSBC Malaysia partnered with MySkills Foundation to provide skilled green jobs by equipping youth, particularly those at risk, with the necessary skills and knowledge in solar power systems and electric vehicles.

Outlook for 2025

The year of 2025 is expected to be filled with uncertainty in many ways: politically, geopolitically, economically and certainly for policy. The tariffs as introduced by the United States of America (US) in April 2025 further intensifies the uncertainty over global trade.

On the domestic front, Malaysia's Gross Domestic Product (GDP) expanded by 5.0% year-on-year in 4Q 2024, bringing yearly GDP growth to 5.1% (2023: 3.6%). This commendable growth was driven by robust domestic demand, a strong recovery in exports, and a thriving tourism sector. Policy initiatives such as fiscal reform, the New Industrial Masterplan 2030 (NIMP), and the National Energy Transition Roadmap (NETR), stemming from the MADANI Economy framework, have significantly improved investors' optimism about Malaysia and its growth prospects in 2024. Prior to the implementation of US tariffs, the Ministry of Finance projected GDP to grow within 4.5% to 5.5% in 2025, driven by expansion in investment activity, strong exports and resilient household spending, with Budget 2025 measures are expected to provide additional support to the growth. The growth outlook nevertheless is subject to downside risks from an economic slowdown in major trading partners amid heightened risk of trade and investment restrictions, and lower-than-expected commodity production. On monetary policy, BNM maintained the Overnight Policy Rate (OPR) at 3% throughout 2024 and during its latest review in March 2025. At the current OPR level, the monetary policy stance remains supportive of the economy. However, this may need to be revisited as the uncertainty brought about by the US tariff situation continues to unfold over the coming months.

In 4Q 2024, HSBC Group announced a new, simpler organisational structure that will result in greater alignment and agility in serving our customers. The new structure will ensure HSBC as a group can better focus on the businesses where we have clear competitive advantage and the greatest opportunities to grow – and will help us to deliver best-in-class products and service excellence to our customers.

At HSBC Malaysia, we will build on the strong progress we have made in executing our strategy. We remain committed to serving our customers and will continue our efforts of being the preferred international financial partner for our clients.

Awards won during the financial year:

HSBC Bank Malaysia Berhad

The Asset Triple A Private Capital Awards 2024
- Best Wealth Manager

Euromoney Awards for Excellence 2024
- Malaysia's Best International Bank

Euromoney Trade Finance Survey 2024
- Best in Services in Malaysia

The Asset Triple A Digital Awards 2024
- Digital Bank of The Year (fourth consecutive year)
- Best Digital Wealth Management Experience (second consecutive year)

The Asset Triple A Sustainable Finance Awards 2024
- Best Bank For Sustainable Finance – International
- Best Commercial Bank

The Asset Triple A Treasurise Awards 2024
- Best Service Provider in Trade Finance
- Best Service Provider in Liquidity Management
- Best Renminbi Bank
- Best Payments and Collections Solution - Inti Universal Holdings Sdn Bhd
- Best Structured Trade Finance Solution - Siemens Malaysia Sdn Bhd, Malaysia Airports Holdings Berhad, T7 Kemuncak Sdn Bhd
- Best Structured Trade Finance Solution - Maya Kekal Sdn Bhd

Awards won during the financial year (Cont'd):

HSBC Amanah Malaysia Berhad

The Banker Islamic Bank of the Year 2024
- Islamic Bank of the Year for Sustainability

Euromoney Islamic Finance Awards 2024
- World's Best Islamic Structured Products House
- Malaysia's Best International Islamic Bank
- Most Innovative Islamic Deal (Malaysia) - MY EG Services Berhad
- Most Innovative Islamic Deal (Global) - Republic of Philippines
- Best Islamic Real Estate Deal (Asia) - S P Setia Berhad

IFN Deals of the Year
- IFN Wakalah Deal of the Year - KPJ Healthcare Berhad

The Asset Triple A Sustainable Finance Awards 2024
- Best Sustainability Sukuk - Point Zone Malaysia Sdn Bhd

Euromoney Islamic Finance Awards 2024
- World's Best Islamic Structured Products House
- Best International Islamic Bank
- Most Innovative Islamic Deal (Asia) - MY EG Services Berhad
- Best Islamic Real Estate Deal (Asia) - S P Setia Berhad
- Most Innovative Islamic Deal (Global) - Republic of Philippines

The Asset Triple A Islamic Finance Awards 2024
- Best Issuers/Advisers
- ESG Bank of the Year - HSBC Amanah Malaysia (fifth consecutive year)
- Best Trade Finance Bank - HSBC Amanah Malaysia (seventh consecutive year)
- Best in Sustainable Finance: Best Sustainability Sukuk (Healthcare) - Point Zone Malaysia Sdn Bhd
- Best Deals by Country: Best Sustainability Sukuk (Healthcare) - Point Zone Malaysia Sdn Bhd
- Best Sustainability Sukuk (Services) - MY EG Services Berhad
- Best Green Financing – Sunway South Quay
- Best Sukuk (Real Estate) - S P Setia Berhad
- Best Sukuk (Conglomerate) - OSK Rated Bond Sdn Bhd
- Best Acquisition Financing - Sime Darby Enterprise Sdn Bhd
- Most Innovation Deal - Equitix Ltd.
- Best Green Trade Finance Facility (Automobile) - Sime Darby Motors Sdn Bhd
- Best Green Trade Finance Facility (Biodiesel) - Vance Bioenergy Sdn Bhd
- Best Cross-Border Trade Finance Facility - AEON Big (M) Sdn Bhd
- Best Supply Chain Finance Solution - Guan Chong Cocoa Manufacturer Sdn Bhd

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors. A resolution to re-appoint PricewaterhouseCoopers PLT as auditor of the Group and the Bank will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

…………………………………………………………

DATO' OMAR SIDDIQ BIN AMIN NOER RASHID
Director

…………………………………………………………

DATIN SERI SUNITA-MEI LIN RAJAKUMAR
Director

Kuala Lumpur, Malaysia
22 April 2025

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Omar Siddiq bin Amin Noer Rashid and Datin Seri Sunita-Mei Lin Rajakumar, two of the Directors of HSBC Bank Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 35 to 189 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2024 and financial performance of the Group and of the Bank for the financial year ended 31 December 2024 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

………………………………………………………	………………………………………………………
DATO' OMAR SIDDIQ BIN AMIN NOER RASHID	**DATIN SERI SUNITA-MEI LIN RAJAKUMAR**
Director	Director

Kuala Lumpur, Malaysia
22 April 2025

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

STATUTORY DECLARATION PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Neoh Elly, being the officer primarily responsible for the financial management of HSBC Bank Malaysia Berhad, do solemnly and sincerely declare that, to the best of my knowledge and belief, the financial statements set out on pages 35 to 189 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the above-named at Kuala Lumpur, Malaysia on 22 April 2025.

....
NEOH ELLY
Chartered Accountant
Malaysian Institute of Accountants No: CA 15258

BEFORE ME:

…………………………………………….
Signature of Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF HSBC BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
Registration No. 198401015221 (127776-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of HSBC Bank Malaysia Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2024, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2024 of the Group and of the Bank, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including material accounting policies, as set out on pages 35 to 189.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the list of Board of Directors, Corporate Governance disclosures, rating by external rating agencies and Directors' report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, Menara TH 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon (continued)

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

<u>Auditors' responsibilities for the audit of the financial statements</u> (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF HSBC BANK MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 198401015221 (127776-V)

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT	WILLIAM MAH JIN CHIEK
LLP0014401-LCA & AF 1146	03085/07/2025 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
22 April 2025

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

		Group		*Bank*	
		31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
Assets	***Note***	**RM'000**	RM'000	**RM'000**	RM'000
Cash and short-term funds	*6*	**7,400,867**	10,643,890	**4,808,469**	7,973,830
Securities purchased under resale agreements		**8,057,630**	10,743,446	**8,057,630**	10,626,344
Deposits and placements with banks and other financial institutions	*7*	**–**	–	**2,327,507**	575,986
Financial assets at fair value through profit and loss (FVTPL)	*8*	**4,944,386**	3,679,907	**4,923,765**	3,679,907
Financial investments at fair value through other comprehensive income (FVOCI)	*9*	**17,362,622**	13,857,738	**15,099,252**	12,000,449
Financial investments at amortised cost	*10*	**11,322,701**	7,512,842	**9,331,308**	6,522,926
Loans, advances and financing	*11*	**45,537,518**	46,378,326	**31,426,025**	32,357,115
Derivative financial assets	*38*	**1,235,940**	1,543,039	**1,294,909**	1,605,290
Other assets	*14*	**1,890,265**	1,183,224	**2,059,247**	1,267,493
Statutory deposits with Bank Negara Malaysia	*15*	**646,958**	608,437	**388,997**	366,176
Investments in subsidiary companies	*16*	**–**	–	**1,161,084**	1,161,084
Property and equipment	*17*	**984,545**	1,010,903	**980,286**	1,006,163
Tax recoverable		**20,850**	20,850	**20,850**	20,850
Deferred tax assets	*18*	**140,117**	203,023	**102,613**	163,175
Total assets		**99,544,399**	97,385,625	**81,981,942**	79,326,788
Liabilities					
Deposits from customers	*19*	**75,107,057**	71,932,699	**61,661,268**	57,989,144
Deposits and placements from banks and other financial institutions	*20*	**2,153,119**	3,157,796	**2,320,528**	3,341,385
Bills payable		**145,963**	278,595	**136,776**	268,307
Derivative financial liabilities	*38*	**1,408,918**	1,575,994	**1,435,165**	1,580,597
Structured liabilities designated at fair value through profit and loss	*21*	**4,245,924**	4,589,420	**2,566,257**	2,649,922
Other liabilities	*22*	**3,188,433**	3,403,661	**2,840,172**	2,988,513
Provision for taxation		**97,911**	132,569	**57,378**	112,096
Total liabilities		**86,347,325**	85,070,734	**71,017,544**	68,929,964
Equity					
Share capital and other equity	*23*	**3,238,875**	2,545,875	**3,238,875**	2,545,875
Reserves	24	**9,958,199**	9,769,016	**7,725,523**	7,850,949
Total equity attributable to owner of the Group and the Bank		**13,197,074**	12,314,891	**10,964,398**	10,396,824
Total liabilities and equity		**99,544,399**	97,385,625	**81,981,942**	79,326,788
Commitments and contingencies	*37*	**226,805,006**	213,211,422	**217,273,020**	203,522,560

The accompanying notes form an integral part of the financial statements.

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

STATEMENTS OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

		Group		*Bank*	
		31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Interest income	*25*	**3,044,075**	2,848,043	**3,111,494**	2,908,441
Interest expense	*25*	**(1,141,825)**	(921,919)	**(1,148,942)**	(930,569)
Net interest income	*25*	**1,902,250**	1,926,124	**1,962,552**	1,977,872
Fee and commission income	*26*	**568,754**	475,208	**566,437**	473,983
Fee and commission expense	*26*	**(109,490)**	(98,196)	**(109,490)**	(98,196)
Net fee and commission income	*26*	**459,264**	377,012	**456,947**	375,787
Net trading income	*27*	**1,007,974**	729,612	**944,125**	760,751
Income from Islamic banking operations	*28*	**782,238**	791,475	**–**	–
Net expense from financial liabilities designated at fair value		**(115,689)**	(97,898)	**(115,689)**	(97,898)
Other operating income	*29*	**91,536**	72,138	**371,872**	281,583
Operating income before expected credit loss (ECL)		**4,127,573**	3,798,463	**3,619,807**	3,298,095
ECL written-back/(charges)	*30*	**51,661**	(70,267)	**18,624**	(100,281)
Net operating income		**4,179,234**	3,728,196	**3,638,431**	3,197,814
Other operating expenses	*31*	**(1,967,876)**	(1,856,884)	**(1,861,174)**	(1,759,592)
Profit before tax		**2,211,358**	1,871,312	**1,777,257**	1,438,222
Tax expense	*32*	**(535,781)**	(432,923)	**(409,522)**	(328,584)
Profit for the financial year		**1,675,577**	1,438,389	**1,367,735**	1,109,638
Profit attributable to the owner of the Group and the Bank		**1,675,577**	1,438,389	**1,367,735**	1,109,638
Basic earnings per RM0.50 ordinary share	*33*	**731.7 sen**	628.1 sen	**597.3 sen**	484.6 sen
Dividends per RM0.50 ordinary share (net)					
- final dividend paid in respect of prior year		**137.3 sen**	179.3 sen	**137.3 sen**	179.3 sen
- interim dividend paid in respect of the year		**190.1 sen**	153.4 sen	**190.1 sen**	153.4 sen
- special dividend paid in respect of the year		**305.7 sen**	–	**305.7 sen**	–

The accompanying notes form an integral part of the financial statements.

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

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Profit for the financial year	**1,675,577**	1,438,389	**1,367,735**	1,109,638
Other comprehensive income/(expense)				
Items that will not be reclassified to profit or loss				
Revaluation reserve:				
Surplus on revaluation properties	**3,330**	2,036	**3,330**	2,036
Income tax effect	**424**	4,178	**424**	4,178
Own credit reserve:				
Change in fair value	**10,285**	(3,088)	**4,730**	(3,909)
Income tax effect	**(2,468)**	741	**(1,135)**	938
Fair value through other comprehensive income reserve (equity instruments):				
Change in fair value	**11,928**	6,817	**11,928**	6,817
Income tax effect	**(2,863)**	(1,636)	**(2,863)**	(1,636)
Items that will subsequently be reclassified to profit or loss when specific conditions are met				
Fair value through other comprehensive income reserve (debt instruments):				
Change in fair value	**20,066**	48,288	**16,739**	38,368
Amount transferred to profit or loss	**(13,071)**	(10,433)	**(13,071)**	(10,433)
ECL charges/(written-back)	**713**	(227)	**625**	(202)
Income tax effect	**(1,679)**	(9,084)	**(880)**	(6,703)
Other comprehensive income for the financial year, net of income tax	**26,665**	37,592	**19,827**	29,454
Total comprehensive income for the financial year	**1,702,242**	1,475,981	**1,387,562**	1,139,092
Total comprehensive income attributable to the owner of the Group and the Bank	**1,702,242**	1,475,981	**1,387,562**	1,139,092

The accompanying notes form an integral part of the financial statements.

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

Group (RM'000)	*Non-distributable*							*Distributable*	
	Share capital								
	Ordinary shares	*Preference shares*	*Revaluation reserve*	*FVOCI reserve*	*Own credit reserve*	*Capital contribution reserve*	*Regulatory reserve*	*Retained profits*	*Total equity*
2024									
Balance at 1 January	1,045,875	1,500,000	131,503	163,985	(8,588)	92,689	367,100	9,022,327	12,314,891
Profit for the financial year	–	–	–	–	–	–	–	1,675,577	1,675,577
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits for realisation of revaluation upon disposal of property	–	–	(5,935)	–	–	–	–	5,935	–
Transfer to retained profits upon realisation of depreciation	–	–	(1,375)	–	–	–	–	1,375	–
Deficit on revaluation of properties	–	–	3,330	–	–	–	–	–	3,330
Deferred tax adjustment on revaluation reserve	–	–	424	–	–	–	–	–	424
FVOCI reserve/Own credit reserve									
Net change in fair value	–	–	–	27,452	7,817	–	–	–	35,269
Net amount transferred to profit or loss	–	–	–	(13,071)	–	–	–	–	(13,071)
ECL charges	–	–	–	713	–	–	–	–	713
Total other comprehensive (expense)/income	–	–	*(3,556)*	*15,094*	*7,817*	–	–	*7,310*	*26,665*
Total comprehensive (expense)/income for the financial year	–	–	(3,556)	15,094	7,817	–	–	1,682,887	1,702,242
Net change in regulatory reserves	–	–	–	–	–	–	81,900	(81,900)	–
Transactions with the owner, recorded directly in equity									
Share based payment transactions	–	–	–	–	–	(303)	–	(3,610)	(3,913)
Issuance of preference shares [1]	–	693,000	–	–	–	–	–	–	693,000
Dividends paid to owner - 2023 final	–	–	–	–	–	–	–	(314,500)	(314,500)
Dividends paid to owner - 2024 interim	–	–	–	–	–	–	–	(435,315)	(435,315)
Dividends paid to owner - 2024 special	–	–	–	–	–	–	–	(700,000)	(700,000)
Dividends paid to preference shareholder	–	–	–	–	–	–	–	(59,331)	(59,331)
Balance at 31 December	**1,045,875**	**2,193,000**	**127,947**	**179,079**	**(771)**	**92,386**	**449,000**	**9,110,558**	**13,197,074**

[1] On 11 July 2024, the Group and the Bank issued RM700.0 million Additional Tier 1 preference shares, for which there were issuance cost of RM7.0 million. Details of the issuance are set out in Note 23.

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (Cont'd)

Group (RM'000)	*Non-distributable*							*Distributable*	
	Share capital								
	Ordinary shares	*Preference shares*	*Revaluation reserve*	*FVOCI reserve*	*Own credit reserve*	*Capital contribution reserve*	*Regulatory reserve*	*Retained profits*	*Total equity*
2023									
Balance at 1 January	1,045,875	1,500,000	159,542	130,260	(6,241)	98,247	434,500	8,295,717	11,657,900
Profit for the financial year	–	–	–	–	–	–	–	1,438,389	1,438,389
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	–	–	(1,318)	–	–	–	–	1,318	–
Deficit on revaluation of properties	–	–	2,036	–	–	–	–	–	2,036
Deferred tax adjustment on revaluation reserve	–	–	4,178	–	–	–	–	–	4,178
FVOCI reserve/Own credit reserve									
Net change in fair value	–	–	–	41,881	(2,347)	–	–	–	39,534
Net amount transferred to profit or loss	–	–	–	(7,929)	–	–	–	–	(7,929)
ECL written-back	–	–	–	(227)	–	–	–	–	(227)
Total other comprehensive (expense)/income	–	–	*(28,039)*	*33,725*	*(2,347)*	–	–	*34,253*	*37,592*
Total comprehensive (expense)/income for the financial year	–	–	(28,039)	33,725	(2,347)	–	–	1,472,642	1,475,981
Net change in regulatory reserves	–	–	–	–	–	–	(67,400)	67,400	–
Others	–	–	–	–	–	–	–	–	–
Transactions with the owner, recorded directly in equity									
Share based payment transactions	–	–	–	–	–	(5,558)	–	1,051	(4,507)
Dividends paid to owner - 2022 final	–	–	–	–	–	–	–	(410,512)	(410,512)
Dividends paid to owner - 2023 interim	–	–	–	–	–	–	–	(351,283)	(351,283)
Dividends paid to preference shareholder	–	–	–	–	–	–	–	(52,688)	(52,688)
Balance at 31 December	**1,045,875**	**1,500,000**	**131,503**	**163,985**	**(8,588)**	**92,689**	**367,100**	**9,022,327**	**12,314,891**

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (Cont'd)

	Non-distributable							*Distributable*	
Bank (RM'000)	*Share capital*				*Own*	*Capital*			
	Ordinary shares	*Preference shares*	*Revaluation reserve*	*FVOCI reserve*	*credit reserve*	*contribution reserve*	*Regulatory reserve*	*Retained profits*	*Total equity*
2024									
Balance at 1 January	1,045,875	1,500,000	131,503	166,300	(4,081)	92,312	331,300	7,133,615	10,396,824
Profit for the financial year	–	–	–	–	–	–	–	1,367,735	1,367,735
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits for realisation of revaluation upon disposal of property	–	–	(5,935)	–	–	–	–	5,935	–
Transfer to retained profits upon realisation of depreciation	–	–	(1,375)	–	–	–	–	1,375	–
Deficit on revaluation of properties	–	–	3,330	–	–	–	–	–	3,330
Deferred tax adjustment on revaluation reserve	–	–	424	–	–	–	–	–	424
FVOCI reserve/Own credit reserve									
Net change in fair value	–	–	–	24,924	3,595	–	–	–	28,519
Net amount transferred to profit or loss	–	–	–	(13,071)	–	–	–	–	(13,071)
ECL charges	–	–	–	625	–	–	–	–	625
Total other comprehensive (expense)/income	–	–	*(3,556)*	*12,478*	*3,595*	–	–	*7,310*	*19,827*
Total comprehensive (expense)/income for the financial year	–	–	(3,556)	12,478	3,595	–	–	1,375,045	1,387,562
Net change in regulatory reserves	–	–	–	–	–	–	50,700	(50,700)	–
Transactions with the owner, recorded directly in equity									
Share based payment transactions	–	–	–	–	–	(252)	–	(3,590)	(3,842)
Issuance of preference shares [1]	–	693,000	–	–	–	–	–	–	693,000
Dividends paid to owner - 2023 final	–	–	–	–	–	–	–	(314,500)	(314,500)
Dividends paid to owner - 2024 interim	–	–	–	–	–	–	–	(435,315)	(435,315)
Dividends paid to owner - 2024 special	–	–	–	–	–	–	–	(700,000)	(700,000)
Dividends paid to preference shareholder	–	–	–	–	–	–	–	(59,331)	(59,331)
Balance at 31 December	**1,045,875**	**2,193,000**	**127,947**	**178,778**	**(486)**	**92,060**	**382,000**	**6,945,224**	**10,964,398**

[1] On 11 July 2024, the Bank issued RM700.0 million Additional Tier 1 preference shares, for which there were issuance cost of RM7.0 million. Details of the issuance are set out in Note 23.

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (Cont'd)

Bank (RM'000)	*Non-distributable*							*Distributable*	
	Share capital								
	Ordinary shares	*Preference shares*	*Revaluation reserve*	*FVOCI reserve*	*Own credit reserve*	*Capital contribution reserve*	*Regulatory reserve*	*Retained profits*	*Total equity*
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 year	–	–	–	–	–	–	–	1,109,638	1,109,638
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	–	–	(1,318)	–	–	–	–	1,318	–
Deficit on revaluation of properties	–	–	2,036	–	–	–	–	–	2,036
Deferred tax adjustment on revaluation reserve	–	–	4,178	–	–	–	–	–	4,178
FVOCI reserve/Own credit reserve									
Net change in fair value	–	–	–	34,342	(2,971)	–	–	–	31,371
Net amount transferred to profit or loss	–	–	–	(7,929)	–	–	–	–	(7,929)
ECL written-back	–	–	–	(202)	–	–	–	–	(202)
Total other comprehensive (expense)/income	–	–	*(28,039)*	*26,211*	*(2,971)*	–	–	*34,253*	*29,454*
Total comprehensive (expense)/income for the financial year	–	–	(28,039)	26,211	(2,971)	–	–	1,143,891	1,139,092
Net change in regulatory reserves	–	–	–	–	–	–	(29,400)	29,400	–
Transactions with the owner, recorded directly in equity									
Share based payment transactions	–	–	–	–	–	(5,444)	–	1,051	(4,393)
Dividends paid to owner - 2022 final	–	–	–	–	–	–	–	(410,512)	(410,512)
Dividends paid to owner - 2023 interim	–	–	–	–	–	–	–	(351,283)	(351,283)
Dividends paid to preference shareholder	–	–	–	–	–	–	–	(52,688)	(52,688)
Balance at 31 December	**1,045,875**	**1,500,000**	**131,503**	**166,300**	**(4,081)**	**92,312**	**331,300**	**7,133,615**	**10,396,824**

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Group	
	31 Dec 2024	31 Dec 2023
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	**2,211,358**	1,871,312
Adjustments for :		
Property and equipment written off	**13**	876
Depreciation of property and equipment	**53,325**	52,311
Depreciation of right of use assets	**56,091**	13,484
Amortisation of intangible assets	**3,904**	5,911
Impairment of intangible assets	**–**	196
Net gains on disposal of property and equipment	**(925)**	(1,175)
Net upwards revaluation on property	**(7,940)**	–
Revaluation loss on property	**–**	19,274
Share-based payment transactions	**9,731**	10,087
Dividend income	**(1,503)**	(2,553)
Net expense on financial instruments at FVTPL	**189,498**	211,719
Unrealised losses/(gains) on revaluation of financial assets at FVTPL	**9,442**	(13,475)
Unrealised gains on revaluation of derivatives	**(162,727)**	(37,412)
Unrealised losses from dealing in foreign currency	**185,514**	147,989
ECL charges	**77,625**	193,332
Modification gains on loans, advances and financing, net of unwinding	**(2,718)**	(2,720)
Operating profit before changes in operating assets and liabilities	**2,620,688**	2,469,156
Decrease/(Increase) in operating assets		
Securities purchased under resale agreements	**2,685,816**	(5,191,715)
Deposits and placements with banks and other financial institutions	**96**	633,418
Financial assets at FVTPL	**(1,273,921)**	663,375
Loans, advances and financing	**772,222**	(171,950)
Derivative financial assets	**284,312**	413,248
Other assets	**(1,053,170)**	(226,602)
Statutory deposits with Bank Negara Malaysia	**(38,521)**	(43,350)
Total decrease/(increase) in operating assets	**1,376,834**	(3,923,576)
Increase/(Decrease) in operating liabilities		
Deposits from customers	**3,174,358**	1,446,364
Deposits and placements from banks and other financial institutions	**(1,004,677)**	807,803
Structured liabilities designated at FVTPL	**(522,709)**	615,158
Bills payable	**(132,632)**	132,868
Derivative financial liabilities	**(167,076)**	(579,254)
Other liabilities	**(233,903)**	(658,020)
Total increase in operating liabilities	**1,113,361**	1,764,919

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (Cont'd)

	Group	
	31 Dec 2024	31 Dec 2023
	RM'000	RM'000
Cash flows from operating activities (Cont'd)		
Cash generated from operating activities	**5,110,883**	310,499
Income tax paid	**(514,312)**	(418,397)
Net cash generated from/(used in) operating activities	**4,596,571**	(107,898)
Cash flows from investing activities		
Purchase of financial investments at FVOCI	**(27,889,109)**	(13,064,515)
Proceeds from disposal/redemption of financial investments at FVOCI	**24,712,570**	10,982,444
Purchase of financial investments at amortised cost	**(4,313,012)**	(6,649,460)
Proceeds from redemption of financial investments at amortised cost	**480,000**	3,231,982
Purchase of property and equipment	**(25,534)**	(52,893)
Purchase of intangible assets	**(226)**	(2,238)
Proceeds from disposal of property and equipment	**10,360**	53,517
Dividends received	**1,503**	2,553
Net cash used in investing activities	**(7,023,448)**	(5,498,610)
Cash flows from financing activities		
Redemption of Multi-Currency Sukuk Programme	**–**	(500,000)
Profit paid on Multi-Currency Sukuk Programme	**–**	(20,458)
Dividends paid	**(1,509,146)**	(814,483)
Issuance of preference shares	**693,000**	–
Net cash used in financing activities	**(816,146)**	(1,334,941)
Net decrease in cash and cash equivalents	**(3,243,023)**	(6,941,449)
Cash and cash equivalents at beginning of the financial year	**10,643,890**	17,585,339
Cash and cash equivalents at end of the financial year	**7,400,867**	10,643,890
Analysis of cash and cash equivalents		
Cash and short-term funds	**7,400,867**	10,643,890

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (Cont'd)

	Bank	
	31 Dec 2024	31 Dec 2023
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	**1,777,257**	1,438,222
Adjustments for :		
Property and equipment written off	**13**	871
Depreciation of property and equipment	**51,466**	50,258
Depreciation of right of use assets	**38,631**	7,637
Amortisation of intangible assets	**3,904**	5,911
Impairment of intangible assets	**–**	196
Net gains on disposal of property and equipment	**(925)**	(1,175)
Net upwards revaluation on property	**(7,940)**	–
Revaluation loss on property	**–**	19,274
Share-based payment transactions	**9,719**	9,944
Dividend income	**(55,182)**	(2,553)
Net expense on financial instruments at FVTPL	**115,689**	97,898
Unrealised losses/(gains) on revaluation of financial assets at FVTPL	**9,442**	(13,475)
Unrealised (gains)/losses on revaluation of derivatives	**(145,085)**	8,404
Unrealised losses from dealing in foreign currency	**229,910**	77,511
ECL charges	**49,582**	159,388
Operating profit before changes in operating assets and liabilities	**2,076,481**	1,858,311
Decrease/(Increase) in operating assets		
Securities purchased under resale agreements	**2,568,714**	(5,074,613)
Deposits and placements with banks and other financial institutions	**(1,751,455)**	1,045,400
Financial assets at FVTPL	**(1,253,300)**	663,375
Loans, advances and financing	**892,281**	38,096
Derivative financial assets	**225,556**	482,767
Other assets	**(1,103,405)**	(147,827)
Statutory deposits with Bank Negara Malaysia	**(22,821)**	51
Total increase in operating assets	**(444,430)**	(2,992,751)
Increase/(Decrease) in operating liabilities		
Deposits from customers	**3,672,124**	1,460,440
Deposits and placements from banks and other financial institutions	**(1,020,857)**	700,375
Structured liabilities designated at FVTPL	**(194,624)**	895,914
Bills payable	**(131,531)**	142,221
Derivative financial liabilities	**(145,432)**	(547,503)
Other liabilities	**(171,711)**	(883,852)
Total increase in operating liabilities	**2,007,969**	1,767,595

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (Cont'd)

	Bank	
	31 Dec 2024	31 Dec 2023
	RM'000	RM'000
Cash flows from operating activities (Cont'd)		
Cash generated from operating activities	**3,640,020**	633,155
Income tax paid	**(408,132)**	(330,410)
Net cash generated from operating activities	**3,231,888**	302,745
Cash flows from investing activities		
Purchase of financial investments at FVOCI	**(25,036,607)**	(11,110,194)
Proceeds from disposal/redemption of financial investments at FVOCI	**22,242,160**	9,412,443
Purchase of financial investments at amortised cost	**(3,187,848)**	(5,767,808)
Proceeds from redemption of financial investments at amortised cost	**360,000**	2,881,982
Purchase of property and equipment	**(24,124)**	(52,240)
Purchase of intangible assets	**(226)**	(2,238)
Proceeds from disposal of property and equipment	**10,360**	53,517
Dividends received	**55,182**	2,553
Net cash used in investing activities	**(5,581,103)**	(4,581,985)
Cash flows from financing activities		
Dividends paid	**(1,509,146)**	(814,483)
Issuance of preference shares	**693,000**	–
Net cash used in financing activities	**(816,146)**	(814,483)
Net decrease in cash and cash equivalents	**(3,165,361)**	(5,093,723)
Cash and cash equivalents at beginning of the financial year	**7,973,830**	13,067,553
Cash and cash equivalents at end of the financial year	**4,808,469**	7,973,830
Analysis of cash and cash equivalents		
Cash and short-term funds	**4,808,469**	7,973,830

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (Cont'd)

Change in liabilities arising from financing activities

Group (RM'000)

There is no movement in the change in liabilities arising from financing activities for the financial year ended 31 December 2024.

	At 1 Jan	Cash outflow	Fair value movement	Interest/ Profit accrual	At 31 Dec
2023					
Multi-Currency Sukuk Programme	504,771	(500,000)	(4,771)	–	–
Other liabilities of which:					
Profit paid on Multi-Currency Sukuk Programme	5,301	(20,458)	–	15,157	–
	510,072	(520,458)	(4,771)	15,157	–

Bank (RM'000)

There is no movement in the change in liabilities arising from financing activities for the financial year ended 31 December 2024 and 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

HSBC Bank Malaysia Berhad (the Bank) is principally engaged in the provision of banking and other related financial services. The subsidiaries of the Bank are principally engaged in the businesses of Islamic Banking and nominee services. Islamic Banking operations refer generally to the acceptance of deposits and granting of financing under the principles of Shariah. The Bank and its subsidiaries are collectively known as ‘the Group’.

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

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

The financial statements were approved and authorised for issue by the Board of Directors on 10 February 2025, any amendments made to the notes of the financial statement are in accordance with the delegated authority of the resolution of the Directors.

2 Basis of Preparation

(a) Statement of compliance

The financial statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2016 in Malaysia. The financial statements incorporate those activities relating to Islamic Banking which have been undertaken by the Bank’s Islamic subsidiary.

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

The amendments to published standards that are effective and applicable to the Group and the Bank for the financial year beginning on 1 January 2024 are as follows:

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

  The amendments specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 ‘Revenue from Contracts with Customers’ to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the ‘lease payments’ or ‘revised lease payments’ in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

  The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

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

(a) Statement of compliance (Cont'd)

(i) 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 that are applicable to the Group and the Bank but are not yet effective have been issued.

<u>Effective for annual periods commencing on or after 1 January 2025</u>

- Amendments to MFRS 121 on 'Lack of Exchangeability'

  Currency is exchangeable when an entity is able to exchange it into another currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism that creates enforceable rights and obligations. If an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, then the currency is not exchangeable. In such cases, the entity is required to estimate the spot exchange rate at the measurement date.

  The amendments do not specify how an entity estimates the spot exchange rate, but permit an entity to use observable exchange rate without adjustment or another estimation technique, provided it could meet the objective for estimating the spot exchange rate set out in the amendments.

  The above is not expected to have a significant effect on the financial statements of the Group and the Bank.

<u>Effective for annual periods commencing on or after 1 January 2026</u>

- Amendments to MFRS 9 and MFRS 7 on 'Classification and Measurement of Financial Instruments'

  The amendments to MFRS 9 and MFRS 7 are to:

  - clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through a electronic cash transfer system;
  - clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
  - add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
  - update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

  The Group has not early adopted this new standard and is in the process of assessing the impact on the financial statements.

- Annual Improvements to MFRS Accounting Standards

  Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. Amendments that are part of Annual Improvements are:

  - Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
  - Amendments to MFRS 7 Financial Instruments: Disclosures
  - Amendments to MFRS 9 Financial Instruments
  - Amendments to MFRS 10 Consolidated Financial Statements
  - Amendments to MFRS 107 Statement of Cash Flows

  The above is not expected to have a significant effect on the financial statements of the Group and the Bank.

2 Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

(i) Standards and amendments to published standards that have been issued but not yet effective to the Group and the Bank (Cont'd)

Effective for annual periods commencing on or after 1 January 2027

- MFRS 18 'Presentation and Disclosure in Financial Statements' replaces MFRS 101 'Presentation of Financial Statements'

  The new MFRS introduces a new structure of profit or loss statement:

  - Income and expenses are classified into 3 new main categories:
    - Operating category which typically includes results from the main business activities;
    - Investing category that presents the results of investments in associates and joint ventures and other assets that generate a return largely independently of other resources; and
    - Financing category that presents income and expenses from financing liabilities.

  - Entities are required to present two new specified subtotals: 'Operating profit or loss' and 'Profit or loss before financing and income taxes'.

  Management-defined performance measures (MPMs) are disclosed in a single note and reconciled to the most similar specified subtotal in MFRS Accounting Standards. Changes are also made to the guidance on aggregation and disaggregation which focus on grouping items based on their shared characteristics.

  The Group has not early adopted this new standard and is in the process of assessing the impact on the financial statements

(b) Basis of measurement

The financial statements of the Group and the Bank have been prepared under the historical cost convention, except for the following assets and liabilities as disclosed in their respective accounting policy notes:

- Structured liabilities
- Financial investments at fair value through profit and loss
- Financial investments at fair value through other comprehensive income
- Property and equipment
- Derivatives financial instruments and hedge accounting
- Financial liabilities designated at fair value through profit and loss

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and estimates. The material accounting policies are described in Note 3. The preparation of the financial statements in conformity with MFRSs requires management to make estimates and assumptions about future conditions. The use of available information and the application of judgement are inherent in the formation of estimates; actual results in the future may differ from estimates upon which financial information is prepared.

Management believes that the Group and the Bank's critical accounting policies where judgement is necessarily applied are those which relate to impairment of loans, advances and financing and the valuation of financial instruments (refer to Note 5). There are no other significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed above.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(e) Going concern

The financial statements of the Group and the Bank have been prepared on going concern basis as the Directors are satisfied that the Group and the Bank have the resources to continue in business in the foreseeable future. In making this assessment, the Directors have considered a wide rage of information relating to present and future conditions, including future projection of profitability, cash flows, capital requirements and capital resources.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies

The accounting policies set out below have been applied consistently to the financial year presented in these financial statements and have been applied consistently by the Group and the Bank.

(a) Basis of consolidation

The Group financial statements include the financial statements of the Bank and its subsidiaries made up to 31 December 2024.

(i) Subsidiaries

Subsidiaries are all entities, including structured entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases.

The Group controls and consequently consolidates an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct activities over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group and the Bank also consider having de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are measured in the Bank's statement of financial position at cost less any impairment losses, unless the investment is held for sale or distribution. The cost of investments includes transaction cost.

(ii) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that the control is lost. Subsequently, it is accounted for as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This may mean the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost which are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income (OCI) or in the income statement depending on where the gain or loss on the underlying item is recognised.

(c) Interest income and expense/Islamic financing income and expense

Interest income and expense/Islamic financing income and expense for all financial instruments of the Group and the Bank, except those classified as financial instruments designated at fair value through profit or loss (FVTPL) are recognised in 'interest income' and 'interest expense' and 'income from Islamic Banking Operation' in the statement of profit or loss using the effective interest/profit rate method. The effective interest/ profit rate method is a way of calculating the amortised cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the interest income or expense/Islamic financing income or expense over the relevant period.

The effective interest/profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or where appropriate, a shorter period, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest/profit rate, the Group and the Bank estimate cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest/profit rate includes all amounts paid or received by the Group and the Bank that are an integral part of the effective interest/profit rate, including transaction costs and all other premiums or discounts.

Interest/profit on impaired financial assets is recognised by applying the effective interest/profit rate to the amortised cost (i.e. gross carrying amount of the asset less allowance for ECL).

Financing income and expense from Islamic Banking operations are recognised on an accrual basis in accordance with the principles of Shariah.

Interest/Financing income and expense of the Group and the Bank presented in the statement of profit and loss include:

- interest/profit on financial assets and liabilities measured at amortised costs calculated on an effective interest/profit rate basis;
- interest/profit on FVOCI investment securities calculated on an effective interest/profit rate basis; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

(d) Fees and commission, net trading income and other operating income

Fee income is earned from a diverse range of services the Group and the Bank provide to their customers. Fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed;
- income earned from the provision of services is recognised as revenue as the services are provided; and
- income which forms an integral part of the effective interest/profit rate of a financial instrument is recognised as an adjustment to the effective interest/profit rate and recorded in 'interest/financing income' (refer to Note 3(c)).

Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

(d) Fees and commission, net trading income and other operating income (Cont'd)

Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities (FVTPL), together with the related interest income and expense; and it also includes all gains and losses from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities measured at fair value through profit or loss.

Net income/(expense) from financial instruments designated at fair value includes:

- all gains and losses from changes in the fair value of financial assets and financial liabilities designated at fair value through profit or loss, including liabilities under investment contracts;
- all gains and losses from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities designated at fair value through profit or loss; and
- interest/profit income, interest/profit expense and dividend income in respect of:
  - financial assets and financial liabilities designated at fair value through profit or loss; and
  - derivatives managed in conjunction with the above, except for interest/profit arising from debt securities issued by the Group and the Bank and derivatives managed in conjunction with those debt securities, which is recognised in 'Interest income and expense/Islamic financing income and expense' (Note 3(c)).

(e) Income tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in the same statement in which the related item appears.

Current tax is the tax expected to be payable or receivable on the taxable income or loss for the financial year, calculated using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous financial years. The Group and the Bank provide for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities. Current tax assets and liabilities are offset when the Group and the Bank intend to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the end of the reporting period. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the Group and the Bank have a legal right to offset.

Deferred tax relating to fair value of FVOCI investments and cash flow hedging instruments which are charged or credited directly to other comprehensive income, is also charged or credited to other comprehensive income and is subsequently recognised in the profit or loss when the deferred fair value gain or loss is recognised in the profit or loss.

(f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents comprise cash at hand and bank balances, short term deposits and placements with banks with original maturities of three months or less.

(g) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when the Group or the Bank becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instruments categories and subsequent measurement

The Group and the Bank categorise financial instruments as follows:

- financial instruments measured at amortised cost (Note 3(h));
- financial assets measured at fair value through other comprehensive income (FVOCI) (Note 3(i));
- equity securities measured at fair value with fair value movements presented in other comprehensive income (OCI) (Note 3(j)); or
- financial instruments designated at fair value through profit or loss (FVTPL) (Note 3(k)).

The Group and the Bank classify their financial liabilities, as measured at amortised cost or designated at fair value through profit or loss (See Notes 3(h) and 3(k)).

(iii) Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Group and the Bank have transferred their contractual rights to receive the cash flows of the financial assets, and have transferred substantially all the risks and rewards of ownership; or where both control and substantially all the risks and rewards are not retained.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled, or expired.

(iv) Offsetting financial assets/liabilities and income/expenses

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group and the Bank intend to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

The 'Gross amounts not offset in the statement of financial position' for derivatives and securities purchased under resale agreements and similar arrangements include transactions where:

- the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangement is in place with a right of set off only in the event of default, insolvency or bankruptcy, or the offset criteria are otherwise not satisfied; and
- cash and non-cash collaterals are received and pledged in respect of the transactions described above.

(g) Financial instruments (Cont'd)

(iv) Offsetting financial assets/liabilities and income/expenses (Cont'd)

Income and expenses are presented on a net basis only when permitted under the MFRSs, or for gains and losses arising from a group of similar transactions such as in the Group and the Bank's trading activity.

(v) Valuation of financial instruments

All financial instruments are recognised initially at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the Group and the Bank recognise the difference as a trading gain or loss at inception (day 1 gain or loss). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction when the inputs become observable, the transaction matures or is closed out, or when the Group and the Bank enter into an offsetting transaction.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the Group and the Bank manage a group of financial assets and liabilities according to its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis but the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the MFRSs offsetting criteria.

Subsequent to initial recognition, the fair values of financial instruments measured at fair value are measured in accordance with the Group and the Bank's valuation methodologies, which are described in Note 5(b)(iii).

(vi) Derivative financial instruments and hedge accounting

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially and are subsequently measured at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes embedded derivatives in financial liabilities which are bifurcated from the host contract when they meet the definition of a derivative on a stand-alone basis. Where the derivatives are managed with debt securities issued by the Group and the Bank that are designated at fair value where doing so reduces an accounting mismatch, the contractual interest is shown in 'Interest expense' together with the interest payable on the issued debt.

<u>Hedge accounting</u>

When derivatives are not part of fair value designated relationships, if held for risk management purposes, they are designated in hedge accounting relationships where the required criteria for documentation and hedge effectiveness are met. The Group and the Bank uses these derivatives or, where allowed, other non-derivative hedging instruments in fair value hedges as appropriate to accounting for the risk being hedged.

- *Fair value hedge*

  Fair value hedge accounting does not change the recording of gains and losses on derivatives and other hedging instruments, but results in recognising changes in the fair value of the hedged assets or liabilities attributable to the hedged risk that would not otherwise be recognised in the income statement. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued and the cumulative adjustment to the carrying amount of the hedged item is amortised to the income statement on a recalculated effective interest rate, unless the hedged item has been derecognised, in which case it is recognised in the income statement immediately.

(g) Financial instruments (Cont'd)

(vi) Derivative financial instruments and hedge accounting (Cont'd)

<u>Hedge accounting (Cont'd)</u>

- *Hedging Instruments impacted by Inter-Bank Offered Rates (IBOR) Reform*

  The first set of amendments (Phase 1) to MFRS 9 and MFRS 139, which came into effect from 1 January 2020 (with early adoption allowed from 1 January 2019) primarily allowed the assumption that the interbank offered rates (IBORs) are to continue unaltered for the purposes of forecasting hedged cash flows until such time as the uncertainty of transitioning to risk free rates (RFRs) is resolved.

  The second set of amendments (Phase 2), which was effective from 1 January 2021 allows for modification of hedge documentation to reflect the components of hedge relationships which have transitioned to RFRs on an economically equivalent basis as a direct result of the IBOR transition. The Phase 2 amendments address issues arising during the IBOR reform, including specifying when the Phase 1 amendments will cease to apply, when hedge designations and documentation should be updated, and when hedges of the alternative benchmark rate as the hedged risk are permitted.

  On 24 September 2021, Bank Negara Malaysia announced the launch of the Malaysia Overnight Rates (MYOR) as the new alternative reference rate for Malaysia. The MYOR will run in parallel to the existing KLIBOR rates. The publication of the 2- and 12-month KLIBOR tenors were discontinued on 1 January 2023. The remaining 1-, 3- and 6-month KLIBOR tenors were reviewed in the second half of 2022. Subsequently, on 25 March 2022, Bank Negara Malaysia announced the launch of Malaysia Islamic Overnight Rate (MYOR-I) which replaced the the Kuala Lumpur Islamic Reference Rate (KLIRR), hence KLIRR was discontinued with immediate effect.

  The Group and the Bank have adopted Phase 1 for hedging relationships since 1 January 2019. Phase 2 has not been adopted yet pending the regulator's announcement on the alternative benchmark rates and discontinuation of publication of KLIBOR for the relevant tenures.

  As at 31 December 2024, RM Nil (31 December 2023: RM1.50 billion) of the notional amounts of the interest rate derivatives designated in hedge accounting relationships are exposed to MYR KLIBOR.

(h) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loans, advances and financing to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost. The carrying amount of these financial assets at initial recognition includes any directly attributable transactions costs.

The Group and the Bank may commit to underwrite loans, advances and financing on fixed contractual terms for specified periods of time. When the loans, advances and financing arising from the lending/financing commitment is expected to be sold shortly after origination, the commitment to lend is recorded as a derivative. When the Group and the Bank intend to hold the loans, advances and financing, the related commitment is included in the impairment calculations set out in Note 3(l). They are derecognised when either the borrower repays its obligations, or the loans, advances and financing are sold or written off, or substantially all the risks and rewards of ownership are transferred.

For financing under the Syndicated Investment Account for Financing/Investment Agency Account (SIAF/IAA) arrangements, the Group and the Bank recognise the financing to the extent that the financing qualifies for derecognition by the subsidiary of the Bank, HBMS. Refer to accounting policy Note 3(g)(iii) on derecognition of financial assets.

(i) Sale and repurchase agreements

When debt securities are sold subject to a commitment to repurchase them at a predetermined price (repos), they remain on the balance sheet and a liability is recorded in respect of the consideration received. Securities purchased under commitments to resell (reverse repos) are not recognised on the balance sheet and an asset is recorded in respect of the initial consideration paid. Non-trading repos and reverse repos are measured at amortised cost. The difference between the sale and repurchase price or between the purchase and resale price is treated as interest and recognised in net interest income over the life of the agreement. Contracts that are economically equivalent to reverse repurchase or repurchase agreements (such as sales or purchases of debt securities entered into together with total return swaps with the same counterparty) are accounted for similarly to, and presented together with, reverse repurchase or repurchase agreements.

(ii) Financial liabilities measured at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, deposits and placement from banks and other financial institutions, repurchase agreement, bills payable and other liabilities.

Financial liabilities are recognised when the Group and the Bank enter into the contractual provisions of the arrangements with counterparties, which are generally on trade date, and initially measured at fair value, which is normally the consideration received. Subsequent measurement of financial liabilities, other than those measured at fair value through profit or loss and financial guarantees, is at amortised cost, using the effective interest method to amortise the difference between proceeds received, net of directly attributable transaction costs incurred, and the redemption amount over the expected life of the instrument.

(i) Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily debt securities. They are recognised on the trade date when the Group and the Bank enter into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement within 'Other Operating Income'. Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

(j) Equity securities measured at fair value with fair value movements presented in Other Comprehensive Income (OCI)

The equity securities for which fair value movements are shown in OCI are business facilitation and other similar investments where the Group and the Bank hold the investments other than to generate a capital return. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss. Dividend income is recognised in profit or loss.

(k) Financial instruments designated at fair value through profit or loss

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- the financial liability contains one or more non-closely related embedded derivatives

Designated financial assets are recognised when the Group and the Bank enter into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated financial liabilities are recognised when the Group and the Bank enter into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished. Subsequent changes in fair values are recognised in the income statement in 'Net income/ (expenses) from financial liabilities designated at fair value' except for the effect of changes in the liabilities' credit risk which is presented in OCI, unless that treatment would create or enlarge an accounting mismatch in profit or loss.

Under the above criterion, the main classes of financial instruments designated by the Group and the Bank are:

- Debt instruments for funding purposes that are designated to reduce an accounting mismatch (including Multi-Currency Sukuk Programme)

  The interest/profit rate and/or foreign exchange exposure on certain fixed rate debt securities issued has been matched with the interest/profit rate and/or foreign exchange exposure on certain swaps as part of a documented risk management strategy.

- Structured liabilities designated at fair value through profit or loss

  Structured liabilities of the Group and the Bank which are designated at fair value are recognised in the statement of financial position as 'Structured Liabilities Designated at Fair Value'. Please refer to Note 21.

(l) Impairment of amortised cost and FVOCI financial assets

Expected credit losses (ECL) are recognised for loans, advances and financing to banks and customers, non-trading reverse repurchase agreements, other financial assets held at amortised cost, debt instruments measured at fair value through other comprehensive income, and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance (or provision in the case of some loan commitments and financial guarantees) is recognised for ECL resulting from possible default events within the next 12 months or less, where the remaining life is less than 12 months (12-month ECL). In the event of a significant increase in credit risk, an allowance (or provision) is recognised for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, and so are considered to be in default or otherwise credit-impaired are in 'stage 3'.

(i) Credit-impaired (stage 3)

The Group and the Bank determine that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- Quantitative criteria
  - contractual payments of either principal or interest/profit are past due for more than 90 days.

- Qualitative criteria
  - there are other indications that the borrower is unlikely to pay such as when a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
  - the loan, advance and financing are otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due. Therefore, the definitions of credit-impaired and default are aligned as far as possible so that stage 3 represents all loans, advances and financing which are considered defaulted or otherwise credit-impaired. Interest/financing income is recognised by applying the effective interest/profit rate to the amortised cost amount, i.e. gross carrying amount less allowance for ECL.

(ii) Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans, advances and financing are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

(iii) Forbearance

Loans/financing are identified as forborne and classified as either performing or non-performing when we modify the contractual payment terms due to financial difficulty of the borrower. Non-performing forborne loans/financing are stage 3 and classified as non-performing until they meet the cure criteria, as specified by applicable credit risk policy (for example, when the loan is no longer in default and no other indicators of default have been present for at least 12 months). Any amount written off as a result of any modification of contractual terms upon entering forbearance would not be reversed.

Performing forborne loans/financing are initially stage 2 and remain classified as forborne until they meet applicable cure criteria (for example, they continue to not be in default and no other indicators of default are present for a period of at least 24 months). At this point, the loan/financing is either stage 1 or stage 2 as determined by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

(l) Impairment of amortised cost and FVOCI financial assets (Cont'd)

(iv) Loans, advances and financing modifications other than forborne loans, advances and financing

Loans, advances and financing modifications that are not identified as forborne are considered to be commercial restructuring. Where a commercial restructuring results in a modification (whether legalised through an amendment to the existing terms or the issuance of a new loan, advance and financing contract) such that the Group and the Bank's rights to the cash flows under the original contract have expired, the old loans, advances and financing is derecognised and the new loans, advances and financing is recognised at fair value. The rights to cash flows are generally considered to have expired if the commercial restructure is at market rates and no payment-related concession has been provided. Modifications of certain higher credit risk wholesale loans are assessed for derecognition having regard to changes in contractual terms that either individually or in combination are judged to result in a substantially different financial instrument.

Mandatory and general offer of loans, advances and financing modifications that are not borrower-specific, for example market-wide customer relief programmes, generally do not result in derecognition, but their stage allocation is determined considering all available and supportable information under our ECL impairment policy.

Changes made to these financial instruments, including loans, advances and financing that are economically equivalent and required by interest rate benchmark reform do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change of the interest rate benchmark.

(v) Significant increase in credit risk (stage 2)

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the borrower, and the geographical region. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk and these criteria will differ for different types of lending/financing, particularly between retail and wholesale. However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due. In addition, wholesale loans, advances and financing that are individually assessed, which are typically corporate and commercial customers, and are included on a watch or worry list due to credit reason, are included in stage 2.

For wholesale portfolios, the quantitative comparison assesses default risk using a lifetime probability of default (PD) which encompasses a wide range of information including the obligor's customer risk rating (CRR), macroeconomic condition forecasts and credit transition probabilities. For origination CRRs up to 3.3, significant increase in credit risk is measured by comparing the average PD for the remaining term estimated at origination with the equivalent estimation at the reporting date. The quantitative measure of significance varies depending on the credit quality at origination as follows:

Origination CRR	Significance trigger – PD to increase by
0.1-1.2	15 bps
2.1-3.3	30 bps

For CRRs greater than 3.3 that are not impaired, a significant increase in credit risk is considered to have occurred when the origination PD has doubled. The significance of changes in PD was informed by expert credit risk judgement, referenced to historical credit migrations and to relative changes in external market rates.

(l) Impairment of amortised cost and FVOCI financial assets (Cont'd)

(v) Significant increase in credit risk (stage 2) (Cont'd)

For loans, advances and financing originated prior to the implementation of MFRS 9, the origination PD does not include adjustments to reflect expectations of future macroeconomic conditions since these are not available without the use of hindsight. In the absence of this data, origination PD must be approximated assuming through-the-cycle (TTC) PDs and TTC migration probabilities, consistent with the instrument's underlying modelling approach and the CRR at origination. For these loans, the quantitative comparison is supplemented with additional CRR deterioration based thresholds as set out in the table below:

Origination CRR	Additional significance criteria – Number of CRR grade notches deterioration required to identify as significant credit deterioration (stage 2) (> or equal to)
0.1	5 notches
1.1-4.2	4 notches
4.3-5.1	3 notches
5.2-7.1	2 notches
7.2-8.2	1 notch
8.3	0 notch

Please refer to Note 4(b)(iii) for the 23-grade scale used for CRR.

For retail portfolios, default risk is assessed using a reporting date 12-month PD derived from credit scores which incorporate all available information about the customer. This PD is adjusted for the effect of macroeconomic forecasts for periods longer than 12 months and is considered to be a reasonable approximation of a lifetime PD measure. Retail exposures are first segmented into homogeneous portfolios, generally by product. Within each portfolio, the stage 2 accounts are defined as accounts with an adjusted 12-month PD greater than the average 12-month PD of loans, advances and financing in that portfolio 12 months before they become 30 days past due. The expert credit risk judgement is that no prior increase in credit risk is significant. This portfolio-specific threshold identifies loans, advances and financing with a PD higher than would be expected from loans, advances and financing that are performing as originally expected and higher than what would have been acceptable at origination. It therefore approximates a comparison of origination to reporting date PDs. As additional data becomes available, the retail transfer criteria approach continues to be refined to utilise a more relative approach for certain portfolios. These enhancements take advantage of the increase in origination related data in the assessment of significant increases in credit risk by comparing remaining lifetime PD to the comparable remaining term lifetime PD at origination based on portfolio-specific origination segments.

(vi) Unimpaired and without significant increase in credit risk – (stage 1)

ECL resulting from default events that are possible within the next 12 months (12-month ECL) is recognised for financial instruments that remain in stage 1.

(vii) Movement between stages

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. In the case of non-performing forborne loans, such financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment and meet the curing criteria as described above.

(l) Impairment of amortised cost and FVOCI financial assets (Cont'd)

(viii) Measurement of ECL

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

In general, the Group and the Bank calculate ECL using three main components, a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD).

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

The ECL for wholesale stage 3 is determined primarily on an individual basis using a discounted cash flow (DCF) methodology. The expected future cash flows are based on estimates as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest/profit. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on the estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral. The cash flows are discounted at a reasonable approximation of the original effective interest rate. For significant cases, cash flows under four different scenarios are probability-weighted by reference to the status of the borrower, economic scenarios applied more generally by the Group and the Bank and the judgement in relation to the likelihood of the workout strategy succeeding or receivership being required. For less significant cases, where an individual assessment is undertaken, the effect of different economic scenarios and work-out strategies results in an ECL calculation based on a most likely outcome which is adjusted to capture losses resulting from less likely but possible outcomes. For certain less significant cases, the Group and the Bank may use a LGD-based modelled approach to ECL assessment, which factors in a range of economic scenarios.

(ix) Period over which ECL is measured

ECL is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the Group and the Bank are exposed to credit risk. However, where the financial instrument includes both drawn and undrawn commitment and the contractual ability to demand repayment and cancel the undrawn commitment does not serve to limit the Group and the Bank's exposure to credit risk to the contractual notice period, the contractual period does not determine the maximum period considered. Instead, ECL is measured over the period the Group and the Bank remain exposed to credit risk that is not mitigated by credit risk management actions. This applies to retail overdrafts and credit cards, where the period is the average time taken for stage 2 exposures to default or close as performing accounts, determined on a portfolio basis and ranging from between two and six years. In addition, for these facilities it is not possible to identify the ECL on the loan, advance and financing commitment component separately from the financial asset component. As a result, the total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision. For wholesale overdraft facilities, credit risk management actions are taken no less frequently than on an annual basis

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies (Cont'd)

(l) Impairment of amortised cost and FVOCI financial assets (Cont'd)

(x) Forward-looking economic inputs

The Group and the Bank apply multiple forward-looking global economic scenarios determined with reference to external forecast distributions representative of their view of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected loss in most economic environments. In certain economic environments, additional analysis may be necessary and may result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate. The detailed methodology is disclosed in 'Measurement uncertainty and sensitivity analysis of ECL estimates' in Note 4(b)(v).

(m) Property and equipment

(i) Land and buildings

Land and buildings held for own use, comprising freehold land and buildings, and leasehold land and buildings including capital work-in-progress are carried at their revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses.

Revaluation are performed annually by independent professional qualified valuers, on a market basis, with sufficient regularity to ensure that the net carrying amount does not differ materially from the fair value. Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each financial year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset.

The gains or losses on disposal of land and buildings are determined by comparing the proceeds from disposal with the carrying amount of the land and buildings and is recognised net within 'other operating income' in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

Freehold land and capital work-in-progress related to land and buildings are not depreciated. Depreciation of capital work-in-progress commences when the assets are ready for their intended use. Depreciation of all other land and buildings is calculated to write off the cost of the assets on a straight line basis over the estimated useful lives of the assets concerned as follows:

Leasehold land	Over the lease term
Buildings on freehold land	50 years
Buildings on leasehold land	Over the lease term
Improvements on freehold building	10 years
Improvements on leasehold building	The shorter of 10 years and the lease term

Land and buildings are subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

The fair value is within level 2 of the fair value hierarchy. The fair value has been derived using the sales comparison approach.

(m) Property and equipment (Cont'd)

(ii) Equipment

Equipment, fixtures and fittings, and motor vehicles are stated at cost less accumulated depreciation and any accumulated impairment losses. The related capital work-in-progress is stated at cost and is not depreciated. Depreciation of capital work-in-progress commences when the assets are ready for their intended use. Depreciation of all other equipment is calculated on a straight-line basis to write off the assets over their useful lives as follows:

Office equipment, fixtures and fittings	5 to 10 years
Computer equipment	4 to 5 years
Motor vehicles	5 years

Additions to equipment costing RM4,600 and below are expensed to profit or loss in the month of purchase. For those assets costing more than RM4,600, it will be capitalised and depreciated accordingly.

The gains or losses on disposal of an item of equipment is determined by comparing the proceeds from disposal with the carrying amount of the equipment and is recognised net within 'other operating income' in the profit or loss.

Equipment is subject to review for impairment if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

(n) Leases

Leases are recognised as a right of use (ROU) asset and a corresponding lease liability at the date at which the leased asset is made available for use. ROU asset is presented within 'Other Assets' in the statement of financial position, and is depreciated, over the shorter of the ROU asset's useful economic life and the lease term, on a straight-line basis.

Lease liability is represented in the 'Other Liabilities' in the statement of financial position. Lease payments are allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss as interest expense over the lease term so as to produce a constant period rate of interest on the remaining balance of the liability.

In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension or termination option are considered.

Where the discount rate implicit in the lease is unavailable, the incremental borrowing rate is used. This is the rate that the Group and the Bank would have to pay to borrow the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment at similar terms and conditions.

The Group and the Bank have elected not to recognise ROU assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to the statement of profit or loss on a straight-line basis over the lease term.

(o) Intangible assets

Intangible assets of the Group and the Bank represent computer software that have a finite useful life, and are stated at cost less accumulated amortisation and any accumulated impairment losses. Computer software includes both purchased and internally generated software. The cost of internally generated software comprises all directly attributable costs necessary to create, produce and prepare the software to be capable of operating in the manner intended by management. Costs incurred in the ongoing maintenance of software are expensed immediately as incurred.

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The useful lives of purchased software and internally generated software are between 3 and 5 years in general except for core banking applications with useful life of between 3 and 10 years. Intangible assets are subject to impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

(p) Bills payable

Bills payable represents bills payable to various beneficiaries arising from the sale of bank drafts, demand drafts, cashier's orders and certified cheques.

(q) Provisions, contingent liabilities and financial guarantees contracts

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, and contingent liabilities related to legal proceedings or regulatory matters, are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

Liabilities under financial guarantees contracts which are not classified as insurance contracts are recorded initially at their fair value, which is generally the fee received or present value of the fee receivable.

Financial guarantees contracts are subsequently measured at the higher of initial fair value, less cumulative amortisation, and the expected credit loss.

(r) Employee benefits

(i) Short term employee benefits

Short term employee benefits obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured at the amounts expected to be paid when the liabilities are settled and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group and the Bank have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees Provident Fund (EPF). Such contributions are recognised as an expense in the statement of profit or loss.

(iii) Termination benefits

Termination benefits where applicable are payable when employment is terminated by the Group or the Bank for mutual or voluntary separation. The Group and the Bank recognise termination benefits when the Group and the Bank recognise costs for a restructuring that is within the scope of MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and involves the payment of termination benefits. In the case of voluntary separation, the termination benefits are estimated based on the number of employees expected to apply and be accepted for the separation.

(s) Share based payments

The Bank's ultimate holding company operates a number of equity-settled share based payment arrangements with the Bank's employees as compensation for services provided by the employees. Equity-settled share based payment arrangements entitle employees to receive equity instruments of the ultimate holding company, HSBC Holdings plc.

The cost of share-based payment arrangements with employees is measured by reference to the fair value of equity instruments on the date they are granted, and recognised as an expense on a straight-line basis over the vesting period, with a corresponding credit to the equity. The credit to equity is treated as capital contribution as the ultimate holding company is compensating the Bank's employees with no expense to the Bank. The vesting period is the period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied.

Fair value is determined using appropriate valuation models. Vesting conditions include service conditions and performance conditions; any other features of a share-based payment arrangement are non-vesting conditions. Market performance conditions and non-vesting conditions are taken into account when estimating the fair value of equity instruments at the date of grant.

Vesting conditions, other than market performance conditions, are not taken into account in the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction.

Where an award has been modified, as a minimum, the expense of the original award continues to be recognised as if it had not been modified. Where the effect of a modification is to increase the fair value of an award or increase the number of equity instruments, the incremental fair value of the award or incremental fair value of the extra equity instruments is recognised in addition to the expense of the original grant, measured at the date of modification, over the modified vesting period.

3 Material Accounting Policies (Cont'd)

(s) Share based payments (Cont'd)

Cancellations result from the failure to meet a non-vesting condition during the vesting period, and are treated as an acceleration of vesting recognised immediately in the income statement. Failure to meet a vesting condition by the employee is not treated as a cancellation, and the amount of expense recognised for the award is adjusted to reflect the number of awards expected to vest.

Where the ultimate holding company recharges the Bank for the equity instruments granted, the recharge is recognised over the vesting period.

(t) Share capital and other equity instruments

Ordinary shares and other equity instruments with discretionary coupons are classified as equity according to the substance of the contractual arrangement of the particular instrument. Dividend distributions to holders of an equity instrument is recognised directly in equity.

(u) Earnings per share

The Group and the Bank present basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholder of the Group and the Bank by the weighted average number of shares outstanding during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk

(a) Introduction and overview

(i) Risk appetite

The Group and the Bank recognise the importance of a strong culture, which refers to shared attitudes, values, beliefs and standards that shape behaviours including those related to risk awareness, risk taking and risk management. All our people are responsible for the management of risk, with the ultimate accountability residing with the Board. Our risk appetite defines the level and types of risk that we are willing to take, while informing the financial planning process and guiding strategic decision making.

Enterprise-wide application

The Group and the Bank's risk appetite encapsulate the considerations of financial and non-financial risks. They are applied across HSBC Group entities.

We define financial risk as the risk of a financial loss as a result of business activities. We actively take these types of risks to maximise shareholder value and profits. Non-financial risk is the risk to achieving the Group and the Bank's strategy or objectives as the result of failed internal processes, people and systems or from external events.

HSBC Group's risk appetite is expressed in both quantitative and qualitative terms and applied at the global business level and to material entities such as the Group and the Bank. It continues to evolve and expand its scope as part of its regular review process.

The Board reviews and approves the Group and the Bank's risk appetite regularly to make sure it remains fit for purpose. The risk appetite is considered, developed and enhanced through:
- an alignment with our strategy, purpose, values and customer needs;
- trends highlighted in other group risk reports;
- communication with risk stewards on the developing risk landscape;
- strength of our capital, liquidity and balance sheet;
- compliance with applicable laws and regulations;
- effectiveness of the applicable control environment to mitigate risk, informed by risk ratings from risk control assessments;
- functionality, capacity and resilience of available systems to manage risk; and
- the level of available staff with the required competencies to manage risks.

The Group and the Bank formally articulate risk appetite through the risk appetite statement (RAS), which is approved by the Board on the recommendation of the Risk Committee (RC). Setting out risk appetite helps ensure that we agree a suitable level of risk for our strategy. In this way, risk appetite informs financial planning process and helps senior management to allocate capital to business activities, services and products.

The RAS is applied to the development of business line strategies, strategic and business planning, and remuneration.

The performance against the RAS is reported to the Risk Management Meeting (RMM) to support targeted insight and discussion on breaches of risk appetite and any associated mitigating actions. This reporting allows risks to be promptly identified and mitigated, and informs risk-adjusted remuneration to drive a strong risk culture. All RASs and business activities are guided and underpinned by qualitative principles and/or quantitative metrics.

(a) Introduction and overview (Cont'd)

(ii) Risk management

The Group and the Bank recognise that the primary role of risk management is to help protect our customers, business, colleagues, shareholders and the communities that we serve, while ensuring we are able to support our strategy and provide sustainable growth. This is supported through our three lines of defence model as described in the commentary 'Responsibilities for risk management'. The implementation of our business strategy remains a key focus. As we implement change initiatives, we actively manage the execution risks. We also perform periodic risk assessments, including against strategies, to help ensure retention of key personnel for our continued effective operation.

We aim to use a comprehensive risk management approach across the organisation and across all risk types, underpinned by the Group and the Bank's risk culture and values. This is outlined in our risk management framework, including the key principles and practices that we employed in managing material risks, both financial and non-financial.

The framework fosters continual monitoring, promotes risk awareness, and encourages a sound operational and strategic decision making and escalation process. It also supports a consistent approach to identifying, assessing, managing and reporting the risks we accept and incur in our activities, with clear accountabilities. We actively review and enhance our risk management framework and our approach to managing risk, through our activities with regard to people and capabilities, governance, reporting and management information, credit risk management models and data.

(a) Introduction and overview (Cont'd)

(ii) Risk management (Cont'd)

Risk management framework

The following diagram and descriptions summarise key aspects of the risk management framework, including governance, structure, risk management tools and risk culture, which together help align employee behaviour with the Group and the Bank's risk appetite.

Key components of our risk management framework

HSBC values and risk culture		
Risk governance	**Non-executive risk governance**	The Board approves the risk appetite, plans and performance targets. It sets the 'tone from the top' and is advised by the Risk Committee.
	Executive risk governance	Our executive risk governance structure is responsible for the enterprise-wide management of all risks, including key policies and frameworks for the management of risk within the Group and the Bank.
Roles and responsibilities	**Three lines of defence model**	Our 'three lines of defence' model defines roles and responsibilities for risk management. An independent Risk and Compliance function helps ensure the necessary balance in risk/ return decisions.
Processes and tools	**Risk appetite**	The Group and the Bank have processes in place to identify, assess, monitor, manage and report risks to help ensure we remain within our risk appetite.
	Enterprise-wide risk management tools	
	Active risk management: identification/assessment, monitoring, management and reporting	
Internal controls	**Policies and procedures**	Policies and procedures define the minimum requirements for the controls required to manage our risks.
	Control activities	Operational and resilience risk management defines minimum standards and processes for managing operational risks and internal controls.
	Systems and infrastructure	The Group and the Bank have systems and processes that support the identification, capture and exchange of information to support risk management activities.

(a) Introduction and overview (Cont'd)

(ii) Risk management (Cont'd)

Risk governance

The Board has ultimate responsibility for the effective management of risk and approves our risk appetite. It is advised on risk-related matters by the Risk Committee.

The Risk Committee reviews the effectiveness of the Group and the Bank's risk management framework and internal controls system (other than internal financial controls overseen by Audit Committee) and oversees the approach to conduct, fairness and prevention of financial crime. Through review and independent challenge of reports presented by management at Risk Committee meetings, the committee oversees the effectiveness of monitoring, assessment and management of the risk environment as well as the risk management framework.

The Chief Risk Officer, supported by members of the RMM, holds executive accountability for the ongoing monitoring, assessment and management of the risk environment and the effectiveness of the risk management framework.

The management of regulatory compliance risk and financial crime risk resides with the Chief Compliance Officer. Oversight is maintained by the Chief Risk Officer, in line with his enterprise-wide risk oversight responsibilities, through the RMM.

Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making. All our people have a role to play in risk management. These roles are defined using the three lines of defence model, which takes into account our business and functional structures as described in the following commentary, 'Our responsibilities'.

We use a defined executive risk governance structure to help ensure there is appropriate oversight and accountability of risk, which facilitates reporting and escalation to the RMM.

Our responsibilities

All our people are responsible for identifying and managing risk within the scope of their roles. Roles are defined using the three lines of defence model, which takes into account our business and functional structures as described below.

Three lines of defence

To create a robust control environment to manage risks, we use an activity-based three lines of defence model. This model delineates management accountabilities and responsibilities for risk management and the control environment.

The model underpins our approach to risk management by clarifying responsibility and encouraging collaboration, as well as enabling efficient coordination of risk and control activities.

The three lines of defence are summarised below:
- The first line of defence owns the risks and is responsible for identifying, recording, reporting and managing them in line with risk appetite, and ensuring that the right controls and assessments are in place to mitigate them.
- The second line of defence challenges the first line of defence on effective risk management, and provides advice and guidance in relation to the risk.
- The third line of defence is the Internal Audit function, which provides independent assurance that our risk management approach and processes are designed and operating effectively

(a) Introduction and overview (Cont'd)

(ii) Risk management (Cont'd)

Our responsibilities (Cont'd)

Risk and Compliance function

The Risk and Compliance sub-functions, headed by the Chief Risk Officer and the Chief Compliance Officer, are responsible for the risk management framework. This responsibility includes establishing and monitoring of risk profiles, and identifying and managing the forward-looking risk. The Risk and Compliance sub-functions cover all risks to our business. Forming part of the second line of defence, the Risk and Compliance sub-functions are independent from the global businesses, including sales and trading functions, to provide challenge, appropriate oversight and balance in risk/return decisions.

Responsibility for minimising both financial and non-financial risk lies with our people. They are required to manage the risks of the business and operational activities for which they are responsible.

We maintain adequate oversight of risks through our various specialist Risk Stewards and the collective accountability held by the Chief Risk Officer.

We have continued to strengthen the control environment and our approach to the management of non-financial risk, as set out in our risk management framework. The management of non-financial risk focuses on governance and risk appetite, and provides a single view of the non-financial risks that matter the most and the associated controls. It incorporates a risk management system designed to enable the active management of non-financial risk. Our ongoing focus is on simplifying our approach to non-financial risk management, while driving more effective oversight and better end-to-end identification and management of non-financial risks. This is overseen by the Enterprise Risk Management function, headed by the HSBC Group Head of Enterprise Risk Management.

Stress testing

The Group and the Bank operate a wide-ranging stress testing programme that is a key part of our risk management and capital and liquidity planning. Stress testing provides management with key insights into the impact of adverse events, and provides confidence to regulators on the Group and the Bank's financial stability.

As well as undertaking regulatory-driven stress tests, the Group and the Bank conduct internal stress tests, in order to understand the nature and level of all material risks, quantify the impact of such risks and develop plausible business as usual mitigating actions.

The stress testing programme assesses capital and liquidity strength through a rigorous examination of resilience to external shocks from a range of stress scenarios. They include potential adverse macroeconomic, geopolitical and operational risk events, and other potential events that are specific to the Group and the Bank. Stress testing analysis helps management to understand the nature and extent of vulnerabilities to which the Group and the Bank are exposed to and informed decisions about preferred capital or liquidity levels.

Separately, reverse stress tests are conducted by the Group and the Bank and, where required, subsidiary entity level in order to understand which potential extreme conditions would make the business model non-viable. Reverse stress testing identifies potential stresses and vulnerabilities which the Group and the Bank or its subsidiary entity might face, and helps inform early warning triggers, management actions and contingency plans to mitigate risks.

(a) Introduction and overview (Cont'd)

(iii) Material banking risks

All of the Group and the Bank's activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group and the Bank have exposure to the following material risks from financial instruments:

- credit risk
- treasury risk
- market risks (includes foreign exchange, interest/profit rate, equity and basis risk)
- model risk

Note 4(b) to Note 4(e) presents information about the Group and the Bank's exposure to each of the above risks as well as the objectives, policies and processes for measuring and managing those risks.

(b) Credit risk

(i) Overview

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. Credit risk arises principally from direct lending/financing, trade finance and leasing business, but also from other products, such as guarantees and credit derivatives.

(ii) Credit risk management framework

Key developments in 2024

Credit policies and practices were reviewed and optimised based on the strategy of the business and the emerging risk which is observe from the portfolio. The policies and practices remain guided by Group and Regional policies and are compliant to the requirement of Bank Negara Malaysia.

Governance and structure

The Group and the Bank have established credit risk management and related MFRS 9 processes. The Group and the Bank continue to assess the impact of economic developments in key markets on specific customers, customer segments or portfolios. As credit conditions change, the Group and the Bank take mitigating action, including the revision of risk appetites or limits and tenors, as appropriate. In addition, the Group and the Bank continue to evaluate the terms under which credit facilities are provided within the context of individual customer requirements, the quality of the relationship, regulatory requirements, market practices and the Group and the Bank's market position.

(iii) Credit risk sub-function

Credit approval authorities are delegated by the Board to the Chief Risk Officer (CRO) together with the authority to sub-delegate them. The Credit Risk sub-function in Global Risk at HSBC Group is responsible for the key policies and processes for managing credit risk, which include formulating credit policies and risk rating frameworks, guiding the Group and the Bank's appetite for credit risk exposures, undertaking independent reviews and objective assessment of credit risk, and monitoring performance and management of portfolios.

The principal objectives of credit risk management are:
- to maintain a strong culture of responsible lending/financing, and robust risk policies and control frameworks;
- to both partner and challenge businesses in defining, implementing and continually re-evaluating risk appetite under actual and scenario conditions; and
- to ensure there is independent, expert scrutiny of credit risks, their costs and their mitigation.

Key risk management processes

MFRS 9 'Financial Instruments' process

The MFRS 9 process comprises three main areas: modelling and data; implementation; and governance.

- Modelling and data
  To address the MFRS 9 requirements the Group and the Bank have established modelling and data processes which are subject to internal model risk governance including independent review of significant model developments.

- Implementation
  A centralised impairment engine performs the expected credit losses(ECL) calculation using data, which is subject to a number of validation checks and enhancements, from a variety of client, finance and risk systems. Where possible, these checks and processes are performed in a globally consistent and centralised manner.

(b) Credit risk (Cont'd)

(iii) Credit risk sub-function (Cont'd)

Key risk management processes (Cont'd)

MFRS 9 'Financial Instruments' process (Cont'd)

- Governance

  Management review forums are established both in regions and sites (which includes the Group and the Bank) in order to review and approve the impairment results. The management review forums have representatives from Credit Risk and Finance. The site and regional approvals are reported up to the global business impairment committee for final approval of the Group and the Bank's ECL for the period. Required members of the forum at the Group and the Bank are the Chief Risk Officer, Head of Wholesale Credit Risk Management, Head of Wealth and Personal Banking Risk, as well as the Chief Financial Officer and the Financial Controller.

Concentration of exposure

Concentrations of credit risk arise when there are single material counterparty exposures or when there are a number of counterparties or exposures that have comparable economic characteristics, or such counterparties are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. We use a number of controls and measures to minimise undue concentration of exposure in our portfolios across industries, countries and global businesses. These include portfolio and counterparty limits, approval and review controls, and stress testing.

We monitor concentration of credit risk by sector and geographical location. The analysis of concentration of credit risk from loans, advances and financing to customers is shown in Notes 11(v) and 11(vii). The analysis of concentration of credit risk from the Group and the Bank's financial assets is shown in Note 4(b)(vi).

Credit quality of financial instruments

The Group and the Bank's risk rating system facilitates the internal ratings-based approach under the adopted Basel framework to support the calculation of minimum credit regulatory capital requirement. The five credit quality classifications each encompass a range of granular internal credit rating grades assigned to wholesale and retail lending/financing businesses, and the external ratings attributed by external agencies to debt securities. For debt securities and certain other financial instruments, external ratings have been aligned to the five quality classifications based upon the mapping of related customer risk rating (CRR) to external credit rating.

- Wholesale lending/financing

  The CRR 10-grade scale summarises a more granular underlying 23-grade scale of obligor probability of default (PD). All corporate customers are rated using the 10 or 23-grade scale, depending on the degree of sophistication of the Basel approach adopted for the exposure. Each CRR band is associated with an external rating grade by reference to long-run default rates for that grade, represented by the average of issuer-weighted historical default rates. This mapping between internal and external ratings is indicative and may vary over time.

- Retail lending/financing

  Retail lending/financing credit quality is based on a 12-month point-in-time (PIT) probability-weighted PD.

(b) Credit risk (Cont'd)

(iii) Credit risk sub-function (Cont'd)

Key risk management processes (Cont'd)

Credit quality of financial instruments (Cont'd)

- *Credit quality classification*

Credit quality of the debt securities and other bills	**External Credit Rating[1]**
Strong	A- and above
Good	BBB+ to BBB-
Satisfactory	BB+ to B and unrated
Sub-standard	B- to C
Impaired	D

Credit quality of the corporate lending/ financing/ derivative financial assets/ securities purchased under resale agreements/ deposits and placements with banks and other financial institutions	**Internal Credit Rating**	**12-month Basel probability of default %**
Strong	CRR1 - CRR2	0.000–0.169
Good	CRR3	0.170–0.740
Satisfactory	CRR4 - CRR5	0.741–4.914
Sub-standard	CRR6 - CRR8	4.915–99.999
Impaired	CRR9 - CRR10	100

Credit quality of the retail lending/financing	**Internal Credit Rating**	**12-month probability of default %**
Strong	Band 1 and 2	0.000–0.500
Good	Band 3	0.501–1.500
Satisfactory	Band 4 and 5	1.501–20.000
Sub-standard	Band 6	20.001-99.999
Impaired	Band 7	100

[1] External ratings have been aligned to the five quality classifications. The ratings of Standard and Poor's are cited, with those of other agencies being treated equivalently.

Quality classification definitions:
- *'Strong' exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or low levels of expected loss.*
- *'Good' exposures demonstrate a good capacity to meet financial commitments, with low default risk.*
- *'Satisfactory' exposures require closer monitoring and demonstrate an average-to-fair capacity to meet financial commitments, with moderate default risk.*
- *'Sub-standard' exposures require varying degrees of special attention and default risk is of greater concern.*
- *'Credit-impaired' exposures have been assessed as impaired.*

(b) Credit risk (Cont'd)

(iii) Credit risk sub-function (Cont'd)

Key risk management processes (Cont'd)

Forborne loans/financing and forbearance

Forbearance measures consist of concessions towards an obligor that is experiencing or is about to experience difficulties in meeting its financial commitments.

The Group and the Bank continue to classify loans/financing as forborne when we modify the contractual payment terms due to significant concerns about the borrowers' ability to meet contractual payments when they were due.

Our definition of forborne captures non-payment related concessions, such as covenant waivers.

For details of our policy on forborne loans, see Note 3(l)(iii) on the financial statements.

Credit quality of forborne loans/financing

For wholesale lending, where payment-related forbearance measures result in a diminished financial obligation, or if there are other indicators of impairment, the loan will be classified as credit impaired if it is not already so classified. All facilities with a customer, including loans that have not been modified, are considered credit impaired following the identification of a payment-related forborne loan. For retail lending, where a material concession has been granted, the loan will be classified as credit impaired. In isolation, non-payment forbearance measures may not result in the loan being classified as credit impaired unless combined with other indicators of credit impairment. These are classed as performing forborne loans for both wholesale and retail lending.

Wholesale and retail lending forborne loans, advances and financing are classified as credit-impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, observed over a minimum one-year period, and there are no other indicators of impairment. Any forborne loans/financing not considered credit impaired will remain forborne for a minimum of two years from the date that credit impairment no longer applies.

Forborne loans/financing and recognition of expected credit losses

Forborne loans expected credit loss assessments reflect the higher rates of losses typically experienced with these types of loans such that they are in stage 2 and stage 3. The higher rates are more pronounced in unsecured retail lending requiring further segmentation. For wholesale lending/financing, forborne loans, advances and financing are typically assessed individually. Credit risk ratings are intrinsic to the impairment assessments. The individual impairment assessment takes into account the higher risk of the future non-payment inherent in forborne loans.

Impairment assessment

For details of the impairment policies on loans, advances and financing and financial investments, see Note 3(l).

(b) Credit risk (Cont'd)

(iii) Credit risk sub-function (Cont'd)

Write-off of loans, advances and financing

For details of the policy on the write-off of loans, advances and financing, see Note 3(l)(ii).

Unsecured personal facilities, including credit cards, are generally written off at between 180 and 210 days past due except for unsecured restructured facilities which are usually written off at 90 days past due. The standard period runs until the end of the month in which the account becomes 180 days contractually delinquent.

For secured facilities, write-off should occur upon repossession of collateral, receipt of proceeds via settlement, or determination that recovery of the collateral will not be pursued. Any secured assets maintained on the balance sheet beyond 60 months of consecutive delinquency-driven default require additional monitoring and review to assess the prospect of recovery.

In the event of bankruptcy or analogous proceedings, write-off may occur earlier than the maximum periods stated above. Collection procedures may continue after write-off.

(iv) Credit risk profile

The financial assets recorded in each stage have the following characteristics:

Stage 1: These financial assets are unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised.

Stage 2: A significant increase in credit risk has been experienced on these financial assets since initial recognition for which a lifetime ECL is recognised.

Stage 3: There is objective evidence of impairment and the financial assets are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised.

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due (DPD) and are transferred from stage 1 to stage 2.

(v) Credit deterioration of financial instruments

Measurement uncertainty and sensitivity analysis of ECL estimates

The recognition and measurement of ECL involves the use of significant judgement and estimation. We form multiple economic scenarios based on economic forecasts, apply these assumptions to credit risk models to estimate future credit losses, and probability-weight the results to determine an unbiased ECL estimate. Management assessed the current economic environment, reviewed the latest economic forecasts and discussed key risks before selecting the economic scenarios and their weightings. Scenarios were constructed to reflect the latest geopolitical risks and macroeconomic developments. Management judgemental adjustments are used where modelled ECL does not fully reflect the identified risks and related uncertainty, or to capture significant late breaking events.

At 31 December 2024, there was an overall reduction in management judgemental adjustments compared with 31 December 2023.

(b) Credit risk (Cont'd)

(v) Credit deterioration of financial instruments (Cont'd)

Methodology for developing forward looking economic scenarios

Four economic scenarios are used to capture the current economic environment and to articulate management's view of the range of potential outcomes. Each scenario is updated with new forecasts and estimates each quarter.

Three of these scenarios (Upside, Central and Downside) are drawn from consensus forecasts and distributional estimates. The Central scenario is deemed the 'most likely' outcome and usually attracts the largest probability weighting, while the outer scenarios represent the tails of the distribution which are less likely to occur. The Central scenario is created using the average of a panel of external forecasters. Consensus Upside and Downside scenarios are created with reference to distributions for select markets that capture forecasters views of the entire range of outcomes. In the later years of the scenarios, projections revert to long-term consensus trend expectations. In the consensus outer scenarios, reversion to trend expectations is done with reference to historically observed quarterly changes in the values of macroeconomic variables. The fourth scenario, Downside 2, is designed to represent management's view of severe downside risks. It is a globally consistent narrative-driven scenario that explores more extreme economic outcomes than those captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations. They may instead explore alternative states of equilibrium, where economic activity moves permanently away from past trends.

The consensus Downside and the consensus Upside scenarios are each constructed to be consistent with a 10% probability. The Downside 2 is constructed with a 5% probability. The Central scenario is assigned the remaining 75% probability. This weighting scheme is deemed appropriate for the unbiased estimation of ECL in most circumstances. However, management may depart from this probability-based scenario weighting approach when the economic outlook and forecasts are determined to be particularly uncertain and risks are elevated.

The following table describes key macroeconomic variables and the probabilities assigned in the consensus Central, Upside, Downside and additional Downside scenarios.

	2024				2023			
	Scenario				Scenario			
	Central (%)	**Upside (%)**	**Downside (%)**	**Downside 2 (%)**	Central (%)	Upside (%)	Downside (%)	Downside 2 (%)
GDP growth rate	**4.3**	**5.5**	**2.8**	**1.8**	4.4	5.6	3.1	2.1
Inflation	**2.4**	**2.2**	**2.4**	**2.4**	2.3	2.1	2.3	2.4
Unemployment rate	**3.3**	**3.2**	**3.4**	**4.8**	3.4	3.3	3.5	4.8
Property price growth	**3.0**	**3.5**	**2.2**	**-1.9**	2.8	3.7	1.8	-2.4
Short term interest/profit rate	**2.8**	**2.7**	**2.3**	**2.0**	3.2	3.1	2.8	2.2
Probability	**75.0**	**10.0**	**10.0**	**5.0**	75.0	10.0	10.0	5.0

(b) Credit risk (Cont'd)

(v) Credit deterioration of financial instruments (Cont'd)

Critical accounting estimates and judgements

The calculation of ECL under MFRS 9 involves significant judgements, assumptions and estimates, as set out in the Note 2(d). These included:

- the selection of weights to apply to the economic scenarios, given the rapidly changing economic conditions and the inherent uncertainty of the underlying forecast under each scenario;

- the selection of scenarios to consider given the changing nature of macroeconomic and geopolitical risks that the Bank and wider economy faces; and

- estimating the economic effects of those scenarios on ECL, particularly sector and portfolio specific risks and the uncertainty of default and recovery experience under all scenarios.

How economic scenarios are reflected in the calculation of ECL

Models are used to reflect economic scenarios on ECL estimates. Modelled assumptions and linkages based on historical information could not alone produce relevant information under the conditions experienced in 2024, and management judgemental adjustments were still required to support modelled outcomes.

HSBC Group has developed a globally consistent methodology for the application of forward economic guidance into the calculation of ECL for wholesale and retail credit risk.

For our wholesale portfolio, a global methodology is used for the estimation of the term structure of probability of default (PD) and loss given default (LGD). For PDs, we consider the correlation of forward economic guidance to default rates for a particular industry in a country. For LGD calculations, we consider the correlation of forward economic guidance to collateral values and realisation rates for a particular country and industry. PDs and LGDs are estimated for the entire term structure of each instrument.

For impaired loans, advances and financing, ECL estimates are derived based on discounted cash flow (DCF) calculations for internal forward-looking scenarios specific to individual company circumstances. Probability-weighted outcomes are applied, and depending on materiality and status of the borrower, the number of scenarios considered will change. Where relevant for the case being assessed, forward economic guidance is incorporated as part of these scenarios. LGD-driven proxy and modelled estimates are used for certain less material cases.

For our retail portfolios, the impact of economic scenarios on PD is modelled at a portfolio level. Historical relationships between observed default rates and macroeconomic variables are integrated into MFRS 9 ECL estimates by using economic response models. The impact of these scenarios on PD is modelled over a period equal to the remaining maturity of the underlying asset or assets. The impact on LGD is modelled for housing loans/financing portfolios by forecasting future loan-to-value (LTV) profiles for the remaining maturity of the asset by using national level forecasts of the house price index and applying the corresponding LGD expectation. These models are based largely on historical observations and correlations with default rates.

(b) Credit risk (Cont'd)

(v) Credit deterioration of financial instruments (Cont'd)

Management judgemental adjustments

In the context of MFRS 9, management judgemental adjustments are short-term increases or decreases to the ECL at either a customer or portfolio level to account for late breaking events, model and data limitations and deficiencies, and expert credit judgement applied following management review and challenge. This includes refining model inputs and outputs and using adjustments to ECL based on management judgement and higher-level quantitative analysis for impacts that are difficult to model. The effect of management judgmental adjustments are considered for balances and ECL when determining whether or not a significant increase in credit risk has occurred and are attributed or allocated to a stage as appropriate. This is in accordance with the internal adjustments framework.

Management judgmental adjustments are reviewed under the governance process for MFRS 9. Review and challenge focuses on the rationale and quantum of the adjustments with further review by the second line of defence where significant. For some management judgemental adjustments, internal frameworks establish the conditions under which these adjustments should no longer be required and as such are considered as part of the governance process. This internal governance process allows management judgemental adjustments to be reviewed regularly and, where possible, to reduce the reliance on these through model recalibration or redevelopment, as appropriate. The drivers of management judgemental adjustments continue to evolve with the economic environment, and as new risks emerge.

Economic scenarios sensitivity analysis of ECL estimates

Management considered the sensitivity of the ECL outcome against the economic forecasts as part of the ECL governance process by recalculating the ECL under each scenario described above for selected portfolios, applying a 100% weighting to each scenario in turn. The weighting is reflected in both the determination of significant increase in credit risk and the measurement of the resulting ECL.

The ECL calculated for the Upside and Downside scenarios should not be taken to represent the lower and upper limits of possible ECL outcomes. The impact of defaults that might occur in the future under different economic scenarios is captured by recalculating ECL for loans, advances and financing at the reporting date.

There is a particularly high degree of estimation uncertainty in numbers representing more severe risk scenarios when assigned a 100% weighting.

For wholesale credit risk exposures, the sensitivity analysis excludes ECL and financial instruments related to defaulted obligors because the measurement of ECL is relatively more sensitive to credit factors specific to the obligor than future economic scenarios. Therefore, it is impracticable to separate the effect of macro-economic factors in individual assessments. When compared with the performing portfolio, the defaulted obligors represent a significantly smaller portion of the wholesale exposures, even if accounting for the larger portion of the allowance for ECL.

For retail credit risk exposures, the sensitivity analysis includes ECL for loans, advances and financing to customers related to defaulted obligors. This is because the retail ECL for secured housing loans/financing portfolios including loans in all stages is sensitive to macroeconomic variables.

(b) Credit risk (Cont'd)

(v) Credit deterioration of financial instruments (Cont'd)

Wholesale and retail sensitivity

The wholesale and retail sensitivity analysis is stated inclusive of management judgemental adjustments, as appropriate to each scenario. The results tables exclude small portfolios, and as such cannot be directly compared to retail and wholesale lending/financing presented in other credit risk tables. Additionally, in both the wholesale and retail analysis, the comparative period results for additional/alternative Downside scenarios are not directly comparable to the current period, because they reflect different risk relative with the consensus scenarios for the period end.

Wholesale analysis

MFRS 9 ECL sensitivity to future economic conditions [1]

ECL coverage of financial instruments subject to significant measurement uncertainty as at 31 December [2]	**Group**		**Bank**	
	2024	2023	**2024**	2023
Reported ECL (RM'000)	**45,445**	77,525	**25,354**	52,545
Gross carrying value/nominal amount [3] (RM'000)	**114,954,122**	105,568,978	**90,202,040**	83,051,586
Reported ECL coverage (%)	**0.04%**	0.07%	**0.03%**	0.06%
Coverage ratios by scenario (%)				
Consensus central scenario	**0.03%**	0.07%	**0.02%**	0.06%
Consensus upside scenario	**0.03%**	0.06%	**0.02%**	0.05%
Consensus downside scenario	**0.06%**	0.10%	**0.04%**	0.08%
Alternative (downside 2) scenario	**0.17%**	0.20%	**0.12%**	0.15%

[1] Excludes ECL and financial instruments relating to defaulted obligors because the measurement of ECL is relatively more sensitive to credit factors specific to the obligor then future economic scenario.
[2] Includes off balance sheet financial instruments that are subject to significant measurement uncertainty.
[3] Includes low credit risk financial instruments such as Debt instruments at FVOCI which have low ECL coverage ratios under all the above scenarios. Coverage ratios on loans, advances and financing to customers including loan commitments and financial guarantees are typically higher.

Retail analysis

MFRS 9 ECL sensitivity to future economic conditions [1]

ECL coverage of financing and advances [2]	**Group**		**Bank**	
	2024	2023	**2024**	2023
Reported ECL (RM'000)	**383,194**	491,775	**194,725**	243,217
Drawn amount (RM'000)	**19,558,255**	19,543,620	**13,849,089**	13,896,801
Reported ECL coverage (%)	**1.96%**	2.52%	**1.41%**	1.75%
Coverage ratios by scenario (%)				
Consensus central scenario	**1.94%**	2.43%	**1.39%**	1.73%
Consensus upside scenario	**1.85%**	2.31%	**1.37%**	1.66%
Consensus downside scenario	**1.98%**	2.62%	**1.42%**	1.81%
Alternative (downside 2) scenario	**2.61%**	3.37%	**1.88%**	2.28%

[1] ECL sensitivities excludes portfolios using less complex modelling approaches.
[2] ECL sensitivity includes only on balance sheet financial instruments to which MFRS 9 impairment requirements are applied.

(b) Credit risk (Cont'd)

(vi) Credit quality

Credit quality of financial instruments

The Group and the Bank assess credit quality of all financial instruments that are subject to credit risk. The credit quality of financial instruments is a point-in-time assessment of the probability of default of financial instruments, whereas stages 1 and 2 are determined based on relative deterioration of credit quality since initial recognition. Accordingly, for non-credit impaired financial instruments, there is no direct relationship between the credit quality assessment and stages 1 and 2, though typically the lower credit quality bands exhibit a higher proportion in stage 2.

The five credit quality classifications each encompass a range of granular internal credit rating grades assigned to wholesale and retail lending/financing businesses and the external ratings attributed by external agencies to debt securities, as shown in the table on the following page.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk (Cont'd)

(vi) Credit quality (Cont'd)

Distribution of financial assets by credit quality

Group	Gross Carrying Amount							
(RM'000)	Strong	Good	Satisfactory	Sub-standard	Credit Impaired	Total	ECL	Net
As at 31 December 2024								
Cash and short-term funds	**7,400,888**	**–**	**–**	**–**	**–**	**7,400,888**	**(21)**	**7,400,867**
Securities purchased under resale agreements	**7,653,510**	**199,208**	**204,912**	**–**	**–**	**8,057,630**	**–**	**8,057,630**
Financial assets at FVTPL	**4,935,168**	**–**	**9,218**	**–**	**–**	**4,944,386**	**–**	**4,944,386**
Financial investments at FVOCI [1]	**17,114,717**	**–**	**–**	**–**	**–**	**17,114,717**	**(1,224)**	**17,113,493**
Financial investments at amortised cost	**10,798,526**	**505,661**	**20,000**	**–**	**–**	**11,324,187**	**(1,486)**	**11,322,701**
Loans, advances and financing to customers held at amortised cost	**17,356,959**	**12,532,780**	**13,697,341**	**1,080,857**	**1,430,940**	**46,098,877**	**(561,359)**	**45,537,518**
of which:								
- retail	***8,300,201***	***5,341,278***	***4,634,928***	***434,500***	***1,198,838***	***19,909,745***	***(383,324)***	***19,526,421***
- corporate and commercial	***9,056,758***	***7,191,502***	***9,062,413***	***646,357***	***232,102***	***26,189,132***	***(178,035)***	***26,011,097***
Derivatives financial assets	**1,041,343**	**122,171**	**72,966**	**(540)**	**–**	**1,235,940**	**–**	**1,235,940**
Other financial assets	**1,296,544**	**–**	**–**	**–**	**–**	**1,296,544**	**–**	**1,296,544**
Irrevocable loan commitments and financial guarantees	**21,914,000**	**6,319,000**	**3,825,000**	**191,000**	**33,000**	**32,282,000**	**(21,000)**	**32,261,000**

[1] Financial investments at FVOCI excludes equity securities.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk (Cont'd)

(vi) Credit quality (Cont'd)

Distribution of financial assets by credit quality (Cont'd)

Group	Gross Carrying Amount							
(RM'000)	**Strong**	**Good**	**Satisfactory**	**Sub-standard**	**Credit Impaired**	**Total**	**ECL**	**Net**
As at 31 December 2023								
Cash and short-term funds	10,643,942	–	–	–	–	10,643,942	(52)	10,643,890
Securities purchased under resale agreements	10,428,967	197,377	117,102	–	–	10,743,446	–	10,743,446
Financial assets at FVTPL	3,674,940	–	4,967	–	–	3,679,907	–	3,679,907
Financial investments at FVOCI [1]	13,622,273	–	–	–	–	13,622,273	(511)	13,621,762
Financial investments at amortised cost	7,213,854	300,000	–	–	–	7,513,854	(1,012)	7,512,842
Loans, advances and financing to customers held at amortised cost	19,332,225	12,764,621	12,320,832	972,106	1,805,575	47,195,359	(817,033)	46,378,326
of which:								
- retail	*7,993,778*	*5,706,512*	*4,736,461*	*477,802*	*1,433,631*	*20,348,184*	*(503,036)*	*19,845,148*
- corporate and commercial	*11,338,447*	*7,058,109*	*7,584,371*	*494,304*	*371,944*	*26,847,175*	*(313,997)*	*26,533,178*
Derivatives financial assets	1,332,825	149,292	59,469	1,445	8	1,543,039	–	1,543,039
Other financial assets	755,968	–	–	–	–	755,968	–	755,968
Irrevocable loan commitments and financial guarantees	19,782,000	6,415,000	3,293,000	224,000	168,000	29,882,000	(13,000)	29,869,000

[1] Financial investments at FVOCI excludes equity securities.

(b) Credit risk (Cont'd)

(vi) Credit quality (Cont'd)

Distribution of financial assets by credit quality (Cont'd)

Bank	Gross Carrying Amount							
(RM'000)	Strong	Good	Satisfactory	Sub-standard	Credit Impaired	Total	ECL	Net
As at 31 December 2024								
Cash and short-term funds	**4,808,486**	**–**	**–**	**–**	**–**	**4,808,486**	**(17)**	**4,808,469**
Securities purchased under resale agreements	**7,653,510**	**199,208**	**204,912**	**–**	**–**	**8,057,630**	**–**	**8,057,630**
Deposits and placements with banks and other financial institution	**2,327,507**	**–**	**–**	**–**	**–**	**2,327,507**	**–**	**2,327,507**
Financial assets at FVTPL	**4,914,547**	**–**	**9,218**	**–**	**–**	**4,923,765**	**–**	**4,923,765**
Financial investments at FVOCI [1]	**14,851,347**	**–**	**–**	**–**	**–**	**14,851,347**	**(1,026)**	**14,850,321**
Financial investments at amortised cost	**9,132,486**	**200,000**	**–**	**–**	**–**	**9,332,486**	**(1,178)**	**9,331,308**
Loans, advances and financing to customers held at amortised cost	**11,959,863**	**9,355,413**	**8,704,277**	**780,595**	**920,961**	**31,721,109**	**(295,084)**	**31,426,025**
of which:								
- retail	***6,307,037***	***3,943,129***	***2,774,298***	***275,785***	***770,857***	***14,071,106***	***(195,058)***	***13,876,048***
- corporate and commercial	***5,652,826***	***5,412,284***	***5,929,979***	***504,810***	***150,104***	***17,650,003***	***(100,026)***	***17,549,977***
Derivatives financial assets	**1,124,815**	**108,662**	**61,972**	**(540)**	**–**	**1,294,909**	**–**	**1,294,909**
Other financial assets	**1,480,734**	**–**	**–**	**–**	**–**	**1,480,734**	**–**	**1,480,734**
Irrevocable loan commitments and financial guarantees	**17,564,000**	**5,076,000**	**2,215,000**	**114,000**	**13,000**	**24,982,000**	**(17,000)**	**24,965,000**

[1] Financial investments at FVOCI excludes equity securities.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk (Cont'd)

(vi) Credit quality (Cont'd)

Distribution of financial assets by credit quality (Cont'd)

Bank	Gross Carrying Amount							
(RM'000)	**Strong**	**Good**	**Satisfactory**	**Sub-standard**	**Credit Impaired**	**Total**	**ECL**	**Net**
As at 31 December 2023								
Cash and short-term funds	7,973,873	–	–	–	–	7,973,873	(43)	7,973,830
Securities purchased under resale agreements	10,428,967	197,377	–	–	–	10,626,344	–	10,626,344
Deposits and placements with banks and other financial institution	575,986	–	–	–	–	575,986	–	575,986
Financial assets at FVTPL	3,674,940	–	4,967	–	–	3,679,907	–	3,679,907
Financial investments at FVOCI [1]	11,764,874	–	–	–	–	11,764,874	(401)	11,764,473
Financial investments at amortised cost	6,323,705	200,000	–	–	–	6,523,705	(779)	6,522,926
Loans, advances and financing to customers held at amortised cost	14,383,678	9,157,513	7,491,173	600,792	1,192,126	32,825,282	(468,167)	32,357,115
of which:								
- retail	*6,257,513*	*4,188,950*	*2,769,761*	*290,189*	*918,843*	*14,425,256*	*(248,981)*	*14,176,275*
- corporate and commercial	*8,126,165*	*4,968,563*	*4,721,412*	*310,603*	*273,283*	*18,400,026*	*(219,186)*	*18,180,840*
Derivatives financial assets	1,403,447	148,792	51,608	1,443	–	1,605,290	–	1,605,290
Other financial assets	842,753	–	–	–	–	842,753	–	842,753
Irrevocable loan commitments and financial guarantees	16,246,000	4,439,000	2,230,000	113,000	152,000	23,180,000	(9,000)	23,171,000

[1] Financial investments at FVOCI excludes equity securities.

(b) Credit risk (Cont'd)

(vi) Credit quality (Cont'd)

Credit impaired loans (stage 3)

The Group and the Bank determine that a financial instrument is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days;
- there are other indications that the borrower is unlikely to pay, such as when a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the loan is otherwise considered to be in default. If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due. Therefore, the definitions of credit impaired and default are aligned as far as possible so that stage 3 represents all loans that are considered defaulted or otherwise credit impaired.

Collateral and other credit enhancements

Although collateral can be an important mitigant of credit risk, it is the Group and the Bank's practice to lend on the basis of the customer's ability to meet their obligations out of their cash flow resources rather than placing primary reliance on collateral and other credit risk enhancements. Depending on the customer's standing and the type of product, facilities may be provided without any collateral or other credit enhancements. For other lending/ financing, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of default, the bank may utilise the collateral as a source of repayment.

Lending/financing is made on the basis of the customer's capacity to repay, as opposed to placing primary reliance on credit risk mitigation. Mitigation of credit risk is nevertheless a key aspect of effective risk management and in the Group and Bank, takes many forms, the most common method of which is to take collateral. The principal collateral types employed by the Group and the Bank are as follows:

- under the residential and real estate business; mortgages over residential and financed properties;
- under certain Islamic specialised financing and leasing transactions (such as machinery financing) where physical assets form the principal source of facility repayment, physical collateral is typically taken;
- in the commercial and industrial sectors, charges over business assets such as premises, stock and debtors;
- facilities provided to small and medium enterprises are commonly granted against guarantees by their owners/directors;
- guarantees from third parties can arise where facilities are extended without the benefit of any alternative form of security, such as where the Group and the Bank issue a bid or performance bond in favour of a non-customer at the request of another bank;
- under the institutional sector, certain trading facilities are supported by charges over financial instruments such as cash, debt securities and equities; and
- financial collateral in the form of marketable securities is used in much of the over-the-counter (OTC) derivatives activities and in the Group and the Bank's securities financing business (securities lending/ financing and borrowing or repos and reverse repos).

The Group and the Bank do not disclose the fair value of collateral held as security or other credit enhancements on loans, advances and financing that are past due but not impaired as it is not practicable to do so.

(b) Credit risk (Cont'd)

(vi) Credit quality (Cont'd)

Collateral and other credit enhancements (Cont'd)

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for impaired loans, advances and financing for the Group and the Bank as at 31 December 2024 are 65.1% (2023: 65.4%) and 74.6% (2023: 71.9%) respectively.

The financial effect of collateral held for other remaining on-balance sheet financial assets is not significant.

Collateral especially properties are made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. If excess funds arise after the debt/financing has been repaid, they are made available either to repay other secured lenders/financier with lower priority or are returned to the customer. The Group and the Bank do not generally occupy repossessed properties for its business use.

Derivatives

The Group and the Bank participate in transactions exposing us to counterparty credit risk. Counterparty credit risk is the risk of financial loss if the counterparty to a transaction defaults before satisfactorily settling it. It arises principally from over-the-counter (OTC) derivatives and securities financing transactions and is calculated in both the trading and non-trading books. Transactions vary in value by reference to a market factor such as an interest rate, exchange rate or asset price.

As part of the risk management practises arising from derivatives activity, the Group and the Bank will enter into legally enforceable arrangements with its counterparties. The Group and the Bank will enter into a master agreement which (i) provides for a contractual framework within which dealing activity across a full range of OTC products is conducted, and (ii) contractually binds both parties to apply close-out netting across all outstanding transactions covered by the master agreement if either party defaults or another pre-agreed termination event occurs.

(b) Credit risk (Cont'd)

(vi) Credit quality (Cont'd)

Offsetting financial assets and liabilities

The disclosures set out in the table below include financial assets and financial liabilities that are subject to an enforceable master netting agreement, irrespective of whether they are offset in the statement of financial position. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and liability simultaneously (the offset criteria). During the financial year, no financial assets or financial liabilities were offset in the statement of financial position because the ISDA[1] does not meet the criteria for offsetting in the statement of financial position. The ISDA[1] creates for the parties to the agreement, a right of set off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group and the Bank, or its counterparties. Financial instruments subject to offsetting, enforceable master netting agreements and similar agreements are shown as follows:

[1] *International Swaps and Derivatives Association*

	(i)	(ii)	(iii) = (i) + (ii)	(iv)a	(iv)b	(v) = (iii) - (iv)
				Gross amounts not offset in the statement of financial position		
Description	**Gross amounts of recognised assets**	**Gross amounts offset in the statement of financial position**	**Net amount of assets presented in the statement of financial position**	**Financial instruments**	**Cash collateral**	**Net amount**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group						
As at 31 December 2024						
Securities purchased under resale agreements	**8,057,630**	**–**	**8,057,630**	**8,057,630**	**–**	**–**
Derivative financial assets	**1,235,940**	**–**	**1,235,940**	**–**	**155,014**	**1,080,926**
Derivative financial liabilities	**1,408,918**	**–**	**1,408,918**	**–**	**283,807**	**1,125,111**
As at 31 December 2023						
Securities purchased under resale agreements	10,743,446	–	10,743,446	10,743,446	–	–
Derivative financial assets	1,543,039	–	1,543,039	–	200,855	1,342,184
Derivative financial liabilities	1,575,994	–	1,575,994	–	255,205	1,320,789

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk (Cont'd)

(vi) Credit quality (Cont'd)

Offsetting financial assets and liabilities (Cont'd)

Description	(i) Gross amounts of recognised assets	(ii) Gross amounts offset in the statement of financial position	(iii) = (i) + (ii) Net amount of assets presented in the statement of financial position	(iv)a Gross amounts not offset in the statement of financial position: Financial instruments	(iv)b Gross amounts not offset in the statement of financial position: Cash collateral	(v) = (iii) - (iv) Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank						
As at 31 December 2024						
Securities purchased under resale agreements	**8,057,630**	**–**	**8,057,630**	**8,057,630**	**–**	**–**
Derivative financial assets	**1,294,909**	**–**	**1,294,909**	**–**	**155,014**	**1,139,895**
Derivative financial liabilities	**1,435,165**	**–**	**1,435,165**	**–**	**283,807**	**1,151,358**
As at 31 December 2023						
Securities purchased under resale agreements	10,626,344	–	10,626,344	10,626,344	–	–
Derivative financial assets	1,605,290	–	1,605,290	–	200,855	1,404,435
Derivative financial liabilities	1,580,597	–	1,580,597	–	255,205	1,325,392

(c) Treasury risk

Overview

Treasury risk is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements, including the risk to our earnings or capital due to structural foreign exchange exposures and changes in market interest rates. Treasury risk arises from changes to the respective resources and risk profiles driven by customer behaviour, management decisions or the external environment.

Approach and policy

The main objective in the management of treasury risk is to maintain appropriate levels of capital, liquidity, funding, foreign exchange and market risk to support business strategy, and meet regulatory and stress testing-related requirements. The approach to treasury management is driven by our strategic and organisational requirements, taking into account the regulatory, economic and commercial environment. We aim to maintain a strong capital and liquidity base to support the risks inherent in our business and invest in accordance with our strategy, meeting regulatory requirements at all times. Our policy is underpinned by our risk management framework, our internal capital adequacy assessment process (ICAAP) and our internal liquidity adequacy assessment process (ILAAP). The risk framework incorporates a number of measures aligned to our assessment of risks for both internal and regulatory purposes.

Governance and structure

The Board approves the policy and risk appetite for capital risk, liquidity and funding risk, and Interest/Profit Rate Risk in the Banking Book (IRRBB). It is supported and advised by the Risk Committee (RC).

The Asset, Liability and Capital Management (ALCM) sub-function manages capital, liquidity and funding risk on an on-going basis and provides support to the Asset and Liability Management Committee (ALCO), and is overseen by the Treasury Risk Management sub-function (TRM) and the Risk Management Meeting (RMM).

The ALCM sub-function also manages interest rate risk in the banking book, maintains the transfer pricing framework and informs the ALCO of the overall banking book interest rate exposure. Banking book interest rate positions may be transferred to be managed by the Markets Treasury business, within the market risk limits approved by the Board.

The Treasury Risk Management sub-function carries out independent review, challenge and assurance of the appropriateness of the risk management activities undertaken by ALCM and Markets Treasury. Internal Audit provides independent assurance that risk is managed effectively.

(c) Treasury risk (Cont'd)

(i) Capital Risk

Capital management

The Group and the Bank's approach to capital management is driven by their strategic and organisational requirements, taking into account the regulatory, economic and commercial environment in which they operate.

It is the Group and the Bank's objective to maintain a strong capital base to support the development of their business and to meet regulatory capital requirements at all times. The policy on capital management is underpinned by a capital management framework, which enables the Group and the Bank to manage their capital in a consistent manner.

The Group and the Bank's capital management process is articulated in its ICAAP and annual capital plan which are approved by the Board. The ICAAP is an assessment of the Group and the Bank's capital position, outlining both regulatory and internal capital resources and requirements resulting from our business model, strategy, risk profile and management, performance and planning, risks to capital, and the implications of stress testing. The capital plan is drawn up with the objective of maintaining both an appropriate amount of capital and an optimal mix between the different components of capital.

In accordance with Capital Management Framework, capital generated by subsidiaries in excess of planned requirements is returned to the parent companies, normally by way of dividends.

The Bank is primarily the provider of capital to its subsidiaries and these investments are substantially funded by the Bank's own capital issuance and profit retention. As part of its capital management process, the Bank seeks to maintain a prudent balance between the composition of its capital and that of its investment in subsidiaries.

The principal forms of capital are included in the following balances on the consolidated balance sheet: share capital, other equity instruments, retained profits, other reserves and subordinated liabilities.

The Group and the Bank's regulatory capital is analysed in two tiers:

- Tier 1 capital is divided into Common Equity Tier 1 (CET1) Capital and Additional Tier 1 (AT1) Capital. CET1 Capital includes ordinary share capital, retained earnings, reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes. AT1 Capital includes qualifying preference shares issued by the Group and the Bank.

  From 1 January 2020 to 31 December 2023, the Group and the Bank's CET1 also include a portion of the impairment allowances equal to 12-month and lifetime expected credit losses for non-credit impaired loans (commonly known as stage 1 and 2 provisions).

  This is as allowed by BNM in its Guideline on Capital Adequacy Framework (Capital Component) issued on 9 December 2020 which allows banks to apply for a transitional arrangement where stage 1 and 2 provisions for ECL are added back to CET1 Capital subject to 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. The transitional arrangement has ended with effect from 1 January 2024.

- Tier 2 capital, which includes, impairment allowances equal to 12-month and lifetime expected credit losses for non-credit impaired loans (commonly known as stage 1 and 2 provisions), regulatory reserve, and the element of the fair value reserve relating to revaluation of property which are disclosed as regulatory adjustments.

(c) Treasury risk (Cont'd)

(i) Capital risk (Cont'd)

Externally imposed capital requirements

The Group and the Bank are required to comply with BNM's Capital Adequacy Framework (Capital Components) Guideline for the purpose of computing regulatory capital adequacy ratios. Under the said Guideline, the Group and the Bank are required to maintain the minimum capital adequacy ratios for Common Equity Tier 1 (CET1), Tier 1 and Total Capital Ratios of 4.5%, 6.0% and 8.0% respectively.

Basel III

With effect from 1 January 2016, banking institutions in Malaysia are also required to maintain capital buffers above the minimum capital adequacy ratios. The capital buffer requirements comprise Capital Conservation Buffer (CCB) of 2.5%, and the Countercyclical Capital Buffer (CCyB) ranging between 0% to 2.5%. CCB is intended to build up capital buffers by individual banking institutions during normal times that can be drawn down during stress periods while CCyB is intended to protect the banking sector as a whole from the build-up of systemic risk during an economic upswing when aggregate credit growth tends to be excessive.

In line with the regulatory requirement, the Group and the Bank have also set further buffers to reflect risks not included in the regulatory capital calculation, arising from internal assessment of risks and the results of stress tests.

Leverage ratio

Basel III introduces a simple non risk-based leverage ratio as a complementary measure to the risk-based Capital Adequacy Framework. It aims to constrain the build-up of excess leverage in the banking sector, introducing additional safeguards against model risk and measurement errors. The ratio is a volume-based measure calculated as Basel III Tier 1 Capital divided by Total on- and off-balance sheet exposures.

The Group and the Bank are required to comply with BNM Leverage Ratio Framework which came into effect on 1 January 2018. This includes the implementation of the leverage ratio framework in Malaysia with the minimum leverage ratio requirement of 3%.

(ii) Liquidity and funding risk

Overview

Liquidity risk is the risk that the Group and the Bank do not have sufficient financial resources to meet their obligations when they fall due. Liquidity risk arises from mismatches in the timing of cash flows. Funding risk is the risk that the Group and the Bank cannot raise funding or can only do so at excessive cost.

The Group and the Bank have comprehensive policies, metrics and controls, which aim to allow them to withstand severe but plausible liquidity stresses. They maintain a diversified and stable funding base comprising core retail and corporate customer deposits and institutional balances. This is augmented by wholesale funding and portfolios of highly liquid assets. The objective of the Group and the Bank's liquidity and funding management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market access is coordinated and cost effective.

Current accounts and savings deposits payable on demand or at short notice form a significant part of HSBC Group's funding, and the Group and the Bank place considerable importance on maintaining their stability. For deposits, stability depends upon preserving depositor confidence in the Group and the Bank's capital strength and liquidity, and on competitive and transparent pricing. In aggregate, the Group and the Bank are net liquidity providers to the interbank market, placing significantly more funds with other banks than it borrows.

(c) Treasury risk (Cont'd)

(ii) Liquidity and funding risk (Cont'd)

Framework

The management of liquidity and funding is primarily carried out through HSBC Group's liquidity and funding risk framework (LFRF) and BNM's Liquidity Coverage Ratio and Net Stable Funding Ratio Framework. The Group and the Bank are required to meet internal minimum requirements and any applicable regulatory requirements at all times. These requirements are assessed through the ILAAP, which ensures there are robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons, including intra-day. The ILAAP informs the validation of risk tolerance and the setting of risk appetite. It also assesses the capability to manage liquidity and funding effectively.

Limits are proposed by Asset, Liability and Capital Management (ALCM) through the RMM and approved by the Board. These limits vary to take account of the depth and liquidity of the local market in which the Group and the Bank operate. The Group and the Bank maintain strong liquidity positions and manage the liquidity profile of the assets, liabilities and commitments to ensure that cash flows are appropriately balanced and all obligations are met when due.

The Asset and Liability Committee (ALCO) is responsible for managing all ALCM issues including liquidity and funding risk management. Compliance with liquidity and funding requirements is monitored by ALCO through the following processes:
- maintaining compliance with relevant regulatory requirements of the operating entity;
- projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- monitoring liquidity and funding ratios against internal and regulatory requirements;
- maintaining a diverse range of funding sources with adequate back-up facilities;
- managing the concentration and profile of term funding;
- managing contingent liquidity commitment exposures within predetermined limits;
- maintaining debt financing plans;
- monitoring of depositor concentration in order to avoid undue reliance on large individual depositors and ensuring a satisfactory overall funding mix; and
- maintaining liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises, while minimising adverse long-term implications for the business.

(c) Treasury risk (Cont'd)

(ii) Liquidity and funding risk (Cont'd)

Management of liquidity and funding risk

The HSBC Group's LFRF uses the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) regulatory framework as a foundation, but adds extra metrics, limits and overlays to address the risks that we consider are not adequately reflected by the regulatory framework.

Funding and liquidity plans form part of the financial resource plan that is approved by the Board. The critical Board-level appetite measures are the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). An internal liquidity metric (ILM) was introduced in January 2021 to supplement the LCR and NSFR metrics. An appropriate funding and liquidity profile is managed through a wider set of measures:

- a minimum LCR requirement;
- a minimum NSFR requirement or other appropriate metric;
- an internal liquidity metric (ILM);
- a minimum liquidity requirement in material currencies;
- a legal entity depositor concentration limit;
- cumulative term funding maturity concentrations limit;
- liquidity metrics to monitor minimum requirement by currency;
- intra-day liquidity;
- the application of liquidity funds transfer pricing; and
- forward-looking funding assessments.

Liquidity risk

The tables in the following pages summarise the Group's and the Bank's exposure to liquidity risk. The asset and liabilities at carrying amount are allocated to time bands by reference to the remaining contractual maturity and/ or their behavioural profile.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(ii) Liquidity and funding risk (Cont'd)

Liquidity risk (Cont'd)

Group 31 December 2024	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Trading book RM'000	Total RM'000
ASSETS								
Cash and short term funds	7,400,867	–	–	–	–	–	–	7,400,867
Securities purchased under resale agreements	2,596,730	4,482,708	978,192	–	–	–	–	8,057,630
Financial assets at FVTPL	–	–	–	–	–	–	4,944,386	4,944,386
Financial investments at FVOCI	1,535,782	4,531,939	2,764,061	8,282,935	–	247,905	–	17,362,622
Financial assets at amortised cost	–	560,529	1,897,983	8,658,528	205,661	–	–	11,322,701
Loans, advances and financing	14,290,893	5,786,073	3,761,936	5,700,642	15,997,974	–	–	45,537,518
Derivative financial assets	–	–	–	–	–	–	1,235,940	1,235,940
Others [1]	15,637	41,147	74,437	178,784	20,416	2,400,877	951,437	3,682,735
Total assets	25,839,909	15,402,396	9,476,609	22,820,889	16,224,051	2,648,782	7,131,763	99,544,399
LIABILITIES AND EQUITY								
Deposits from customers	56,332,922	7,955,531	10,000,615	817,989	–	–	–	75,107,057
Deposits and placements from banks and other financial institutions	1,840,256	312,863	–	–	–	–	–	2,153,119
Bills payable	145,963	–	–	–	–	–	–	145,963
Derivative financial liabilities	–	–	–	–	–	–	1,408,918	1,408,918
Structured liabilities designated at FVTPL	115,858	377,204	1,811,218	1,834,521	107,123	–	–	4,245,924
Others [2]	591,072	77,500	102,798	23,457	1,806	2,074,581	415,130	3,286,344
Total liabilities	59,026,071	8,723,098	11,914,631	2,675,967	108,929	2,074,581	1,824,048	86,347,325
Equity	–	–	–	–	–	13,197,074	–	13,197,074
Total liabilities and equity	59,026,071	8,723,098	11,914,631	2,675,967	108,929	15,271,655	1,824,048	99,544,399
Net maturity mismatches	(33,186,162)	6,679,298	(2,438,022)	20,144,922	16,115,122	(12,622,873)	5,307,715	–
Commitments and contingencies	89,723,047	45,276,607	52,618,128	37,758,377	1,428,847	–	–	226,805,006

[1] Others comprises other assets, statutory deposits with Bank Negara Malaysia, property and equipment, tax recoverable and deferred tax assets.

[2] Others comprises provision for taxation and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(ii) Liquidity and funding risk (Cont'd)

Liquidity risk (Cont'd)

	Non-trading book							
Group 31 December 2023	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-specific maturity RM'000**	**Trading book RM'000**	**Total RM'000**
ASSETS								
Cash and short term funds	10,643,890	–	–	–	–	–	–	10,643,890
Securities purchased under resale agreements	4,555,929	6,070,415	117,102	–	–	–	–	10,743,446
Financial assets at FVTPL	–	–	–	–	–	–	3,679,907	3,679,907
Financial investments at FVOCI	2,413,306	5,135,839	5,110,534	962,083	–	235,976	–	13,857,738
Financial assets at amortised cost	–	–	971,093	6,346,095	195,654	–	–	7,512,842
Loans, advances and financing	15,647,715	5,518,309	2,934,524	5,787,273	16,490,505	–	–	46,378,326
Derivative financial assets	–	–	1,651	–	–	–	1,541,388	1,543,039
Others [1]	37,461	30,622	53,422	107,404	18,044	2,261,940	517,544	3,026,437
Total assets	33,298,301	16,755,185	9,188,326	13,202,855	16,704,203	2,497,916	5,738,839	97,385,625
LIABILITIES AND EQUITY								
Deposits from customers	55,092,518	6,313,488	9,604,757	921,892	44	–	–	71,932,699
Deposits and placements from banks and other financial institutions	2,698,896	458,900	–	–	–	–	–	3,157,796
Bills payable	278,595	–	–	–	–	–	–	278,595
Derivative financial liabilities	–	–	–	–	–	–	1,575,994	1,575,994
Structured liabilities designated at FVTPL	154,285	167,028	1,079,664	3,081,484	106,959	–	–	4,589,420
Others [2]	569,514	62,057	107,992	27,557	1,572	2,321,627	445,911	3,536,230
Total liabilities	58,793,808	7,001,473	10,792,413	4,030,933	108,575	2,321,627	2,021,905	85,070,734
Equity	–	–	–	–	–	12,314,891	–	12,314,891
Total liabilities and equity	58,793,808	7,001,473	10,792,413	4,030,933	108,575	14,636,518	2,021,905	97,385,625
Net maturity mismatches	(25,495,507)	9,753,712	(1,604,087)	9,171,922	16,595,628	(12,138,602)	3,716,934	–
Commitments and contingencies	91,239,518	46,547,812	41,763,825	31,766,430	1,893,837	–	–	213,211,422

[1] Others comprises other assets, statutory deposits with Bank Negara Malaysia, property and equipment, tax recoverable and deferred tax asset.

[2] Others comprises provision for taxation and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(ii) Liquidity and funding risk (Cont'd)

Liquidity risk (Cont'd)

Bank 31 December 2024	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Trading book RM'000	Total RM'000
ASSETS								
Cash and short term funds	4,808,469	–	–	–	–	–	–	4,808,469
Securities purchased under resale agreements	2,596,730	4,482,708	978,192	–	–	–	–	8,057,630
Deposits and placements with banks and other financial institutions	–	348,889	1,978,618	–	–	–	–	2,327,507
Financial assets at FVTPL	–	–	–	–	–	–	4,923,765	4,923,765
Financial investments at FVOCI	1,336,259	4,531,939	1,457,491	7,525,658	–	247,905	–	15,099,252
Financial assets at amortised cost	–	560,529	1,394,647	7,376,132	–	–	–	9,331,308
Loans, advances and financing	11,446,651	4,045,966	1,684,121	2,977,375	11,271,912	–	–	31,426,025
Derivative financial assets	–	–	–	–	–	–	1,294,909	1,294,909
Others [1]	261,912	45,207	62,366	144,987	10,678	3,280,592	907,335	4,713,077
Total assets	20,450,021	14,015,238	7,555,435	18,024,152	11,282,590	3,528,497	7,126,009	81,981,942
LIABILITIES AND EQUITY								
Deposits from customers	47,152,524	6,015,164	7,925,948	567,632	–	–	–	61,661,268
Deposits and placements from banks and other financial institutions	1,807,663	312,865	200,000	–	–	–	–	2,320,528
Bills payable	136,776	–	–	–	–	–	–	136,776
Derivative financial liabilities	–	–	–	–	–	–	1,435,165	1,435,165
Structured liabilities designated at FVTPL	92,592	277,241	1,359,604	729,697	107,123	–	–	2,566,257
Others [2]	557,619	61,337	81,483	14,588	1,806	1,765,587	415,130	2,897,550
Total liabilities	49,747,174	6,666,607	9,567,035	1,311,917	108,929	1,765,587	1,850,295	71,017,544
Equity	–	–	–	–	–	10,964,398	–	10,964,398
Total liabilities and equity	49,747,174	6,666,607	9,567,035	1,311,917	108,929	12,729,985	1,850,295	81,981,942
Net maturity mismatches	(29,297,153)	7,348,631	(2,011,600)	16,712,235	11,173,661	(9,201,488)	5,275,714	–
Commitments and contingencies	82,635,888	44,468,501	50,674,187	38,272,141	1,222,303	–	–	217,273,020

[1] Others comprises other assets, statutory deposits with Bank Negara Malaysia, investments in subsidiary companies, property and equipment, tax recoverable and deferred tax assets.

[2] Others comprises provision for taxation and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(ii) Liquidity and funding risk (Cont'd)

Liquidity risk (Cont'd)

Bank 31 December 2023	Non-trading book **Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-specific maturity RM'000**	**Trading book RM'000**	**Total RM'000**
ASSETS								
Cash and short term funds	7,973,830	–	–	–	–	–	–	7,973,830
Securities purchased under resale agreements	4,555,929	6,070,415	–	–	–	–	–	10,626,344
Deposits and placements with banks and other financial institutions	–	–	575,986	–	–	–	–	575,986
Financial assets at FVTPL	–	–	–	–	–	–	3,679,907	3,679,907
Financial investments at FVOCI	2,413,306	5,069,360	3,319,724	962,083	–	235,976	–	12,000,449
Financial assets at amortised cost	–	–	760,767	5,566,505	195,654	–	–	6,522,926
Loans, advances and financing	12,757,238	3,753,031	1,561,639	2,538,372	11,746,835	–	–	32,357,115
Derivative financial assets	–	–	1,651	–	–	–	1,603,639	1,605,290
Others [1]	132,905	30,622	53,767	84,005	14,175	3,158,848	510,619	3,984,941
Total assets	27,833,208	14,923,428	6,273,534	9,150,965	11,956,664	3,394,824	5,794,165	79,326,788
LIABILITIES AND EQUITY								
Deposits from customers	45,374,915	4,651,820	7,313,932	648,454	23	–	–	57,989,144
Deposits and placements from banks and other financial institutions	2,682,485	658,900	–	–	–	–	–	3,341,385
Bills payable	268,307	–	–	–	–	–	–	268,307
Derivative financial liabilities	–	–	–	–	–	–	1,580,597	1,580,597
Structured liabilities designated at FVTPL	66,394	50,006	506,960	1,919,603	106,959	–	–	2,649,922
Others [2]	573,186	48,416	79,445	17,724	1,572	1,934,355	445,911	3,100,609
Total liabilities	48,965,287	5,409,142	7,900,337	2,585,781	108,554	1,934,355	2,026,508	68,929,964
Equity	–	–	–	–	–	10,396,824	–	10,396,824
Total liabilities and equity	48,965,287	5,409,142	7,900,337	2,585,781	108,554	12,331,179	2,026,508	79,326,788
Net maturity mismatches	(21,132,079)	9,514,286	(1,626,803)	6,565,184	11,848,110	(8,936,355)	3,767,657	–
Commitments and contingencies	83,192,644	45,919,248	40,502,537	32,166,834	1,741,297	–	–	203,522,560

[1] Others comprises other assets, statutory deposits with Bank Negara Malaysia, investments in subsidiary companies, property and equipment, tax recoverable and deferred tax assets.

[2] Others comprises provision for taxation and other liabilities.

(c) Treasury risk (Cont'd)

(ii) Liquidity and funding risk (Cont'd)

Cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities

The balances in the tables below will not agree directly with the balances in the statements of financial position as the tables incorporate, on an undiscounted basis, all cash flows relating to principal and future coupon payments. In addition, loan/financing and other credit-related commitments and financial guarantees and similar contracts are generally not recognised on the statement of financial position.

Cash flows payable in respect of customer accounts are primarily contractually repayable on demand or at short notice. However, in practice, short term deposit balances remain stable as inflows and outflows broadly match and a significant portion of loan/financing commitments expire without being drawn upon.

Group (RM'000)	On Demand	Due within 3 months	Due between 3 months to 12 months	Due between 1 to 5 years	Due after 5 years	Total
At 31 December 2024						
Non-derivative liabilities						
Deposits from customers	44,376,789	20,050,080	10,255,503	928,227	–	75,610,599
Deposits and placements with banks and other financial institutions	–	2,170,283	–	–	–	2,170,283
Structured liabilities designated at fair value through profit or loss	116,022	378,751	1,841,205	1,955,956	117,246	4,409,180
Bills payable	145,963	–	–	–	–	145,963
Other liabilities	1,336,636	176,065	173,235	371,125	963,325	3,020,386
Loans and other credit-related commitments	48,655,967	1,412,993	7,710,824	539,439	–	58,319,223
Financial guarantees and similar contracts	1,313,203	1,105,148	6,348,536	4,513,840	582,587	13,863,314
	95,944,580	25,293,320	26,329,303	8,308,587	1,663,158	157,538,948
Derivative liabilities						
Gross settled derivatives						
- Inflow	–	(51,263,605)	(10,742,453)	(2,874,305)	(98,888)	(64,979,251)
- Outflow	–	52,034,912	11,097,451	3,113,107	101,601	66,347,071
Net settled derivatives	–	14,004	56,811	62,470	3,421	136,706

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(ii) Liquidity and funding risk (Cont'd)

Cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities (Cont'd)

Group (RM'000)	**On Demand**	**Due within 3 months**	**Due between 3 months to 12 months**	**Due between 1 to 5 years**	**Due after 5 years**	**Total**
At 31 December 2023						
Non-derivative liabilities						
Deposits from customers	42,190,208	19,360,150	9,885,619	1,065,886	–	72,501,863
Deposits and placements with banks and other financial institutions	–	3,178,211	–	–	–	3,178,211
Structured liabilities designated at fair value through profit or loss	366,017	217,971	1,141,055	3,090,208	–	4,815,251
Bills payable	278,595	–	–	–	–	278,595
Other liabilities	1,490,338	185,265	159,887	395,164	990,155	3,220,809
Loans and other credit-related commitments	47,071,191	1,125,745	6,375,125	726,598	–	55,298,659
Financial guarantees and similar contracts	1,466,482	1,417,119	3,841,542	5,153,457	893,912	12,772,512
	92,862,831	25,484,461	21,403,228	10,431,313	1,884,067	152,065,900
Derivative liabilities						
Gross settled derivatives						
- Inflow	–	(42,398,629)	(9,848,322)	(1,090,321)	(5,516)	(53,342,788)
- Outflow	–	43,141,493	10,065,145	1,190,244	5,845	54,402,727
Net settled derivatives	–	53,175	102,220	84,671	10,919	250,985

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(ii) Liquidity and funding risk (Cont'd)

Cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities (Cont'd)

Bank (RM'000)	**On Demand**	**Due within 3 months**	**Due between 3 months to 12 months**	**Due between 1 to 5 years**	**Due after 5 years**	**Total**
At 31 December 2024						
Non-derivative liabilities						
Deposits from customers	37,855,742	15,409,043	8,137,702	644,262	–	62,046,749
Deposits and placements of banks and other financial institutions	–	2,338,976	–	–	–	2,338,976
Structured liabilities designated at fair value through profit or loss	92,738	278,551	1,385,301	798,653	117,246	2,672,489
Bills payable	136,776	–	–	–	–	136,776
Other liabilities	1,260,488	140,443	144,646	320,927	821,441	2,687,945
Loans and other credit-related commitments	39,712,967	1,130,926	5,727,162	141,281	–	46,712,336
Financial guarantees and similar contracts	1,015,615	917,534	5,634,338	3,915,025	376,043	11,858,555
	80,074,326	20,215,473	21,029,149	5,820,148	1,314,730	128,453,826
Derivative liabilities						
Gross settled derivatives						
- Inflow	–	(51,775,655)	(11,263,092)	(2,874,305)	(98,888)	(66,011,940)
- Outflow	–	52,545,778	11,616,380	3,135,932	101,601	67,399,691
Net settled derivatives	–	14,521	57,598	64,254	3,421	139,794

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(ii) Liquidity and funding risk (Cont'd)

Cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities (Cont'd)

Bank (RM'000)	On Demand	Due within 3 months	Due between 3 months to 12 months	Due between 1 to 5 years	Due after 5 years	Total
At 31 December 2023						
Non-derivative liabilities						
Deposits from customers	35,775,875	14,346,716	7,539,043	750,984	–	58,412,618
Deposits and placements of banks and other financial institutions	–	3,362,937	–	–	–	3,362,937
Structured liabilities designated at fair value through profit or loss	268,033	92,142	505,691	1,960,613	–	2,826,479
Bills payable	268,307	–	–	–	–	268,307
Other liabilities	1,465,180	138,097	130,631	336,673	755,490	2,826,071
Loans and other credit-related commitments	38,199,335	888,602	5,027,045	257,621	–	44,372,603
Financial guarantees and similar contracts	1,062,093	1,116,914	2,902,810	4,505,685	741,372	10,328,874
	77,038,823	19,945,408	16,105,220	7,811,576	1,496,862	122,397,889
Derivative liabilities						
Gross settled derivatives						
- Inflow	–	(42,805,032)	(9,451,548)	(1,090,200)	(5,515)	(53,352,295)
- Outflow	–	43,552,476	9,667,896	1,190,284	5,845	54,416,501
Net settled derivatives	–	53,491	102,986	87,640	10,919	255,036

(c) Treasury risk (Cont'd)

(iii) Interest Rate Risk in the Banking Book

Assessment and risk appetite

Interest/Profit Rate Risk in the Banking Book (IRRBB) is the risk of an adverse impact to earnings or capital due to changes in market interest rates that affect the banking book positions. The risk arises either from timing mismatches in the repricing of non-traded assets and liabilities, an imperfect correlation between changes in the rates earned and paid on different instruments with otherwise similar repricing characteristics; as well as from option derivative positions or from optional elements embedded in the assets, liabilities and/or off-balance sheet items, where customer can alter the level and timing of their cash flows. In its management of the risk, the Group and the Bank aim to mitigate the impact of future interest rate movements which could reduce future net interest/profit income or its net worth, while balancing the cost of hedging activities to the current revenue stream. Monitoring the sensitivity of the projected net interest/profit income and of the present value of expected net cash flows under varying interest/profit rate scenarios is a key part of this.

In order to manage structural interest rate risk, non-traded assets and liabilities are transferred to Markets Treasury (MKTY) based on their repricing and maturity characteristics. For assets and liabilities with no defined maturity or repricing characteristics, behaviouralisation is used to assess the interest rate risk profile. MKTY manages the banking book interest rate positions transferred to it within the approved limits. ALCO is responsible for monitoring and reviewing their overall structural interest rate risk position. Interest rate behaviouralisation policies have to be formulated in line with the Group and the Bank's behaviouralisation policies and approved annually by ALCO.

Sensitivity of net interest income

A principal part of our management of non-traded interest rate risk is to monitor the sensitivity of expected net interest income (NII) under varying interest rate scenarios (simulation modelling), where all other economic variables are held constant.

NII sensitivity reflects the Group's and the Bank's sensitivity of earnings due to changes in market interest rates. Projected NII sensitivity figures represent the effect of pro forma movements in projected yield curves based on a constant balance sheet size and structure. The exception to this is where the size of the balances changes materially or repricing is deemed interest rate sensitive, for example, early prepayment of fixed-rate loans. These sensitivity calculations do not incorporate actions that would be taken by MKTY or in the business that originate the risk to mitigate the effect of interest rate movements.

Sensitivity of economic value of equity

Economic value of equity (EVE) represents the present value of the future banking book cash flows that could be distributed to equity providers under a managed run-off scenario. This equates to the current book value of equity plus the present value of future NII in this scenario. EVE can be used to assess the economic capital required to support interest rate risk in the banking book.

An EVE sensitivity represents the expected movement in EVE due to pre-specified movements in interest rates, where all other economic variables are held constant. EVE sensitivity is monitored as a percentage of Tier 1 capital resources.

(c) *Treasury risk (Cont'd)*

(iii) Interest Rate Risk in the Banking Book (Cont'd)

Sensitivity of projected net interest/finance income

The interest/profit rate sensitivities set out in the tables below are illustrative only and are based on simplified scenarios.

Change in projected net interest/finance income in next 12 months arising from a shift in interest/profit rates of:

	Group (RM'000)			
	31 Dec 2024 *		31 Dec 2023	
Basis point parallel shift in yield curve	***+100bps***	***-100bps***	*+100bps*	*-100bps*
RM	**192,203**	**(197,252)**	185,210	(201,823)
USD	**54,933**	**(55,127)**	88,289	(94,637)
Others	**27,277**	**(23,874)**	(5,065)	2,533
	274,413	**(276,253)**	268,434	(293,927)

	Bank (RM'000)			
	31 Dec 2024 *		31 Dec 2023	
Basis point parallel shift in yield curve	***+100bps***	***-100bps***	*+100bps*	*-100bps*
RM	**146,537**	**(150,392)**	142,218	(157,817)
USD	**49,479**	**(49,677)**	86,478	(92,613)
Others	**25,861**	**(22,463)**	(7,785)	5,235
	221,877	**(222,532)**	220,911	(245,195)

* From 2024, the methodology has been refined to better capture the risk to the earnings generated from the banking book. Comparatives are not restated as the overall impact is not material.

Sensitivity of projected economic value of equity

Change in projected economic value of equity arising from a shift in interest/profit rates of:

	Group (RM'000)			
	31 Dec 2024 **		31 Dec 2023	
Basis point parallel shift in yield curve	***+200bps***	***-200bps***	*+200bps*	*-200bps*
RM	**(270,170)**	**316,894**	(203,602)	225,315
USD	**(47,133)**	**52,416**	(33,138)	36,497
Others	**9,648**	**(9,421)**	10,219	(9,899)
	(307,655)	**359,889**	(226,521)	251,913

(c) Treasury risk (Cont'd)

(iii) Interest Rate Risk in the Banking Book (Cont'd)

Sensitivity of projected economic value of equity (Cont'd)

Change in projected economic value of equity arising from a shift in interest/profit rates of:

	Bank (RM'000)			
	31 Dec 2024 **		31 Dec 2023	
Basis point parallel shift in yield curve	***+200bps***	***-200bps***	*+200bps*	*-200bps*
RM	**(183,023)**	**215,700**	(127,943)	140,827
USD	**(48,442)**	**53,475**	(32,150)	35,031
Others	**8,051**	**(8,020)**	8,069	(7,963)
	(223,414)	**261,155**	(152,024)	167,895

** From 2024, the economic value of equity sensitivity presentation has been refined to exclude capital sensitivity. Comparatives are not restated as the overall impact is not material.

Sensitivity of reported reserves in 'other comprehensive income' to interest/profit rate movements

Sensitivity of reported reserves in 'other comprehensive income' to interest/profit rate movements are monitored on a monthly basis by assessing the expected reduction in valuation of FVOCI portfolios to parallel movements of plus or minus 100 basis points in all yield curves.

	Group (RM'000)			
	31 Dec 2024		31 Dec 2023	
Basis point parallel shift in yield curve	***+100bps***	***-100bps***	*+100bps*	*-100bps*
RM	**(232,280)**	**232,280**	(28,258)	28,258
USD	**(33,696)**	**33,696**	(23,838)	23,838
	(265,976)	**265,976**	(52,096)	52,096

	Bank (RM'000)			
	31 Dec 2024		31 Dec 2023	
Basis point parallel shift in yield curve	***+100bps***	***-100bps***	*+100bps*	*-100bps*
RM	**(203,641)**	**203,641**	(20,136)	20,136
USD	**(33,696)**	**33,696**	(23,838)	23,838
	(237,337)	**237,337**	(43,974)	43,974

Interest/Profit Rate Risk

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest/profit rates on its financial position and cash flows. The tables in the following pages summarise the Group and the Bank's exposure to interest/profit rate risk. The assets and liabilities at carrying amount are allocated to time bands by reference to the earlier of the next contractual repricing dates and maturity dates.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

Interest/Profit Rate Risk (Cont'd)

Group 31 December 2024	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest/ profit rate %
ASSETS									
Cash and short term funds	7,207,954	–	–	–	–	192,934	–	7,400,888	3.86
- ECL	–	–	–	–	–	(21)	–	(21)	–
Securities purchased under resale agreements	2,596,730	4,482,708	978,192	–	–	–	–	8,057,630	3.44
Financial assets at FVTPL	–	–	–	–	–	–	4,944,386	4,944,386	3.35
Financial investments at FVOCI	1,535,782	4,531,939	2,764,061	8,282,935	–	247,905	–	17,362,622	4.07
Financial assets at amortised cost	–	560,529	1,899,161	8,658,836	205,661	–	–	11,324,187	3.62
- ECL	–	–	–	–	–	(1,486)	–	(1,486)	–
Loans, advances and financing									
- performing	17,792,636	24,892,770	1,005,436	813,852	163,243	–	–	44,667,937	5.26
- impaired	–	–	–	–	–	1,430,940	–	1,430,940	–
- ECL	–	–	–	–	–	(561,359)	–	(561,359)	–
Derivative financial assets	–	–	–	–	–	–	1,235,940	1,235,940	–
Other assets	–	–	–	–	–	345,107	951,437	1,296,544	–
Total financial assets	29,133,102	34,467,946	6,646,850	17,755,623	368,904	1,654,020	7,131,763	97,158,208	
LIABILITIES AND EQUITY									
Deposits from customers	43,839,333	7,955,531	10,000,615	817,989	–	12,493,589	–	75,107,057	2.20
Deposits and placements from banks and other financial institutions	1,840,254	312,865	–	–	–	–	–	2,153,119	3.26
Bills payable	–	–	–	–	–	145,963	–	145,963	–
Derivative financial liabilities	–	–	–	–	–	–	1,408,918	1,408,918	–
Structured liabilities designated at FVTPL	115,858	377,204	1,811,218	1,834,521	107,123	–	–	4,245,924	1.52
Other liabilities									
- provision for credit commitments	–	–	–	–	–	92,437	–	92,437	–
- others	–	–	–	–	–	1,503,516	415,130	1,918,646	–
Total financial liabilities	45,795,445	8,645,600	11,811,833	2,652,510	107,123	14,235,505	1,824,048	85,072,064	
Total interest/profit sensitivity gap	(16,662,343)	25,822,346	(5,164,983)	15,103,113	261,781	(12,581,485)	5,307,715	12,086,144	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

Interest/Profit Rate Risk (Cont'd)

	Non-trading book								
Group **31 December 2023**	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest/ profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**	**Effective interest/ profit rate %**
ASSETS									
Cash and short term funds	10,185,278	–	–	–	–	458,664	–	10,643,942	3.62
- ECL	–	–	–	–	–	(52)	–	(52)	–
Securities purchased under resale agreements	4,555,929	6,070,415	117,102	–	–	–	–	10,743,446	3.21
Financial assets at FVTPL	–	–	–	–	–	–	3,679,907	3,679,907	3.45
Financial investments at FVOCI	2,413,306	5,135,839	5,110,534	962,083	–	235,976	–	13,857,738	3.65
Financial assets at amortised cost	–	–	971,872	6,346,328	195,654	–	–	7,513,854	3.50
- ECL	–	–	–	–	–	(1,012)	–	(1,012)	–
Loans, advances and financing									
- performing	18,421,488	24,658,315	1,529,136	660,074	120,771	–	–	45,389,784	5.36
- impaired	–	–	–	–	–	1,805,575	–	1,805,575	–
- ECL	–	–	–	–	–	(817,033)	–	(817,033)	–
Derivative financial assets	–	–	1,651	–	–	–	1,541,388	1,543,039	–
Other assets	–	–	–	–	–	238,424	517,544	755,968	–
Total financial assets	35,576,001	35,864,569	7,730,295	7,968,485	316,425	1,920,542	5,738,839	95,115,156	
LIABILITIES AND EQUITY									
Deposits from customers	43,564,563	6,313,488	9,604,757	921,892	44	11,527,955	–	71,932,699	1.98
Deposits and placements from banks and other financial institutions	2,698,896	458,900	–	–	–	–	–	3,157,796	3.06
Bills payable	–	–	–	–	–	278,595	–	278,595	–
Derivative financial liabilities	–	–	–	–	–	–	1,575,994	1,575,994	–
Structured liabilities designated at FVTPL	154,285	167,028	1,079,664	3,081,484	106,959	–	–	4,589,420	1.46
Other liabilities									
- provision for credit commitments	–	–	–	–	–	89,641	–	89,641	–
- others	–	–	–	–	–	1,384,285	445,911	1,830,196	–
Total financial liabilities	46,417,744	6,939,416	10,684,421	4,003,376	107,003	13,280,476	2,021,905	83,454,341	
Total interest/profit sensitivity gap	(10,841,743)	28,925,153	(2,954,126)	3,965,109	209,422	(11,359,934)	3,716,934	11,660,815	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

Interest/Profit Rate Risk (Cont'd)

Bank 31 December 2024	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
ASSETS									
Cash and short term funds	4,699,528	–	–	–	–	108,958	–	4,808,486	3.90
- ECL	–	–	–	–	–	(17)	–	(17)	–
Securities purchased under resale agreements	2,596,730	4,482,708	978,192	–	–	–	–	8,057,630	3.42
Deposits and placements with banks and other financial institutions	–	348,889	1,978,618	–	–	–	–	2,327,507	4.19
Financial assets at FVTPL	–	–	–	–	–	–	4,923,765	4,923,765	3.35
Financial investments at FVOCI	1,336,259	4,531,939	1,457,491	7,525,658	–	247,905	–	15,099,252	4.23
Financial assets at amortised cost	–	560,529	1,395,825	7,376,132	–	–	–	9,332,486	3.61
- ECL	–	–	–	–	–	(1,178)	–	(1,178)	–
Loans, advances and financing									
- performing	13,054,345	16,733,607	642,479	347,955	21,762	–	–	30,800,148	5.07
- impaired	–	–	–	–	–	920,961	–	920,961	–
- ECL	–	–	–	–	–	(295,084)	–	(295,084)	–
Derivative financial assets	–	–	–	–	–	–	1,294,909	1,294,909	–
Other assets	–	–	–	–	–	573,399	907,335	1,480,734	–
Total financial assets	21,686,862	26,657,672	6,452,605	15,249,745	21,762	1,554,944	7,126,009	78,749,599	
LIABILITIES AND EQUITY									
Deposits from customers	36,041,862	6,015,164	7,925,948	567,632	–	11,110,662	–	61,661,268	2.16
Deposits and placements from banks and other financial institutions	2,007,663	312,865	–	–	–	–	–	2,320,528	2.97
Bills payable	–	–	–	–	–	136,776	–	136,776	–
Derivative financial liabilities	–	–	–	–	–	–	1,435,165	1,435,165	–
Structured liabilities designated at FVTPL	92,592	277,241	1,359,604	729,697	107,123	–	–	2,566,257	1.89
Other liabilities									
- provision for credit commitments	–	–	–	–	–	64,437	–	64,437	–
- others	–	–	–	–	–	1,387,940	415,130	1,803,070	–
Total financial liabilities	38,142,117	6,605,270	9,285,552	1,297,329	107,123	12,699,815	1,850,295	69,987,501	
Total interest/profit sensitivity gap	(16,455,255)	20,052,402	(2,832,947)	13,952,416	(85,361)	(11,144,871)	5,275,714	8,762,098	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

Interest/Profit Rate Risk (Cont'd)

Bank 31 December 2023	**Non-trading book**								
	Up to 1 month RM'000	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**	**Effective interest rate %**
ASSETS									
Cash and short term funds	7,614,992	–	–	–	–	358,881	–	7,973,873	3.66
- ECL	–	–	–	–	–	(43)	–	(43)	–
Securities purchased under resale agreements	4,555,929	6,070,415	–	–	–	–	–	10,626,344	3.19
Deposits and placements with banks and other financial institutions	–	–	575,986	–	–	–	–	575,986	3.86
Financial assets at FVTPL	–	–	–	–	–	–	3,679,907	3,679,907	3.45
Financial investments at FVOCI	2,413,306	5,069,360	3,319,724	962,083	–	235,976	–	12,000,449	3.78
Financial assets at amortised cost	–	–	761,546	5,566,505	195,654	–	–	6,523,705	3.48
- ECL	–	–	–	–	–	(779)	–	(779)	–
Loans, advances and financing									
- performing	14,196,531	16,526,738	821,791	80,398	7,698	–	–	31,633,156	5.27
- impaired	–	–	–	–	–	1,192,126	–	1,192,126	–
- ECL	–	–	–	–	–	(468,167)	–	(468,167)	–
Derivative financial assets	–	–	1,651	–	–	–	1,603,639	1,605,290	–
Other assets	–	–	–	–	–	332,134	510,619	842,753	–
Total financial assets	28,780,758	27,666,513	5,480,698	6,608,986	203,352	1,650,128	5,794,165	76,184,600	
LIABILITIES AND EQUITY									
Deposits from customers	34,835,148	4,651,820	7,313,932	648,454	23	10,539,767	–	57,989,144	1.91
Deposits and placements from banks and other financial institutions	2,882,485	458,900	–	–	–	–	–	3,341,385	2.58
Bills payable	–	–	–	–	–	268,307	–	268,307	–
Derivative financial liabilities	–	–	–	–	–	–	1,580,597	1,580,597	–
Structured liabilities designated at FVTPL	66,394	50,006	506,960	1,919,603	106,959	–	–	2,649,922	1.88
Other liabilities									
- provision for credit commitments	–	–	–	–	–	57,156	–	57,156	–
- others	–	–	–	–	–	1,316,585	445,911	1,762,496	–
Total financial liabilities	37,784,027	5,160,726	7,820,892	2,568,057	106,982	12,181,815	2,026,508	67,649,007	
Total interest/profit sensitivity gap	(9,003,269)	22,505,787	(2,340,194)	4,040,929	96,370	(10,531,687)	3,767,657	8,535,593	

(d) Market risk

(i) Overview

Market risk is the risk of adverse financial impact on trading activities arising from changes in market parameters such as interest rates, foreign exchange rates, asset prices, volatilities, correlations and credit spreads.

(ii) Market risk management

<u>Key developments in 2024</u>

There were no material changes to our policies and practises for the management of market risk in 2024.

<u>Governance and structure</u>

The following diagram summarises the main business areas where trading market risks reside, and the market risk measures used to monitor and limit exposures.

Risk types	**Trading risk** • Foreign exchange and commodities • Interest rates • Credit spreads • Equities
Global business	Global Banking and Markets (GBM)
Risk measure	Value at Risk (VaR) | Sensitivity | Stress Testing

The objective of our risk management policies and measurement techniques is to manage and control market risk exposures to optimise return on risk while maintaining a market profile consistent with our established risk appetite.

Market risk is managed and controlled through limits approved by the Group and the Bank's Board of Directors and Senior Management. These limits are allocated across business lines and legal entities. The Group and the Bank have an independent market risk management and control sub-function, which is responsible for measuring, monitoring and reporting market risk exposures against limits on a daily basis. The Group and the Bank are required to assess the market risks arising in its business and to transfer them either to its Markets and Securities Services or Markets Treasury for management, or to separate books managed under the supervision of ALCO. The Traded Risk function enforces the controls around trading in permissible instruments approved as well as changes that follow completion of the new product approval process. Traded Risk also restricts trading in the more complex derivatives products to entities with appropriate levels of product expertise and robust control systems.

<u>Key risk management processes</u>

Monitoring and limiting market risk exposures

Our objective is to manage and control market risk exposures while maintaining a market profile consistent with our risk appetite.

We use a range of tools to monitor and limit market risk exposures including sensitivity analysis, VaR and stress testing.

(d) Market risk (Cont'd)

(ii) Market risk management (Cont'd)

Key risk management processes (Cont'd)

Sensitivity analysis

Sensitivity analysis measures the impact of individual market factor movements on specific instruments or portfolios including interest rates, foreign exchange rates, credit spreads and equity prices. We use sensitivity measures to monitor the market risk positions within each risk type. Granular sensitivity limits are set for trading desks with consideration of market liquidity, customer demand and capital constraints, among other factors.

Value at risk (VaR)

VaR is a technique for estimating potential losses on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The use of VaR is integrated into market risk management and is calculated for all trading positions regardless of how we capitalise them. Where we do not calculate VaR explicitly, we use alternative tools as summarised in the 'Stress Testing' section below.

Our models are predominantly based on historical simulation that incorporates the following features:

- historical market rates and prices, which are calculated with reference to foreign exchange rates, commodity prices, interest rates, equity prices and the associated volatilities;
- potential market movements that are calculated with reference to data from the past two years; and
- calculations to a 99% confidence level and using a one-day holding period.

The models also incorporate the effect of option features on the underlying exposures. The nature of the VaR models means that an increase in observed market volatility will lead to an increase in VaR without any changes in the underlying positions.

A summary of the Trading VaR position of the Bank and its fully owned subsidiary, HSBC Amanah Malaysia Berhad's trading portfolios at the reporting date is as follows:

HSBC Bank Malaysia Berhad (RM'000)

	At 31 December 2024	**Average**	**Maximum**	**Minimum**
Foreign currency risk	**209**	**1,541**	**3,862**	**19**
Interest rate risk	**2,035**	**3,245**	**6,588**	**1,382**
Equity risk	**359**	**280**	**675**	**132**
Credit spread risk	**62**	**46**	**922**	**15**
Overall	**1,857**	**3,616**	**6,980**	**1,244**
	At 31 December 2023	Average	Maximum	Minimum
Foreign currency risk	1,137	1,028	6,733	16
Interest rate risk	2,550	3,758	6,945	2,452
Equity risk	437	523	6,111	283
Credit spread risk	62	112	2,020	15
Overall	2,779	3,863	8,502	2,341

(d) Market risk (Cont'd)

(ii) Market risk management (Cont'd)

Value at risk (VaR) (Cont'd)

HSBC Amanah Malaysia Berhad (RM'000)

	At 31 December 2024	**Average**	**Maximum**	**Minimum**
Foreign currency risk	**16**	**29**	**237**	**6**
Profit rate risk	**200**	**382**	**755**	**135**
Equity risk	**–**	**3**	**52**	**–**
Credit spread risk	**–**	**–**	**15**	**–**
Overall	**204**	**385**	**759**	**131**
	At 31 December 2023	Average	Maximum	Minimum
Foreign currency risk	13	20	76	5
Profit rate risk	542	605	1,881	375
Equity risk	1	9	315	1
Credit spread risk	–	–	68	–
Overall	544	604	1,881	364

VaR model limitations

Although a valuable guide to risk, VaR is used with awareness of its limitations. For example:

- the use of historical data as a proxy for estimating future market movement may not encompass all potential market events, particularly those that are extreme in nature. As the model is calibrated on the last 500 business days, it does not adjust instantaneously to a change in the market regime.
- the use of a one-day holding period for risk management purposes of trading books assumes that this short period is sufficient to hedge or liquidate all positions.
- the use of a 99% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence.
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

Risk not in VaR framework

The risks not in VaR (RNIV) framework captures material market risks that are not adequately covered in the VaR model.

Risk factors are reviewed on a regular basis and are either incorporated directly in the VaR models where possible, or quantified through either the VaR-based RNIV approach or a stress test approach within the RNIV framework. While VaR-based RNIVs are calculated by using historical scenarios, stress-type RNIVs are estimated on the basis of stress scenarios whose severity is calibrated to be in line with the capital adequacy requirements. The outcome of the VaR-based RNIV approach is included in the overall VaR calculation but excluded from the VaR measure used for the HSBC Group's regulatory back-testing. In addition, the stressed VaR measure also includes risk factors considered in the VaR-based RNIV approach.

(d) Market risk (Cont'd)

(ii) Market risk management (Cont'd)

Value at risk (VaR) (Cont'd)

Stress testing

Stress testing is an important procedure that is integrated into our market risk management framework to evaluate the potential impact on portfolio values of more extreme, although plausible, events or movements in a set of financial variables. In such scenarios, losses can be much greater than those predicted by VaR modelling. Stress testing and reverse stress testing provide senior management with insights regarding the 'tail risk' beyond VaR.

Stress testing is implemented at legal entity, regional and overall HSBC Group levels. A set of scenarios is used consistently across all regions within the HSBC Group. The market risk stress testing incorporates both historical and hypothetical events. Market risk reverse stress tests are designed to identify vulnerabilities in our portfolios by looking for scenarios that lead to loss levels considered severe for the relevant portfolio. These scenarios may be local or idiosyncratic in nature and complement the systematic top-down stress testing.

The risk appetite around potential stress losses for the Group is set and monitored against limits.

Trading portfolios

Trading portfolios comprise positions held for client servicing and market-making, with the intention of short-term resale and/or to hedge risks resulting from such positions.

Back-testing

We routinely validate the accuracy of our VaR models by back-testing the VaR metric against both actual and hypothetical profit and loss. Hypothetical profit and loss excludes non-modelled items such as fees, commissions and revenue of intra-day transactions. The hypothetical profit and loss reflects the profit and loss that would be realised if positions were held constant from the end of one trading day to the end of the next.

The number of hypothetical loss back-testing exceptions, together with a number of other indicators, are used to assess model performance and to consider whether enhanced internal monitoring of a VaR model is required. We back-test our VaR at set levels of our group entity hierarchy.

(d) Market risk (Cont'd)

(ii) Market risk management (Cont'd)

Foreign exchange risk

Foreign exchange risk arises as a result of movements in the relative value of currencies. The Group and the Bank control the foreign exchange risk within the trading portfolio by limiting the open exposure to individual currencies, and on an aggregate basis.

	Group (RM'000)			
	31 Dec 2024		31 Dec 2023	
Appreciation/depreciation	***+1%***	***-1%***	*+1%*	*-1%*
Impact to profit after tax	**(378)**	**378**	2,618	(2,618)

	Bank (RM'000)			
	31 Dec 2024		31 Dec 2023	
Appreciation/depreciation	***+1%***	***-1%***	*+1%*	*-1%*
Impact to profit after tax	**(366)**	**366**	2,399	(2,399)

Change in foreign exchange rate has no significant impact to other comprehensive income for the financial year ended 31 December 2024 and 31 December 2023.

The Group and the Bank measure the foreign exchange sensitivity based on the foreign exchange net open positions (including foreign exchange structural position) under an adverse movement in all foreign currencies against the functional currency – RM. The result implies that the Group and the Bank may be subject to additional translation (losses)/gains if the RM appreciates against other currencies and vice versa.

(e) Model risk

(i) Overview

Model risk is the risk of inappropriate or incorrect business decisions arising from models that have been inadequately designed, implemented or used, or that models do not perform in line with expectations and predictions.

(ii) Key developments in 2024

In 2024, the Group and the Bank continued to make improvements in our model risk management processes cognisant of regulatory changes at HSBC Group and HBAP level in model requirements.

Initiatives during the financial year included:

- Made changes to the Value at Risk (VaR) model in response to the interest rate changes by our central bank to curb inflationary pressures.
- Following the changes to address gaps in the control framework that emerged as a result of increases in adjustments and overlays during the Covid-19 pandemic; the dependency on adjustments and overlays being applied to model outputs has reduced significantly as global economies have stabilised.

(e) Model risk (Cont'd)

(ii) Key developments in 2024 (Cont'd)

- Enhanced our frameworks and controls as more Climate Risk and Artificial Intelligence (AI) and Machine Learning (ML) models are being embedded in business processes. Focus also on Generative AI due to the pace of technological changes where applicable model risks need to be managed.
- A robust Model Risk Management (MRM) framework has been set to manage model risk effectively. A programme of work with representation from Businesses and Functions, including Internal Audit, has been initiated to uplift the Group's MRM Framework to meet the enhanced model risk management requirements as set by the HSBC Group.
- Continued to carry out regular review on model inventory completeness and accuracy, and increased awareness of model landscape and model limitations across the business lines in-country.
- Conducted model risk refresher session across the Bank to strengthen the business ownership and management of model risk and the connection between model risk holders and model developing areas.

(iii) Governance

The HBAP Model Risk Committee (MRC) provides oversight of models used in HBAP (including the Group and the Bank in Malaysia) and focuses on local delivery and requirements. The Committee is chaired by the HSBC Group's Chief Risk Officer and the Regional Heads of Businesses, senior executives from Risk, Finance and Compliance participate in these meetings. Authorised sub-forums operating under the remit of the HBAP MRC, oversee model risk management activities based on associated model categories.

(iv) Key risk management processes

A variety of modelling approaches, including regression, simulation, sampling, machine learning and judgemental scorecards for a range of business applications were used. These activities include customer selection, product pricing, financial crime transaction monitoring, creditworthiness evaluation and financial reporting.

The Group and the Bank's model risk management policies and procedures were regularly reviewed and required the First Line of Defence to demonstrate comprehensive and effective controls based on a library of model risk controls provided by Model Risk Management.

Model Risk Management also reports on model risk to senior management and the Group Risk Committee on a regular basis through the use of the risk map, risk appetite and regular key updates.

The effectiveness of these processes, including the Regional model oversight committee structure, are regularly reviewed to ensure clarity in authority, coverage and escalations and that appropriate understanding and ownership of model risk continue to be embedded in the Businesses and Functions.

5 Use of estimates and judgements

The results of the Group and the Bank are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its consolidated financial statements. The material accounting policies used in the preparation of the consolidated financial statements are described in Note 3.

The accounting policies that are deemed critical to the Group and the Bank's results and financial positions, in terms of the materiality of the items to which the policy is applied, and which involve a high degree of judgement including the use of assumptions and estimation, are discussed below.

(a) Impairment of loans, advances and financing

The Group and the Bank's accounting policy for losses arising from the impairment of customer loans, advances and financing is described in Note 3(l). The calculation of the Group and the Bank's ECL under MFRS 9 require a number of judgements, assumptions and estimates to be made. The most significant are set out below:

Judgements:
- Defining what is considered to be a significant increase in credit risk
- Determining the lifetime and point of initial recognition of overdrafts and credit cards
- Selecting and calibrating the PD, LGD and EAD models, which support the calculations, including making reasonable and supportable judgements about how models react to current and future economic conditions
- Selecting model inputs and economic forecasts, including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected loss

Estimates:
- Note 4(b)(v) sets out the assumptions used in determining ECL and provides an indication of the sensitivity of the result to the application of different weightings being applied to different economic assumptions

(*b) Fair value of financial instruments carried at fair value*

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, in cases where the Group and the Bank manage a group of financial assets and financial liabilities on the basis of its net exposure to either market risks or credit risk, the Group and the Bank measure the fair value of the group of financial instruments on a net basis, but present the underlying financial assets and liabilities separately in the financial statements, unless they satisfy the offsetting criteria as described in Note 3(g)(iv).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5 Use of estimates and judgements (Cont'd)

(b) Fair value of financial instruments carried at fair value (Cont'd)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following table sets out the financial instruments carried at fair value.

	Group			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
2024				
Financial assets at FVTPL (Note 8)	**2,749,585**	**2,194,801**	**–**	**4,944,386**
Financial investments at FVOCI (Note 9)	**11,421,283**	**5,693,434**	**247,905**	**17,362,622**
Derivative financial assets (Note 38)	**6,905**	**1,190,932**	**38,103**	**1,235,940**
	14,177,773	**9,079,167**	**286,008**	**23,542,948**
Structured liabilities (Note 21)	**–**	**3,704,618**	**541,306**	**4,245,924**
Derivative financial liabilities (Note 38)	**6,213**	**1,343,672**	**59,033**	**1,408,918**
Other liabilities (Note 22)	**260,111**	**–**	**–**	**260,111**
	266,324	**5,048,290**	**600,339**	**5,914,953**
2023				
Financial assets at FVTPL (Note 8)	2,169,096	1,510,811	–	3,679,907
Financial investments at FVOCI (Note 9)	4,009,202	9,612,560	235,976	13,857,738
Derivative financial assets (Note 38)	3,318	1,508,138	31,583	1,543,039
	6,181,616	12,631,509	267,559	19,080,684
Structured liabilities (Note 21)	–	2,494,172	2,095,248	4,589,420
Derivative financial liabilities (Note 38)	3,514	1,520,111	52,369	1,575,994
Other liabilities (Note 22)	245,051	–	–	245,051
	248,565	4,014,283	2,147,617	6,410,465

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5 Use of estimates and judgements (Cont'd)

(b) Fair value of financial instruments carried at fair value (Cont'd)

	Bank			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
2024				
Financial assets at FVTPL (Note 8)	**2,749,585**	**2,174,180**	**–**	**4,923,765**
Financial investments at FVOCI (Note 9)	**9,749,084**	**5,102,263**	**247,905**	**15,099,252**
Derivative financial assets (Note 38)	**7,443**	**1,244,789**	**42,677**	**1,294,909**
	12,506,112	**8,521,232**	**290,582**	**21,317,926**
Structured liabilities (Note 21)	**–**	**2,246,401**	**319,856**	**2,566,257**
Derivative financial liabilities (Note 38)	**7,066**	**1,369,060**	**59,039**	**1,435,165**
Other liabilities (Note 22)	**260,111**	**–**	**–**	**260,111**
	267,177	**3,615,461**	**378,895**	**4,261,533**
2023				
Financial assets at FVTPL (Note 8)	2,169,096	1,510,811	–	3,679,907
Financial investments at FVOCI (Note 9)	3,538,019	8,226,454	235,976	12,000,449
Derivative financial assets (Note 38)	4,278	1,537,502	63,510	1,605,290
	5,711,393	11,274,767	299,486	17,285,646
Structured liabilities (Note 21)	–	1,713,171	936,751	2,649,922
Derivative financial liabilities (Note 38)	6,021	1,522,046	52,530	1,580,597
Other liabilities (Note 22)	245,051	–	–	245,051
	251,072	3,235,217	989,281	4,475,570

(b) Fair value of financial instruments carried at fair value (Cont'd)

(i) Control framework

Fair values are subject to a control framework designed to ensure that they are either determined, or validated, by a function independent of the risk-taker.

Where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilised. For inactive markets, the Group and the Bank source alternative market information, with greater weight given to information that is considered to be more relevant and reliable. Examples of the factors considered are price observability, instrument comparability, consistency of data sources, underlying data accuracy and timing of prices.

For fair values determined using valuation models, the control framework includes development or validation by independent support functions of the model logic, inputs, model outputs and adjustments. Valuation models are subject to a process of due diligence before becoming operational and are calibrated against external market data on an ongoing basis.

Changes in fair value are generally subject to a profit and loss analysis process and are disaggregated into high-level categories including portfolio changes, market movements and other fair value adjustments.

(ii) Determination of fair value

Fair values are determined according to the following hierarchy:

- Level 1 – Valuation technique using quoted market price
  These are financial instruments with quoted prices for identical instruments in active markets that the Group and the Bank can access at the measurement date.

- Level 2 – Valuation technique using observable inputs
  These are financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

- Level 3 – Valuation technique with significant unobservable inputs
  These are financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

  The judgement as to whether a market is active may include, but is not restricted to, the consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid-offer spreads. The bid-offer spread represents the difference in prices at which a market participant would be willing to buy compared with the price at which they would be willing to sell. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the instrument requires additional work during the valuation process.

(b) Fair value of financial instruments carried at fair value (Cont'd)

(iii) Valuation techniques

Valuation techniques incorporate assumptions about factors that other market participants would use in their valuations. A range of valuation techniques is employed, dependent on the instrument type and available market data. More sophisticated valuation techniques are based upon discounted cash flow analysis, in which expected future cash flows are calculated and discounted to present value using a discounting curve. Prior to consideration of credit risk, the expected future cash flows may be known, as would be the case for the fixed leg of an interest/profit rate swap, or may be uncertain and require projection, as would be the case for the floating leg of an interest/profit rate swap. Projection utilises market forward curves, if available. In option models, the probability of different potential future outcomes must be considered. In addition, the values of some products are dependent on more than one market factor, and in these cases it will typically be necessary to consider how movements in one market factor may affect the other market factors. The model inputs necessary to perform such calculations include interest/profit rate yield curves, exchange rates, volatilities, correlations, prepayment and default rates.

The majority of valuation techniques employ only observable market data. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable, and for them the measurement of fair value is more judgemental. An instrument in its entirety is classified as valued using significant unobservable inputs if, in the opinion of management, a significant proportion of the instrument's inception profit or greater than 5% of the instrument's carrying value is driven by unobservable inputs. 'Unobservable' in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value (consensus pricing data may, for example, be used). All fair value adjustments are included within the levelling determination.

Structured notes issued and certain other hybrid instrument liabilities are included within structured liabilities and are measured at fair value. The credit spread applied to these instruments is derived from the spreads at which the Group and the Bank issue structured notes.

Gains and losses arising from changes in the credit spread of liabilities issued by the Group and the Bank, recorded in other comprehensive income, reverse over the contractual life of the debt, provided that the debt is not repaid at a premium or a discount.

(iv) Fair value adjustments

We adopt the use of fair value adjustments when we take into consideration additional factors not incorporated within the valuation model that would otherwise be considered by a market participant. We classify fair value adjustments as either 'risk-related' or 'model related'. Movements in the level of fair value adjustments do not necessarily result in the recognition of profits or losses within the income statement. For example, as models are enhanced, fair value adjustments may no longer be required. Similarly, fair value adjustments will decrease when the related positions are unwound, but this may not result in profit or loss.

<u>Bid-offer</u>

MFRS 13 requires use of the price within the bid-offer spread that is most representative of fair value. Valuation models will typically generate mid-market values. The bid-offer adjustment reflects the extent to which bid-offer cost would be incurred if substantially all residual net portfolio market risks were closed using available hedging instruments or by disposing of, or unwinding the position.

5 Use of estimates and judgements (Cont'd)

(b) Fair value of financial instruments carried at fair value (Cont'd)

(iv) Fair value adjustments (Cont'd)

Uncertainty

Certain model inputs may be less readily determinable from market data, and/or the choice of model itself may be more subjective. In these circumstances, an adjustment may be necessary to reflect the likelihood that market participants would adopt more conservative values for uncertain parameters and/or model assumptions, than those used in the Group and the Bank's valuation model.

Credit valuation adjustment (CVA) and Debit valuation adjustment (DVA)

The CVA is an adjustment to the valuation of over-the-counter (OTC) derivative contracts to reflect the possibility that the counterparty may default and the Group and the Bank may not receive the full market value of the transactions.

The DVA is an adjustment to the valuation of OTC derivative contracts to reflect the possibility that the Group and the Bank may default, and that the Group and the Bank may not pay the full market value of the transactions.

The Group and the Bank calculate a separate CVA and DVA for each legal entity, and for each counterparty to which the entity has exposure. With the exception of central clearing parties, all third-party counterparties are included in the CVA and DVA calculations, and these adjustments are not netted across entities.

The Group and the Bank calculate the CVA by applying the PD of the counterparty, conditional on the non-default of the Group and the Bank, to the Group and the Bank's expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default. Conversely, the Group and the Bank calculate the DVA by applying the PD of the Group and the Bank, conditional on the non-default of the counterparty, to the expected positive exposure of the counterparty to the Group and the Bank and multiplying the result by the loss expected in the event of default. Both calculations are performed over the life of the potential exposure.

For most products the Group and the Bank use a simulation methodology, which incorporates a range of potential exposures over the life of the portfolio, to calculate the expected positive exposure to a counterparty. The simulation methodology includes credit mitigants, such as counterparty netting agreements and collateral agreements with the counterparty.

The methodologies do not, in general, account for 'wrong-way risk'. Wrong-way risk is an adverse correlation between the counterparty's probability of default and the mark-to-market value of the underlying transaction. The risk can either be general, perhaps related to the currency of the issuer country, or specific to the transaction concerned. When there is significant wrong-way risk, a trade-specific approach is applied to reflect this risk in the valuation.

Funding fair value adjustment (FFVA)

The FFVA is calculated by applying future market funding spreads to the expected future funding exposure of any uncollateralised component of the OTC derivative portfolio. The expected future funding exposure is calculated by a simulation methodology, where available and is adjusted for events that may terminate the exposure, such as the default of the Group or the Bank or the counterparty. The FFVA and DVA are calculated independently.

Model limitation

Models used for portfolio valuation purposes may be based upon a simplifying set of assumptions that do not capture all current and future material market characteristics. In these circumstances, model limitation adjustments are adopted.

(b) Fair value of financial instruments carried at fair value (Cont'd)

(iv) Fair value adjustments (Cont'd)

Inception profit (Day 1 profit or loss reserves)

Inception profit adjustments are adopted when the fair value estimated by a valuation model is based on one or more significant unobservable inputs.

(v) Reconciliation of fair value measurements in Level 3 of the fair value hierarchy

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 financial instruments, measured at fair value using a valuation technique with significant unobservable inputs:

	2024			2023		
	Derivative financial assets	**Derivative financial liabilities**	**Structured liabilities**	Derivative financial assets	Derivative financial liabilities	Structured liabilities
Group (RM'000)						
Balance at 1 January	**31,583**	**52,369**	**2,095,248**	9,274	43,742	1,533,878
Total gains or losses in profit or loss	**20,437** [1]	**36,956** [2]	**41,934** [2]	20,281 [1]	(30,100) [1]	62,213 [2]
Issues	–	–	**356,982**	–	–	946,665
Settlements	**(26,604)**	**(13,701)**	**(698,178)**	1,217	–	(551,645)
Transfer into Level 3	**138,023**	**11,821**	**433,506**	870	38,727	115,381
Transfer out of Level 3	**(125,336)**	**(28,412)**	**(1,688,186)**	(59)	–	(11,244)
Balance at 31 December	**38,103**	**59,033**	**541,306**	31,583	52,369	2,095,248

	2024			2023		
	Derivative financial assets	**Derivative financial liabilities**	**Structured liabilities**	Derivative financial assets	Derivative financial liabilities	Structured liabilities
Bank (RM'000)						
Balance at 1 January	**63,510**	**52,530**	**936,751**	35,331	46,811	364,532
Total gains or losses in profit or loss	**18,195** [1]	**42,396** [2]	**(2,311)** [1]	11,639 [1]	(33,007) [1]	25,471 [2]
Issues	–	–	**200,279**	–	–	676,780
Settlements	**(38,140)**	**(19,290)**	**(87,554)**	1,217	–	(131,185)
Transfer into Level 3	**141,709**	**12,223**	**240,488**	15,382	38,726	6,541
Transfer out of Level 3	**(142,597)**	**(28,820)**	**(967,797)**	(59)	–	(5,388)
Balance at 31 December	**42,677**	**59,039**	**319,856**	63,510	52,530	936,751

[1] Denotes gains in the Profit or Loss or OCI
[2] Denotes losses in the Profit or Loss or OCI

(b) Fair value of financial instruments carried at fair value (Cont'd)

(v) Reconciliation of fair value measurements in Level 3 of the fair value hierarchy (Cont'd)

Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period. Transfers into and out of levels of the fair value hierarchy are primarily attributable to changes in observability of valuation inputs and price transparency.

For structured liabilities, realised and unrealised gains and losses are presented in profit or loss under 'Net Expense from Financial Liabilities designated at Fair Value'.

Total gains or losses included in profit or loss for the financial year in the above tables are presented in the statements of profit or loss as follows:

2024 **Group (RM'000)**	**Derivative financial assets**	**Derivative financial liabilities**	**Structured liabilities**
Total gains or losses included in profit or loss for the financial year ended:			
- Net trading income	**(6,331)[1]**	**(18,024)[2]**	**39,549[1]**
Total gains or losses included in profit or loss for assets and liabilities held at the end of the financial year			
- Net trading income	**26,768[2]**	**54,980[1]**	**2,385[1]**
2023 Group (RM'000)			
Total gains or losses included in profit or loss for the financial year ended:			
- Net trading income	(7,134)[1]	(25,399)[2]	54,797[1]
Total gains or losses included in profit or loss for assets and liabilities held at the end of the financial year			
- Net trading income	27,415[2]	(4,701)[2]	7,416[1]

[1] Denotes losses in the Profit or Loss
[2] Denotes gains in the Profit or Loss

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5 Use of estimates and judgements (Cont'd)

(b) Fair value of financial instruments carried at fair value (Cont'd)

(v) Reconciliation of fair value measurements in Level 3 of the fair value hierarchy (Cont'd)

2024 Bank (RM'000)	**Derivative financial assets**	**Derivative financial liabilities**	**Structured liabilities**
Total gains or losses included in profit or loss for the financial year ended:			
- Net trading income	**(9,500)**[1]	**(12,628)**[2]	**(3,349)** [2]
Total gains or losses included in profit or loss for assets and liabilities held at the end of the financial year			
- Net trading income	**27,695** [2]	**55,024** [1]	**1,038** [1]
2023 Bank (RM'000)			
Total gains or losses included in profit or loss for the financial year ended:			
- Net trading income	(11,151)[1]	(28,373)[2]	27,106 [1]
Total gains or losses included in profit or loss for assets and liabilities held at the end of the financial year			
- Net trading income	22,790 [2]	(4,634)[2]	(1,635)[2]

[1] Denotes losses in the Profit or Loss
[2] Denotes gains in the Profit or Loss

(b) Fair value of financial instruments carried at fair value (Cont'd)

(vi) Quantitative information about significant unobservable inputs in Level 3 valuations

Level 3 fair values are estimated using unobservable inputs for the financial assets and liabilities. The following table shows the valuation techniques used in the determination of fair values within Level 3 at Group basis for the current year, as well as the key unobservable inputs used in the valuation models.

Type of financial instrument	Valuation technique	Key unobservable inputs	Range of estimates for unobservable input
Foreign currency options based derivative financial assets/liabilities	Option model	Volatility of foreign currency rates	**2024 : 4.36% to 18.50%** 2023 : 3.00% to 19.40%
Equity derivatives	Option model	Long term equity volatility	**2024 : 5.88% to 50.35%** 2023 : 6.42% to 66.42%
		Equity/Equity Index Correlation	**2024 : 0.51 to 0.57** 2023 : 0.60 to 0.78
		Dividend & Repo	**2024 : 16.09 to 4,026.16** 2023 : NIL
Structured liabilities	Option model	Foreign currency volatility	**2024 : 4.10% to 35.10%** 2023 : 3.00% to 34.20%
		Long term equity volatility	**2024 : NIL** 2023 : 7.10% to 64.10%
		Equity/Equity Index Correlation	**2024 : 0.51 to 0.81** 2023 : 0.60 to 0.78
		Dividend & Repo	**2024 : 16.09 to 4,026.16** 2023 : NIL
		MMM Lambda	**2024 : -14.00%** 2023 : -14.00%
Cross currency swap	Discounted cash flow model	Cross currency interest rate basis	**2024 : -0.60% to -1.73%** 2023 : -0.44% to -1.53%
Interest rate swap	Discounted cash flow model	Interest rate curve	**2024 : 3.48% to 4.21%** 2023 : 3.48% to 4.43%
Unquoted equity shares	Net Asset Value	Share price	**2024 : 0.35 to 33,588.60** 2023 : 0.36 to 29,526.13

(vii) Key unobservable inputs to Level 3 financial instruments

The key unobservable inputs to Level 3 financial instruments include volatility and correlation for structured notes and deposits valued using option models, and private equity investments. In the absence of an active market, the fair value of private equity and strategic investments is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors, as well as by reference to market valuations for similar entities quoted in an active market, or the price at which similar companies have changed ownership.

5 Use of estimates and judgements (Cont'd)

(b) Fair value of financial instruments carried at fair value (Cont'd)

(viii) Sensitivity of fair values to reasonably possible alternative assumptions

	2024 Effect on profit or loss		2023 Effect on profit or loss	
	Favourable changes	**Unfavourable changes**	Favourable changes	Unfavourable changes
Group (RM'000)				
Derivative financial assets	**2,162**	**(2,162)**	515	(515)
Derivative financial liabilities	**541**	**(541)**	270	(270)
Structured liabilities	**31**	**(638)**	778	(778)
	2,734	**(3,341)**	1,563	(1,563)

	2024 Effect on other comprehensive income		2023 Effect on other comprehensive income	
	Favourable changes	**Unfavourable changes**	Favourable changes	Unfavourable changes
Group (RM'000)				
Financial Investments at Fair Value through Other Comprehensive Income (FVOCI)	**12,395**	**(12,395)**	11,799	(11,799)

The sensitivity analysis aims to measure a range of fair values consistent with the application of a 95% confidence interval. Methodologies take account of the nature of the valuation technique employed, as well as the availability and reliability of observable proxy and historical data. When the fair value of a financial instrument is affected by more than one unobservable assumption, the above table reflects the most favourable or the most unfavourable change from varying the assumptions individually.

(c) Fair value of financial assets and liabilities not measured at fair value

The fair value of each financial asset and liability presented in the statements of financial position of the Group and the Bank approximate the carrying amount as at reporting date, except for the following:

	Group			
	31 Dec 2024 Carrying amount RM'000	**31 Dec 2024 Fair value RM'000**	31 Dec 2023 Carrying amount RM'000	31 Dec 2023 Fair value RM'000
Financial assets				
Financial investments at amortised cost	**11,322,701**	**11,353,440**	7,512,842	7,513,568
Loans, advances and financing	**45,537,518**	**45,651,280**	46,378,326	46,462,474
Financial liabilities				
Deposits from customers	**75,107,057**	**75,136,453**	71,932,699	71,916,104
Deposits and placements from banks and other financial institutions	**2,153,119**	**2,153,119**	3,157,796	3,157,797

	Bank			
	31 Dec 2024 Carrying amount RM'000	**31 Dec 2024 Fair value RM'000**	31 Dec 2023 Carrying amount RM'000	31 Dec 2023 Fair value RM'000
Financial assets				
Financial investments at amortised cost	**9,331,308**	**9,357,688**	6,522,926	6,523,572
Loans, advances and financing	**31,426,025**	**31,516,367**	32,357,115	32,424,156
Financial liabilities				
Deposits from customers	**61,661,268**	**61,685,600**	57,989,144	57,978,182
Deposits and placements from banks and other financial institutions	**2,320,528**	**2,320,528**	3,341,385	3,341,385

The methods and assumptions used in estimating the fair values of financial instruments other than those already mentioned in Note 3(g)(v) are as follows:

- **Cash and short term funds**
- **Securities purchased under resale agreements**
- **Deposits and placements with banks and other financial institutions**
- **Repurchase agreement**
- **Bills payable**

The carrying amounts approximate fair values due to their relatively short-term nature or reprice to current market rates frequently.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5 Use of estimates and judgements (Cont'd)

(c) Fair value of financial assets and liabilities not measured at fair value (Cont'd)

(i) Loans, advances and financing

To determine the fair values of loans, advances and financing to banks and customers, loans, advances and financing are segregated, as far as possible, into portfolios of similar characteristics. Fair values are based on observable market transactions, when available. When they are unavailable, fair values are estimated using valuation models incorporating a range of input assumptions. These assumptions may include: value estimates from third-party brokers reflecting over-the-counter trading activity; forward-looking discounted cash flow models, taking account of expected customer prepayment rates, using assumptions that the Group and the Bank believe are consistent with those that would be used by market participants in valuing such loans; new business rates estimates for similar loans; and trading inputs from other market participants including observed primary and secondary trades. From time to time, the Group and the Bank may engage a third-party valuation specialist to measure the fair value of a pool of loans.

The fair values of loans, advances and financing reflect expected credit losses at the reporting date and estimates of market participants' expectations of credit losses over the life of the loans, advances and financing, and the fair value effect of repricing between origination and the reporting date. For credit impaired loans, advances and financing, fair value is estimated by discounting the future cash flows over the time period they are expected to be recovered.

(ii) Financial investments at amortised costs

The fair values of listed financial investments are determined using bid market prices. The unlisted financial investments is short term in nature, hence the carrying amount is a reasonable approximation of its fair value.

**(iii) Deposits from customers
Deposits and placements from banks and other financial institutions**

The fair values of on-demand deposits are approximated by their carrying value. For deposits with longer term maturities, fair values are estimated using discounted cash flows, applying current rates offered for deposits or similar remaining maturities.

Fair value hierarchy

The following tables sets out the fair values of the financial assets and financial liabilities not measured at fair value but for which fair value is derived, and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

			Group		
31 December 2024 RM'000	**Level 1**	**Level 2**	**Level 3**	**Total fair values**	**Total carrying amount**
Financial assets					
Financial investments at amortised cost	**10,678,147**	**675,293**	**–**	**11,353,440**	**11,322,701**
Loans, advances and financing	**–**	**–**	**45,651,280**	**45,651,280**	**45,537,518**
Financial liabilities					
Deposits from customers	**–**	**75,136,453**	**–**	**75,136,453**	**75,107,057**
Deposits and placements from banks and other financial institutions	**–**	**2,153,119**	**–**	**2,153,119**	**2,153,119**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5 Use of estimates and judgements (Cont'd)

(c) Fair value of financial assets and liabilities not measured at fair value (Cont'd)

Fair value hierarchy (Cont'd)

			Group		
31 December 2023					**Total**
				Total	**carrying**
RM'000	**Level 1**	**Level 2**	**Level 3**	**fair values**	**amount**
Financial assets					
Financial investments at amortised cost	6,763,855	749,713	–	7,513,568	7,512,842
Loans, advances and financing	–	–	46,462,474	46,462,474	46,378,326
Financial liabilities					
Deposits from customers	–	71,916,104	–	71,916,104	71,932,699
Deposits and placements from banks and other financial institutions	–	3,157,797	–	3,157,797	3,157,796

			Bank		
31 December 2024					**Total**
				Total	**carrying**
RM'000	**Level 1**	**Level 2**	**Level 3**	**fair values**	**amount**
Financial assets					
Financial investments at amortised cost	**9,057,928**	**299,760**	**–**	**9,357,688**	**9,331,308**
Loans, advances and financing	**–**	**–**	**31,516,367**	**31,516,367**	**31,426,025**
Financial liabilities					
Deposits from customers	**–**	**61,685,600**	**–**	**61,685,600**	**61,661,268**
Deposits and placements from banks and other financial institutions	**–**	**2,320,528**	**–**	**2,320,528**	**2,320,528**

			Bank		
31 December 2023					**Total**
				Total	**carrying**
RM'000	**Level 1**	**Level 2**	**Level 3**	**fair values**	**amount**
Financial assets					
Financial investments at amortised cost	6,053,705	469,867	–	6,523,572	6,522,926
Loans, advances and financing	–	–	32,424,156	32,424,156	32,357,115
Financial liabilities					
Deposits from customers	–	57,978,182	–	57,978,182	57,989,144
Deposits and placements from banks and other financial institutions	–	3,341,385	–	3,341,385	3,341,385

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

6 Cash and Short-Term Funds

	Group		Bank	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Cash and balances with banks and other financial institutions	**806,970**	1,010,905	**616,028**	813,523
Money at call and interbank placements with original maturities of three months or less	**6,593,897**	9,632,985	**4,192,441**	7,160,307
	7,400,867	10,643,890	**4,808,469**	7,973,830

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 RM1,000 as at 31 December 2024 (31 December 2023: RM882,602,000).

Money at call and interbank placements with original maturities of three months or less is within stage 1 allocation (12-month ECL) with ECL of RM21,000 for the Group and RM17,000 for the Bank as at 31 December 2024 (31 December 2023: RM52,000 for the Group and RM43,000 for the Bank).

7 Deposits and Placements with Banks and Other Financial Institutions

Deposits and Placements with Banks and Other Financial Institutions of the Bank are in respect of placements with the Bank's wholly owned subsidiary, HSBC Amanah Malaysia Berhad (HBMS).

The balance is within stage 1 allocation (12-month ECL) with no ECL required for the Group and the Bank as at 31 December 2024 and 31 December 2023.

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

	Group		Bank	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Money market instruments:				
Malaysian Government treasury bills	**205,226**	507,266	**205,226**	507,266
Malaysian Government Islamic treasury bills	**857,646**	570,649	**837,025**	570,649
Malaysian Government securities	**2,566,984**	1,656,897	**2,566,984**	1,656,897
Malaysian Government Islamic Sukuk	**182,479**	407,278	**182,479**	407,278
Cagamas bonds and notes	**622,657**	530,150	**622,657**	530,150
Negotiable Instruments of Deposits	**500,075**	–	**500,075**	–
	4,935,067	3,672,240	**4,914,446**	3,672,240
Unquoted:				
Corporate bonds and Sukuk	**9,319**	7,667	**9,319**	7,667
	4,944,386	3,679,907	**4,923,765**	3,679,907

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

8 Financial Assets at Fair Value through Profit and Loss (FVTPL) (Cont'd)

Credit quality of financial assets at fair value through profit and loss based on the ratings of Standard & Poor's on the counterparties:

	Rating	*Group*		*Bank*	
		31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
		RM'000	RM'000	**RM'000**	RM'000
Money market instruments:					
Malaysian Government treasury bills	*A+ to A-*	**205,226**	507,266	**205,226**	507,266
Islamic treasury bills	*A+ to A-*	**857,646**	570,649	**837,025**	570,649
Malaysian Government securities	*A+ to A-*	**2,566,984**	1,656,897	**2,566,984**	1,656,897
Malaysian Government Islamic Sukuk	*A+ to A-*	**182,479**	407,278	**182,479**	407,278
Cagamas bonds and notes	*A+ to A-*	**622,657**	530,150	**622,657**	530,150
Negotiable Instruments of Deposits	*A+ to A-*	**500,075**	–	**500,075**	–
		4,935,067	3,672,240	**4,914,446**	3,672,240
Unquoted:					
Corporate bonds and Sukuk	- [1]	**9,219**	4,967	**9,219**	4,967
(including commercial paper)	*A+ to A-*	**100**	2,700	**100**	2,700
		4,944,386	3,679,907	**4,923,765**	3,679,907

[1] Rated separately by another rating agency

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Debt instruments				
Money market instruments:				
Bank Negara Malaysia bills	**4,438,692**	5,739,389	**4,438,692**	5,739,389
Bank Negara Malaysia Islamic bills	**663,572**	985,050	**663,572**	985,050
Malaysian Government Islamic treasury bills	**591,171**	2,888,122	**–**	1,502,015
Malaysian Government securities	**6,262,155**	2,673,148	**6,262,155**	2,673,148
Malaysian Government Islamic Sukuk	**4,275,630**	882,213	**2,603,431**	411,031
US treasury bond	**883,497**	453,840	**883,497**	453,840
	17,114,717	13,621,762	**14,851,347**	11,764,473
Equity instruments designated as FVOCI				
Unquoted Shares, of which:	**247,905**	235,976	**247,905**	235,976
Cagamas Holdings Berhad	***205,156***	*193,633*	***205,156***	*193,633*
Credit Guarantee Corporation Malaysia Berhad	***36,569***	*35,464*	***36,569***	*35,464*
Others	***6,180***	*6,879*	***6,180***	*6,879*
	17,362,622	13,857,738	**15,099,252**	12,000,449

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

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

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Maturing within one year	**8,831,782**	12,659,679	**7,325,689**	10,802,390
More than one year to three years	**3,926,431**	734,957	**3,531,741**	734,957
More than three years to five years	**4,356,504**	227,126	**3,993,917**	227,126
	17,114,717	13,621,762	**14,851,347**	11,764,473

There are no FVOCI balances that are pledged against Repurchase Agreement as at 31 December 2024 and 31 December 2023

Financial investments at FVOCI are within stage 1 allocation (12-month ECL) with RM1,224,000 ECL for the Group and RM1,026,000 for the Bank as at 31 December 2024 (31 December 2023: RM511,000 for the Group and RM401,000 for the Bank). The carrying amount of financial investments at FVOCI is equivalent to their fair value. The ECL 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)

10 Financial Investments at Amortised Cost

	Group		*Bank*	
	31 Dec 2024 RM'000	31 Dec 2023 RM'000	**31 Dec 2024 RM'000**	31 Dec 2023 RM'000
Debt instruments				
Money market instruments:				
Malaysian Government Islamic Sukuk	**4,963,406**	3,452,075	**3,347,546**	2,742,005
Malaysian Government securities	**5,684,002**	3,311,054	**5,684,002**	3,311,054
Unquoted:				
Corporate Sukuk	**675,293**	749,713	**299,760**	469,867
	11,322,701	7,512,842	**9,331,308**	6,522,926

Included in the financial investments at amortised cost of the Group and the Bank as at 31 December 2024 is Malaysian Government securities set aside as Deferred Net Settlement (DNS) collateral for Retail Payment Settlement in RENTAS amounting to RM65.0 million (31 December 2023: RM60.0 million). Withdrawal and substitution of DNS Collateral is subject to approval by Bank Negara Malaysia (BNM) and Payments Network Malaysia Sdn Bhd (PayNet).

Financial investments at amortised cost are within stage 1 allocation (12-month ECL) with RM1,486,000 ECL for the Group and RM1,178,000 for the Bank as at 31 December 2024 (31 December 2023: RM1,012,000 for the Group and RM779,000 for the Bank).

11 Loans, Advances and Financing

(i) By type

	Group		*Bank*	
At amortised cost	**31 Dec 2024 RM'000**	31 Dec 2023 RM'000	**31 Dec 2024 RM'000**	31 Dec 2023 RM'000
Overdrafts/cash line	**762,384**	480,104	**692,560**	396,896
Term loans/financing:				
Housing loans/financing	**13,899,367**	14,319,956	**10,230,494**	10,662,797
Syndicated term loans/financing	**2,220,284**	2,515,606	**884,908**	1,136,398
Factoring receivables	**2,861,187**	2,237,652	**2,861,187**	2,237,652
Hire purchase receivables	**137,726**	198,575	**–**	–
Other term loans/financing	**7,743,954**	7,998,870	**3,723,535**	4,024,368
Bills receivable	**3,834,665**	5,049,206	**2,550,285**	3,967,309
Trust receipts	**4,214,626**	3,344,953	**3,601,859**	2,711,950
Claims on customers under acceptance credits	**243,394**	911,452	**166,089**	705,286
Staff loans/financing	**38,542**	43,066	**37,617**	41,809
Credit/charge cards	**4,248,446**	4,085,036	**3,016,835**	2,832,522
Revolving financing	**5,884,951**	6,000,696	**3,949,091**	4,100,741
Other loans/financing	**9,351**	10,187	**6,649**	7,554
Gross loans, advances and financing [1]	**46,098,877**	47,195,359	**31,721,109**	32,825,282
Less: ECL	**(561,359)**	(817,033)	**(295,084)**	(468,167)
Total net loans, advances and financing	**45,537,518**	46,378,326	**31,426,025**	32,357,115

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11 Loans, Advances and Financing (Cont'd)

(i) By type (Cont'd)

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

	Bank	
	31 Dec 2024	31 Dec 2023
	RM'000	RM'000
Syndicated term financing	**318,786**	513,482
Other term financing	**474,729**	708,645
Revolving financing	**770,629**	770,403
Trade financing	**15,409**	19,908
Gross loans, advances and financing	**1,579,553**	2,012,438
Less: ECL	**(81)**	(96,432)
Total net loans, advances and financing	**1,579,472**	1,916,006

(ii) By type of customer

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Domestic non-bank financial institutions	**451,542**	673,327	**214,085**	532,950
Domestic business enterprises:				
Small medium enterprises	**2,609,740**	2,993,488	**1,696,110**	1,894,838
Others	**18,629,679**	17,214,467	**13,220,520**	11,865,359
Government and statutory bodies	**1,249**	–	**1,249**	–
Individuals	**17,257,408**	17,733,765	**11,904,974**	12,270,935
Other domestic entities	**673**	965	**156**	311
Foreign entities/individuals	**7,148,586**	8,579,347	**4,684,015**	6,260,889
	46,098,877	47,195,359	**31,721,109**	32,825,282

(iii) By residual contractual maturity

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Maturity within one year	**24,064,580**	24,568,425	**17,295,785**	18,422,777
More than one year to three years	**2,704,673**	3,412,773	**1,328,354**	1,804,709
More than three years to five years	**3,166,033**	2,434,908	**1,766,568**	736,735
More than five years	**16,163,591**	16,779,253	**11,330,402**	11,861,061
	46,098,877	47,195,359	**31,721,109**	32,825,282

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11 Loans, Advances and Financing (Cont'd)

(iv) By interest/profit rate sensitivity

	Group		*Bank*	
	31 Dec 2024 RM'000	31 Dec 2023 RM'000	**31 Dec 2024 RM'000**	31 Dec 2023 RM'000
Fixed rate:				
Hire purchase receivables	**137,726**	198,575	**–**	–
Other fixed rate loans/financing	**13,473,656**	14,396,455	**9,708,348**	10,625,782
Variable rate:				
Base Rate/Base Lending/Financing Rate	**14,268,406**	15,753,603	**10,543,745**	11,610,123
Cost-plus	**18,219,089**	16,846,726	**11,469,016**	10,589,377
	46,098,877	47,195,359	**31,721,109**	32,825,282

(v) By sector

	Group		*Bank*	
	31 Dec 2024 RM'000	31 Dec 2023 RM'000	**31 Dec 2024 RM'000**	31 Dec 2023 RM'000
Agricultural, hunting, forestry and fishing	**47,884**	30,771	**44,276**	25,233
Mining and quarrying	**329,260**	275,485	**192,879**	212,864
Manufacturing	**7,980,674**	7,607,033	**6,375,683**	6,054,667
Electricity, gas and water	**334,073**	286,538	**237,688**	223,925
Construction	**2,071,655**	2,390,637	**1,244,449**	1,352,555
Real estate	**1,904,718**	2,193,557	**684,409**	925,337
Wholesale & retail trade and restaurants & hotels	**4,474,372**	3,790,455	**3,453,542**	2,678,977
Transport, storage and communication	**1,056,076**	661,965	**751,755**	398,915
Finance, insurance and business services	**2,946,452**	3,199,267	**1,920,843**	2,247,449
Household-retail	**19,909,745**	20,348,184	**14,071,106**	14,425,256
Others	**5,043,968**	6,411,467	**2,744,479**	4,280,104
	46,098,877	47,195,359	**31,721,109**	32,825,282

(vi) By purpose

	Group		*Bank*	
	31 Dec 2024 RM'000	31 Dec 2023 RM'000	**31 Dec 2024 RM'000**	31 Dec 2023 RM'000
Purchase of property:				
Residential	**13,917,975**	14,341,726	**10,248,867**	10,684,317
Non residential	**954,500**	1,090,122	**463,302**	526,402
Purchase of securities	**2,000**	2,284	**2,000**	2,284
Purchase of transport vehicles	**14,856**	16,019	**14,219**	15,241
Purchase of fixed assets excluding land & building	**138,190**	198,979	**–**	–
Consumption credit	**5,785,745**	5,766,471	**3,742,845**	3,649,043
Construction	**1,800,000**	1,843,209	**1,177,793**	1,211,416
Working capital	**18,915,127**	17,921,155	**13,479,965**	12,579,545
Others	**4,570,484**	6,015,394	**2,592,118**	4,157,034
	46,098,877	47,195,359	**31,721,109**	32,825,282

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11 Loans, Advances and Financing (Cont'd)

(vii) By geographical distribution

	Group		*Bank*	
	31 Dec 2024 RM'000	31 Dec 2023 RM'000	**31 Dec 2024 RM'000**	31 Dec 2023 RM'000
Northern Region	**5,919,567**	6,076,304	**4,653,646**	4,727,293
Southern Region	**6,591,344**	6,169,065	**4,682,639**	4,405,066
Central Region	**32,380,973**	33,620,232	**21,437,991**	22,647,971
Eastern Region	**1,206,993**	1,329,758	**946,833**	1,044,952
	46,098,877	47,195,359	**31,721,109**	32,825,282

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, Melaka 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.

12 Impaired Loans, Advances and Financing

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

	Group		*Bank*	
	31 Dec 2024 RM'000	31 Dec 2023 RM'000	**31 Dec 2024 RM'000**	31 Dec 2023 RM'000
Gross carrying amount as at 1 January	**1,805,575**	2,769,319	**1,192,126**	1,797,388
Transfer within stages	**(43,524)**	(281,489)	**(36,442)**	(226,926)
Repayment	**(40,457)**	(248,391)	**(42,027)**	(133,100)
Written-off	**(290,654)**	(433,864)	**(192,696)**	(245,236)
Gross carrying amount as at 31 December	**1,430,940**	1,805,575	**920,961**	1,192,126

12 Impaired Loans, Advances and Financing (Cont'd)

(ii) By sector

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Agricultural, hunting, forestry and fishing	**3,471**	6,707	**3,467**	6,255
Manufacturing	**7,258**	22,502	**7,258**	12,950
Electricity, gas and water	**64,859**	58,509	**7,874**	–
Construction	**77,277**	70,493	**58,136**	60,226
Real estate	**56,172**	80,488	**56,172**	77,242
Wholesale & retail trade, restaurants & hotels	**12,762**	22,734	**10,971**	13,321
Transport, storage and communication	**4,081**	3,706	**4**	525
Finance, insurance and business services	**6,222**	106,805	**6,222**	102,764
Household-retail	**1,198,838**	1,433,631	**770,857**	918,843
	1,430,940	1,805,575	**920,961**	1,192,126

(iii) By purpose

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Purchase of property:				
Residential	**785,984**	994,204	**552,313**	696,638
Non residential	**15,147**	21,214	**11,522**	13,720
Purchase of fixed assets excluding land & building	**–**	6,245	**–**	–
Consumption credit	**408,022**	435,932	**217,337**	220,837
Construction	**35,830**	40,121	**34,260**	35,276
Working capital	**185,957**	307,859	**105,529**	225,655
	1,430,940	1,805,575	**920,961**	1,192,126

(iv) By geographical distribution

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Northern Region	**153,279**	199,380	**125,789**	159,400
Southern Region	**199,454**	264,263	**160,713**	212,448
Central Region	**1,034,097**	1,289,809	**596,704**	778,893
Eastern Region	**44,110**	52,123	**37,755**	41,385
	1,430,940	1,805,575	**920,961**	1,192,126

13 Expected credit loss (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 ECL not credit impaired	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Group	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2024	**78,954**	**220,552**	**517,527**	**817,033**
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	**70,921**	**(59,624)**	**(11,297)**	**–**
- Transferred to stage 2	**(8,518)**	**15,044**	**(6,526)**	**–**
- Transferred to stage 3	**(555)**	**(6,429)**	**6,984**	**–**
New financial assets originated or purchased	**16,405**	**–**	**–**	**16,405**
Net remeasurement due to changes in credit risk and assets derecognised	**(92,253)**	**(8,137)**	**126,386**	**25,996**
Asset written-off	**–**	**–**	**(290,654)**	**(290,654)**
Others	**–**	**–**	**(7,421)**	**(7,421)**
Balance at 31 December 2024	**64,954**	**161,406**	**334,999**	**561,359**
Balance at 1 January 2023	68,437	155,477	883,670	1,107,584
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	89,662	(45,886)	(43,776)	–
- Transferred to stage 2	(7,162)	22,559	(15,397)	–
- Transferred to stage 3	(546)	(5,244)	5,790	–
New financial assets originated or purchased	18,704	–	–	18,704
Net remeasurement due to changes in credit risk and assets derecognised	(90,141)	93,646	124,496	128,001
Asset written-off	–	–	(433,864)	(433,864)
Others	–	–	(3,392)	(3,392)
Balance at 31 December 2023	78,954	220,552	517,527	817,033

The Group and the Bank measure the 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 RM255.7 million for the Group compared to the balance at the beginning of the year. This net decrease was mainly contributed by asset written off (RM290.7 million), partially offset by remeasurement due to changes in credit risk and assets derecognised (RM26.0 million) and new financial assets originated or purchased (RM16.4 million).

– 12-month ECL not credit impaired (stage 1) – decreased by RM14.0 million for the Group, mainly from remeasurement due to changes in credit risk based on HSBC Group's model and assets derecognised, partially offset by net migration of loans, advances and financing from stages 2 and 3 due to improved credit quality and new financial assets originated or purchased.
– Lifetime ECL not credit-impaired (stage 2) – decreased by RM59.1 million for the Group, mainly from net migration of loans, advances and financing to stages 1 and 3, and remeasurement due to changes in credit risk and assets derecognised.
– Lifetime ECL credit-impaired (stage 3) – decreased by RM182.5 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 assets derecognised.

13 Expected credit loss (ECL) allowances (Cont'd)

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL not credit impaired	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Bank	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2024	**45,178**	**103,335**	**319,654**	**468,167**
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	**32,871**	**(25,840)**	**(7,031)**	**–**
- Transferred to stage 2	**(4,699)**	**8,476**	**(3,777)**	**–**
- Transferred to stage 3	**(250)**	**(2,545)**	**2,795**	**–**
New financial assets originated or purchased	**11,278**	**–**	**–**	**11,278**
Net remeasurement due to changes in credit risk and assets derecognised	**(45,639)**	**(19,016)**	**76,033**	**11,378**
Asset written-off	**–**	**–**	**(192,696)**	**(192,696)**
Others	**–**	**–**	**(3,043)**	**(3,043)**
Balance at 31 December 2024	**38,739**	**64,410**	**191,935**	**295,084**
Balance at 1 January 2023	35,476	82,333	487,453	605,262
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	58,623	(28,894)	(29,729)	–
- Transferred to stage 2	(3,227)	12,182	(8,955)	–
- Transferred to stage 3	(167)	(2,546)	2,713	–
New financial assets originated or purchased	10,994	–	–	10,994
Net remeasurement due to changes in credit risk and assets derecognised	(56,521)	40,260	117,622	101,361
Asset written-off	–	–	(245,236)	(245,236)
Others	–	–	(4,214)	(4,214)
Balance at 31 December 2023	45,178	103,335	319,654	468,167

The total ECL allowances decreased by RM173.1 million for the Bank compared to the balance at the beginning of the year. This net decrease was mainly contributed by asset written-off (RM192.7 million), partially offset by remeasurement due to changes in credit risk and assets derecognised (RM11.4 million) and new financial assets originated or purchased (RM11.3 million).

– 12-month ECL not credit impaired (stage 1) – decreased by RM6.4 million for the Bank mainly contributed by remeasurement due to changes in credit risk based on HSBC Group's model and assets derecognised, partially offset by net migration of loans and advances from stages 2 and 3 due to improved credit quality and new financial assets originated or purchased.
– Lifetime ECL not credit-impaired (stage 2) – decreased by RM38.9 million for the Bank, mainly due to net migration of loans and advances to stages 1 and 3 and remeasurement due to changes in credit risk and assets derecognised.
– Lifetime ECL credit-impaired (stage 3) – decreased by RM127.7 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 and assets derecognised.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

13 Expected credit loss (ECL) allowances (Cont'd)

(ii) Movements in ECL allowances for loan commitments

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

	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL not credit impaired	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Group	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2024	**9,569**	**7,228**	**72,844**	**89,641**
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	**1,195**	**(1,195)**	**–**	**–**
- Transferred to stage 2	**(265)**	**265**	**–**	**–**
- Transferred to stage 3	**(7)**	**–**	**7**	**–**
New financial assets originated or purchased	**733**	**–**	**–**	**733**
Net remeasurement due to changes in credit risk and assets derecognised	**(1,178)**	**(2,901)**	**8,570**	**4,491**
Others	**–**	**–**	**(2,428)**	**(2,428)**
Balance at 31 December 2024	**10,047**	**3,397**	**78,993**	**92,437**
Balance at 1 January 2023	3,856	13,728	27,019	44,603
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	1,775	(1,775)	–	–
- Transferred to stage 2	(88)	88	–	–
- Transferred to stage 3	(151)	(16)	167	–
New financial assets originated or purchased	630	–	–	630
Net remeasurement due to changes in credit risk and assets derecognised	2,777	(4,797)	45,658	43,638
Others	770	–	–	770
Balance at 31 December 2023	9,569	7,228	72,844	89,641

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

13 Expected credit loss (ECL) allowances (Cont'd)

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

	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL not credit impaired	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Bank	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2024	**6,836**	**5,225**	**45,095**	**57,156**
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	**848**	**(848)**	**–**	**–**
- Transferred to stage 2	**(179)**	**179**	**–**	**–**
- Transferred to stage 3	**(6)**	**–**	**6**	**–**
New financial assets originated or purchased	**478**	**–**	**–**	**478**
Net remeasurement due to changes in credit risk and assets derecognised	**(263)**	**(2,597)**	**12,191**	**9,331**
Others	**–**	**–**	**(2,528)**	**(2,528)**
Balance at 31 December 2024	**7,714**	**1,959**	**54,764**	**64,437**
Balance at 1 January 2023	2,220	6,575	2,791	11,586
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	658	(658)	–	–
- Transferred to stage 2	(73)	73	–	–
- Transferred to stage 3	(83)	(7)	90	–
New financial assets originated or purchased	362	–	–	362
Net remeasurement due to changes in credit risk and assets derecognised	3,303	(758)	42,214	44,759
Others	449	–	–	449
Balance at 31 December 2023	6,836	5,225	45,095	57,156

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)

14 Other Assets

	Group		Bank	
	31 Dec 2024 RM'000	31 Dec 2023 RM'000	**31 Dec 2024 RM'000**	31 Dec 2023 RM'000
Settlements	**665,492**	260,245	**621,390**	253,320
Interest/profit receivable	**281,441**	188,523	**250,361**	177,807
Income receivable	**60,752**	45,305	**73,633**	50,743
Deposits and prepayments	**5,051**	6,692	**5,051**	6,664
Amount due from subsidiary company	**–**	–	**246,492**	99,014
Rights of Use (ROU) assets [1]	**41,140**	50,719	**20,457**	30,943
Cash collateral	**283,807**	255,205	**283,807**	255,205
Intangible assets	**10,903**	14,581	**10,903**	14,581
Property held for sale	**8,692**	8,377	**8,692**	8,377
Other receivables	**532,987**	353,577	**538,461**	370,839
	1,890,265	1,183,224	**2,059,247**	1,267,493

[1] ROU assets comprise solely properties. There were RM Nil leases terminated during the financial year by the Group and the Bank (2023: RM Nil for the Group and the Bank). Existing leases that were subjected to modification during the financial year were RM46,513,000 and RM28,146,000 for the Group and the Bank respectively (2023: RM9,243,000 for the Group and RM5,159,000 for the Bank).

Lease related expenses and cash outflows during the financial year:

	Group		Bank	
	31 Dec 2024 RM'000	31 Dec 2023 RM'000	**31 Dec 2024 RM'000**	31 Dec 2023 RM'000
Interest/Finance expense (included in income from Islamic banking operations)	**2,678**	2,714	**1,539**	1,693
Expense related to short-term leases (included in establishment related expenses)	**26**	544	**17**	530
Cash outflow for lease payments	**16,523**	16,265	**9,375**	9,182

15 Statutory Deposits with Bank Negara Malaysia

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16 Investments in Subsidiary Companies

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Investments in Subsidiary Companies				
Unquoted shares, at cost - in Malaysia	**–**	–	**660,021**	660,021
Additional Tier 1 USD Wakalah Financing Facility	**–**	–	**501,063**	501,063
	–	–	**1,161,084**	1,161,084

Unquoted shares, at cost - in Malaysia

The subsidiary companies of the Bank are as follows:

Name	*Principal activities*	*Percentage of equity held*	
		31 Dec 2024	31 Dec 2023
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.

Additional Tier 1 USD Wakalah Financing Facility

The Bank subscribed to a USD Wakalah Financing Facility (the Facility) equivalent to RM501 million issued by its subsidiary, HSBC Amanah Malaysia Berhad (HBMS) in August 2022. 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'.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Property and equipment

	Group						
2024	***Land***	***Buildings***	***Office equipment, fixtures and fittings***	***Computer equipment***	***Motor vehicles***	***Work in progress***	***Total***
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cost or valuation							
Balance at 1 January	**361,990**	**457,010**	**313,574**	**75,049**	**3,376**	**6,534**	**1,217,533**
Additions	**–**	**800**	**9,131**	**7,617**	**710**	**7,276**	**25,534**
Disposals	**–**	**–**	**–**	**–**	**(1,674)**	**–**	**(1,674)**
Written off	**–**	**–**	**(4,270)**	**(7,994)**	**–**	**–**	**(12,264)**
Reclassification	**–**	**–**	**7,389**	**1,016**	**–**	**(8,405)**	**–**
Reclassification to Property Held For Sale	**(6,250)**	**(4,400)**	**–**	**–**	**–**	**–**	**(10,650)**
Other movements	**–**	**–**	**(32)**	**(16)**	**–**	**(26)**	**(74)**
Adjustments for revaluation	**2,480**	**(1,800)**	**–**	**–**	**–**	**–**	**680**
Balance at 31 December	**358,220**	**451,610**	**325,792**	**75,672**	**2,412**	**5,379**	**1,219,085**
Representing items at:							
Cost	**–**	**–**	**325,792**	**75,672**	**2,412**	**5,379**	**409,255**
Valuation - 2024	**358,220**	**451,610**	**–**	**–**	**–**	**–**	**809,830**
	358,220	**451,610**	**325,792**	**75,672**	**2,412**	**5,379**	**1,219,085**
Accumulated depreciation							
Balance at 1 January	**–**	**–**	**161,585**	**42,171**	**2,874**	**–**	**206,630**
Charge for the financial year	**1,239**	**10,251**	**31,470**	**10,077**	**288**	**–**	**53,325**
Disposals	**–**	**–**	**–**	**–**	**(1,674)**	**–**	**(1,674)**
Written off	**–**	**–**	**(4,270)**	**(7,981)**	**–**	**–**	**(12,251)**
Reclassification to Property Held For Sale	**–**	**(24)**	**–**	**–**	**–**	**–**	**(24)**
Adjustments for revaluation	**(1,239)**	**(10,227)**	**–**	**–**	**–**	**–**	**(11,466)**
Balance at 31 December	**–**	**–**	**188,785**	**44,267**	**1,488**	**–**	**234,540**
Net book value at 31 December	**358,220**	**451,610**	**137,007**	**31,405**	**924**	**5,379**	**984,545**
Carrying amounts that would have been recognised if land and building were stated at cost	**231,778**	**548,427**	**137,007**	**31,408**	**924**	**5,379**	**954,923**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Property and equipment (Cont'd)

	Group						
2023	***Land***	***Buildings***	***Office equipment, fixtures and fittings***	***Computer equipment***	***Motor vehicles***	***Work in progress***	***Total***
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cost or valuation							
Balance at 1 January	328,400	499,770	205,153	103,153	3,376	133,879	1,273,731
Additions	–	–	6,145	4,863	–	41,885	52,893
Disposals	–	–	–	(4,604)	–	–	(4,604)
Written off	–	–	(13,100)	(41,888)	–	(445)	(55,433)
Reclassification	–	15,424	115,376	13,525	–	(144,325)	–
Reclassification to Property Held For Sale	(6,500)	(3,900)	–	–	–	–	(10,400)
Other movements	–	–	–	–	–	(9,351)	(9,351)
Adjustments for revaluation	40,090	(54,284)	–	–	–	(15,109)	(29,303)
Balance at 31 December	361,990	457,010	313,574	75,049	3,376	6,534	1,217,533
Representing items at:							
Cost	–	–	313,574	75,049	3,376	6,534	398,533
Valuation - 2023	361,990	457,010	–	–	–	–	819,000
	361,990	457,010	313,574	75,049	3,376	6,534	1,217,533
Accumulated depreciation							
Balance at 1 January	–	–	146,696	78,310	2,562	–	227,568
Charge for the financial year	1,258	12,830	27,618	10,293	312	–	52,311
Disposals	–	–	–	(4,604)	–	–	(4,604)
Written off	–	–	(12,729)	(41,828)	–	–	(54,557)
Reclassification to Property Held For Sale	(35)	(21)	–	–	–	–	(56)
Adjustments for revaluation	(1,223)	(12,809)	–	–	–	–	(14,032)
Balance at 31 December	–	–	161,585	42,171	2,874	–	206,630
Net book value at 31 December	361,990	457,010	151,989	32,878	502	6,534	1,010,903
Carrying amounts that would have been recognised if land and building were stated at cost	232,608	553,460	151,989	32,878	502	6,534	977,971

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Property and equipment (Cont'd)

	Bank						
2024	***Land***	***Buildings***	***Office equipment, fixtures and fittings***	***Computer equipment***	***Motor vehicles***	***Work in progress***	***Total***
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cost or valuation							
Balance at 1 January	**361,990**	**457,010**	**282,004**	**65,999**	**3,075**	**6,502**	**1,176,580**
Additions	**–**	**800**	**8,047**	**7,617**	**710**	**6,950**	**24,124**
Disposals	**–**	**–**	**–**	**–**	**(1,674)**	**–**	**(1,674)**
Written off	**–**	**–**	**(4,224)**	**(7,932)**	**–**	**–**	**(12,156)**
Reclassification	**–**	**–**	**7,149**	**1,000**	**–**	**(8,149)**	**–**
Reclassification to Property Held For Sale	**(6,250)**	**(4,400)**	**–**	**–**	**–**	**–**	**(10,650)**
Other movements	**–**	**–**	**(16)**	**–**	**–**	**(26)**	**(42)**
Adjustments for revaluation	**2,480**	**(1,800)**	**–**	**–**	**–**	**–**	**680**
Balance at 31 December	**358,220**	**451,610**	**292,960**	**66,684**	**2,111**	**5,277**	**1,176,862**
Representing items at:							
Cost	**–**	**–**	**292,960**	**66,684**	**2,111**	**5,277**	**367,032**
Valuation - 2024	**358,220**	**451,610**	**–**	**–**	**–**	**–**	**809,830**
	358,220	**451,610**	**292,960**	**66,684**	**2,111**	**5,277**	**1,176,862**
Accumulated depreciation							
Balance at 1 January	**–**	**–**	**132,404**	**35,435**	**2,578**	**–**	**170,417**
Charge for the financial year	**1,239**	**10,251**	**30,454**	**9,239**	**283**	**–**	**51,466**
Disposals	**–**	**–**	**–**	**–**	**(1,674)**	**–**	**(1,674)**
Written off	**–**	**–**	**(4,224)**	**(7,919)**	**–**	**–**	**(12,143)**
Reclassification to Property Held For Sale	**–**	**(24)**	**–**	**–**	**–**	**–**	**(24)**
Adjustments for revaluation	**(1,239)**	**(10,227)**	**–**	**–**	**–**	**–**	**(11,466)**
Balance at 31 December	**–**	**–**	**158,634**	**36,755**	**1,187**	**–**	**196,576**
Net book value at 31 December	**358,220**	**451,610**	**134,326**	**29,929**	**924**	**5,277**	**980,286**
Carrying amounts that would have been recognised if land and building were stated at cost	**231,778**	**548,427**	**134,326**	**29,932**	**924**	**5,277**	**950,664**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Property and equipment (Cont'd)

	Bank						
2023	***Land***	***Buildings***	***Office equipment, fixtures and fittings***	***Computer equipment***	***Motor vehicles***	***Work in progress***	***Total***
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cost or valuation							
Balance at 1 January	328,400	499,770	174,829	90,591	3,075	131,924	1,228,589
Additions	–	–	6,013	4,847	–	41,380	52,240
Disposals	–	–	–	(4,599)	–	–	(4,599)
Written off	–	–	(12,410)	(38,365)	–	(445)	(51,220)
Reclassification	–	15,424	113,572	13,525	–	(142,521)	–
Reclassification to Property Held For Sale	(6,500)	(3,900)	–	–	–	–	(10,400)
Other movements	–	–	–	–	–	(8,727)	(8,727)
Adjustments for revaluation	40,090	(54,284)	–	–	–	(15,109)	(29,303)
Balance at 31 December	361,990	457,010	282,004	65,999	3,075	6,502	1,176,580
Representing items at:							
Cost	–	–	282,004	65,999	3,075	6,502	357,580
Valuation - 2023	361,990	457,010	–	–	–	–	819,000
	361,990	457,010	282,004	65,999	3,075	6,502	1,176,580
Accumulated depreciation							
Balance at 1 January	–	–	117,892	68,977	2,326	–	189,195
Charge for the financial year	1,258	12,830	26,556	9,362	252	–	50,258
Disposals	–	–	–	(4,599)	–	–	(4,599)
Written off	–	–	(12,044)	(38,305)	–	–	(50,349)
Reclassification to Property Held For Sale	(35)	(21)	–	–	–	–	(56)
Adjustments for revaluation	(1,223)	(12,809)	–	–	–	–	(14,032)
Balance at 31 December	–	–	132,404	35,435	2,578	–	170,417
Net book value at 31 December	361,990	457,010	149,600	30,564	497	6,502	1,006,163
Carrying amounts that would have been recognised if land and building were stated at cost	232,608	553,460	149,600	30,564	497	6,502	973,231

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18 Deferred Tax Assets

The amounts, prior to offsetting are summarised as follows:

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Deferred tax assets	**240,793**	295,049	**197,854**	249,548
Deferred tax liabilities	**(100,676)**	(92,026)	**(95,241)**	(86,373)
	140,117	203,023	**102,613**	163,175

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to offset current tax assets against current tax liabilities.

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Deferred tax assets:				
– settled more than 12 months	**79,638**	48,820	**55,266**	26,905
– settled within 12 months	**161,155**	246,229	**142,588**	222,643
Deferred tax liabilities:				
– settled more than 12 months	**(66,502)**	(39,890)	**(62,697)**	(35,762)
– settled within 12 months	**(34,174)**	(52,136)	**(32,544)**	(50,611)
	140,117	203,023	**102,613**	163,175

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18 Deferred Tax Assets (Cont'd)

Movement in temporary differences during the financial year

2024	*Group*							
	As at 1 Jan 24					**As at 31 Dec 24**		
	Deferred Tax Assets	*Deferred Tax Liabilities*	*Net Deferred Tax*	*Recognised in income statement*	*Recognised in other comprehensive income*	*Net Deferred Tax*	*Deferred Tax Assets*	*Deferred Tax Liabilities*
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Provision for accrued expenses	**197,954**	**–**	**197,954**	**(39,560)**	**–**	**158,394**	**158,394**	**–**
Property and equipment								
- capital allowances	**–**	**(4,919)**	**(4,919)**	**(8,031)**	**–**	**(12,950)**	**–**	**(12,950)**
- revaluation	**–**	**(22,548)**	**(22,548)**	**434**	**424**	**(21,690)**	**–**	**(21,690)**
ROU assets	**–**	**(12,173)**	**(12,173)**	**2,298**	**–**	**(9,875)**	**–**	**(9,875)**
Loans, advances and financing	**36,740**	**–**	**36,740**	**(6,184)**	**–**	**30,556**	**30,556**	**–**
Lease liabilities	**13,181**	**–**	**13,181**	**(2,314)**	**–**	**10,867**	**10,867**	**–**
Deferred income	**43,695**	**–**	**43,695**	**(2,963)**	**–**	**40,732**	**40,732**	**–**
FVOCI reserve	**767**	**(52,386)**	**(51,619)**	**–**	**(4,542)**	**(56,161)**	**–**	**(56,161)**
Own credit reserve	**2,712**	**–**	**2,712**	**–**	**(2,468)**	**244**	**244**	**–**
Net Deferred Tax	**295,049**	**(92,026)**	**203,023**	**(56,320)**	**(6,586)**	**140,117**	**240,793**	**(100,676)**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18 Deferred Tax Assets (Cont'd)

Movement in temporary differences during the financial year (Cont'd)

2023	*Group*							
	As at 1 Jan 23					*As at 31 Dec 23*		
	Deferred Tax Assets	*Deferred Tax Liabilities*	*Net Deferred Tax*	*Recognised in income statement*	*Recognised in other comprehensive income*	*Net Deferred Tax*	*Deferred Tax Assets*	*Deferred Tax Liabilities*
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for accrued expenses	169,769	–	169,769	28,185	–	197,954	197,954	–
Property and equipment								
- capital allowances	13,980	(693)	13,287	(18,206)	–	(4,919)	–	(4,919)
- revaluation	–	(27,141)	(27,141)	415	4,178	(22,548)	–	(22,548)
ROU assets	–	(13,192)	(13,192)	1,019	–	(12,173)	–	(12,173)
Loans, advances and financing	25,850	–	25,850	10,890	–	36,740	36,740	–
Lease liabilities	14,215	–	14,215	(1,034)	–	13,181	13,181	–
Deferred income	42,368	–	42,368	1,327	–	43,695	43,695	–
FVOCI reserve	3,148	(44,047)	(40,899)	–	(10,720)	(51,619)	767	(52,386)
Own credit reserve	1,971	–	1,971	–	741	2,712	2,712	–
Net Deferred Tax	271,301	(85,073)	186,228	22,596	(5,801)	203,023	295,049	(92,026)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18 Deferred Tax Assets (Cont'd)

Movement in temporary differences during the financial year (Cont'd)

	Bank							
2024	*As at 1 Jan 24*					*As at 31 Dec 24*		
	Deferred Tax Assets	*Deferred Tax Liabilities*	*Net Deferred Tax*	*Recognised in income statement*	*Recognised in other comprehensive income*	*Net Deferred Tax*	*Deferred Tax Assets*	*Deferred Tax Liabilities*
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Provision for accrued expenses	**182,221**	**–**	**182,221**	**(41,599)**	**–**	**140,622**	**140,622**	**–**
Property and equipment								
- capital allowances	**–**	**(4,013)**	**(4,013)**	**(8,499)**		**(12,512)**	**–**	**(12,512)**
- revaluation	**–**	**(22,548)**	**(22,548)**	**434**	**424**	**(21,690)**	**–**	**(21,690)**
ROU assets	**–**	**(7,426)**	**(7,426)**	**2,516**	**–**	**(4,910)**	**–**	**(4,910)**
Loans, advances and financing	**19,808**	**–**	**19,808**	**(4,418)**	**–**	**15,390**	**15,390**	**–**
Lease liabilities	**7,964**	**–**	**7,964**	**(2,527)**	**–**	**5,437**	**5,437**	**–**
Deferred income	**38,266**	**–**	**38,266**	**(2,015)**	**–**	**36,251**	**36,251**	**–**
FVOCI reserve	**–**	**(52,386)**	**(52,386)**	**–**	**(3,743)**	**(56,129)**	**–**	**(56,129)**
Own credit reserve	**1,289**	**–**	**1,289**	**–**	**(1,135)**	**154**	**154**	**–**
Net Deferred Tax	**249,548**	**(86,373)**	**163,175**	**(56,108)**	**(4,454)**	**102,613**	**197,854**	**(95,241)**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18 Deferred Tax Assets (Cont'd)

Movement in temporary differences during the financial year (Cont'd)

	Bank							
2023	*As at 1 Jan 23*					*As at 31 Dec 23*		
	Deferred Tax Assets	*Deferred Tax Liabilities*	*Net Deferred Tax*	*Recognised in income statement*	*Recognised in other comprehensive income*	*Net Deferred Tax*	*Deferred Tax Assets*	*Deferred Tax Liabilities*
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for accrued expenses	159,337	–	159,337	22,884	–	182,221	182,221	–
Property and equipment								
- capital allowances	13,980	–	13,980	(17,993)	–	(4,013)	–	(4,013)
- revaluation	–	(27,141)	(27,141)	415	4,178	(22,548)	–	(22,548)
ROU assets	–	(8,021)	(8,021)	595	–	(7,426)	–	(7,426)
Loans, advances and financing	14,130	–	14,130	5,678	–	19,808	19,808	–
Lease liabilities	8,531	–	8,531	(567)	–	7,964	7,964	–
Deferred income	37,833	–	37,833	433	–	38,266	38,266	–
FVOCI reserve	–	(44,047)	(44,047)	–	(8,339)	(52,386)	–	(52,386)
Own credit reserve	351	–	351	–	938	1,289	1,289	–
Net Deferred Tax	234,162	(79,209)	154,953	11,445	(3,223)	163,175	249,548	(86,373)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 Deposits from Customers

(i) By type of deposit	Group		Bank	
	31 Dec 2024 RM'000	31 Dec 2023 RM'000	**31 Dec 2024 RM'000**	31 Dec 2023 RM'000
Demand deposits	**27,828,822**	26,534,021	**24,423,155**	23,198,935
Savings deposits	**16,494,870**	15,457,954	**13,432,587**	12,576,940
Fixed deposits	**30,783,365**	29,940,724	**23,805,526**	22,213,269
	75,107,057	71,932,699	**61,661,268**	57,989,144

The maturity structure of fixed deposits is as follows:

	Group		Bank	
	31 Dec 2024 RM'000	31 Dec 2023 RM'000	**31 Dec 2024 RM'000**	31 Dec 2023 RM'000
Due within six months	**24,834,114**	23,767,823	**19,150,121**	17,430,562
More than six months to one year	**5,131,430**	5,252,505	**4,087,773**	4,134,230
More than one year to three years	**527,802**	694,873	**358,232**	486,253
More than three years to five years	**290,019**	225,500	**209,400**	162,201
Over five years	**–**	23	**–**	23
	30,783,365	29,940,724	**23,805,526**	22,213,269

(ii) By type of customer	Group		Bank	
	31 Dec 2024 RM'000	31 Dec 2023 RM'000	**31 Dec 2024 RM'000**	31 Dec 2023 RM'000
Government and statutory bodies	**24,599**	19,058	**12,983**	6,858
Business enterprises	**29,093,707**	29,351,258	**26,139,781**	25,930,901
Individuals	**28,108,782**	25,887,033	**22,360,791**	20,351,486
Foreign entities/individuals	**15,897,388**	14,922,587	**12,129,446**	10,894,099
Others	**1,982,581**	1,752,763	**1,018,267**	805,800
	75,107,057	71,932,699	**61,661,268**	57,989,144

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20 Deposits and Placements from Banks and Other Financial Institutions

	Group		Bank	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Licensed banks	**38,981**	48,945	**238,981**	248,331
Bank Negara Malaysia	**209,294**	181,674	**200,045**	165,888
Other financial institutions	**1,904,844**	2,927,177	**1,881,502**	2,927,166
	2,153,119	3,157,796	**2,320,528**	3,341,385

21 Structured Liabilities Designated at Fair Value through Profit or Loss

	Group		Bank	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Structured liabilities	**4,245,924**	4,589,420	**2,566,257**	2,649,922

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 (expense)/income from financial investments designated at fair value.

22 Other Liabilities

	Group		Bank	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Settlements	**325,491**	256,083	**324,784**	251,568
Interest/profit payable	**295,288**	288,698	**231,248**	214,527
Deferred income	**172,953**	188,879	**154,280**	166,258
Marginal deposit	**160,342**	209,029	**148,430**	186,501
Amount due to subsidiary company	**–**	–	**752**	55,793
Accrued expenses	**661,199**	859,368	**638,261**	839,112
Lease liabilities	**45,207**	54,958	**22,582**	33,222
Cash collateral	**155,019**	200,860	**155,019**	200,860
Other creditors	**1,280,497**	1,256,145	**1,100,379**	983,516
Provisions on loan and credit related commitments; and financial guarantees [1]	**92,437**	89,641	**64,437**	57,156
	3,188,433	3,403,661	**2,840,172**	2,988,513

[1] Refer to Note 13(ii) for movement in provision.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

23 Share Capital and Other Equity

	Group and Bank			
	31 Dec 2024		31 Dec 2023	
	Number of Shares ('000)	**RM'000**	Number of Shares ('000)	RM'000
Share capital, issued and fully paid				
Ordinary shares of RM0.50 each				
At 1 January/31 December	**229,000**	**1,045,875**	229,000	1,045,875
Preference shares of RM1.00 each				
At 1 January	**1,500,000**	**1,500,000**	1,500,000	1,500,000
Issued during the financial year	**700,000**	**693,000**	–	–
At 31 December	**2,200,000**	**2,193,000**	1,500,000	1,500,000
Total share capital and other equity	**2,429,000**	**3,238,875**	1,729,000	2,545,875

The Group and the Bank issued non-cumulative and non-convertible redeemable perpetual preference shares. 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). 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.

Issuance date	Nominal value	Issuance cost	Dividend rate
27 June 2022	RM1,500 million	—	3-month KLIBOR plus 36 basis points per annum
11 July 2024	RM 700 million	RM 7 million	3-month KLIBOR plus 50 basis points per annum

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24 Reserves

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Revaluation reserve	**127,947**	131,503	**127,947**	131,503
FVOCI reserve	**179,079**	163,985	**178,778**	166,300
Own credit reserve [1]	**(771)**	(8,588)	**(486)**	(4,081)
Capital contribution reserve [2]	**92,386**	92,689	**92,060**	92,312
Regulatory reserve [3]	**449,000**	367,100	**382,000**	331,300
Retained profits	**9,110,558**	9,022,327	**6,945,224**	7,133,615
	9,958,199	9,769,016	**7,725,523**	7,850,949

[1] Changes in fair value relating to the Group and the Bank's own credit risk are recognised in other comprehensive income. This is arising from structured product.

[2] The capital contribution reserve is maintained to record the amount relating to share options granted to employees of the Group and the Bank directly by HSBC Holding plc.

[3] The regulatory reserve is maintained in line with paragraph 10.5 of BNM's policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions issued on 29 April 2022, to maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1.0% of total credit exposures, net of loss allowance for credit-impaired exposures.

The regulatory reserve is debited against retained profits.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

25 Net Interest Income

	Group		Bank	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	**1,566,422**	1,545,467	**1,566,422**	1,545,467
- Interest income recognised from impaired loans	**29,071**	35,088	**29,071**	35,088
Money at call and deposit placements with financial institutions	**597,672**	621,919	**665,091**	682,317
Financial investments at FVOCI	**552,036**	464,694	**552,036**	464,694
Financial investments at amortised cost	**298,874**	180,875	**298,874**	180,875
	3,044,075	2,848,043	**3,111,494**	2,908,441
Interest expense				
Deposits and placements of banks and other financial institutions	**(86,093)**	(54,622)	**(93,210)**	(63,272)
Deposits from customers	**(1,054,606)**	(864,323)	**(1,054,606)**	(864,323)
Lease liabilities	**(1,539)**	(1,693)	**(1,539)**	(1,693)
Others	**413**	(1,281)	**413**	(1,281)
	(1,141,825)	(921,919)	**(1,148,942)**	**(930,569)**
Net interest income	**1,902,250**	1,926,124	**1,962,552**	1,977,872

26 Net Fee and Commission Income

	Group		Bank	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Fee and commission income				
Credit cards	**149,957**	136,128	**149,957**	136,128
Service charges and fees	**123,481**	119,589	**123,481**	119,589
Fees on credit facilities	**66,420**	70,675	**66,420**	70,675
Agency fee	**190,335**	117,856	**190,335**	117,856
Others	**38,561**	30,960	**36,244**	29,735
	568,754	475,208	**566,437**	473,983
Fee and commission expense				
Debit/credit cards	**(79,157)**	(71,191)	**(79,157)**	(71,191)
Interbank and clearing fees	**(1,909)**	(1,382)	**(1,909)**	(1,382)
Brokerage	**(4,590)**	(4,174)	**(4,590)**	(4,174)
Others	**(23,834)**	(21,449)	**(23,834)**	(21,449)
	(109,490)	(98,196)	**(109,490)**	**(98,196)**
Net fee and commission income	**459,264**	377,012	**456,947**	375,787

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27 Net Trading Income

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Realised gains on financial assets/ liabilities at FVTPL and other financial instruments	**16,338**	18,988	**16,338**	18,988
Net interest income from financial assets at FVTPL	**179,282**	98,857	**179,282**	98,857
Net unrealised (losses)/gains on revaluation of financial assets at FVTPL	**(9,442)**	13,475	**(9,442)**	13,475
Net gains/(losses) from dealing in foreign currency				
- Realised	**978,813**	725,132	**973,730**	718,851
- Unrealised	**(185,514)**	(147,989)	**(229,910)**	(77,511)
Net (losses)/gains from dealing in derivatives				
- Realised	**(133,672)**	(15,733)	**(130,400)**	(2,975)
- Unrealised	**162,727**	37,412	**145,085**	(8,404)
Losses arising from fair value hedges	**(558)**	(530)	**(558)**	(530)
	1,007,974	729,612	**944,125**	760,751

Net trading income for the Group is presented in both Note 27 and Note 28. A reconciliation of the net trading income for the Group is as follows:

	Group	
	31 Dec 2024	31 Dec 2023
	RM'000	RM'000
Total net trading income (net of elimination with subsidiary)	**1,018,074**	846,837
of which:		
- is disclosed in Note 27	**1,007,974**	729,612
- is included under Income from Islamic Banking operations of the Group (Note 28)	**10,100**	117,225

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28 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:

	Group	
	31 Dec 2024	31 Dec 2023
	RM'000	RM'000
Income derived from investment of:		
- depositor funds and others [1]	**900,701**	853,700
- shareholders funds	**254,557**	212,517
Total income before ECL	**1,155,258**	1,066,217
Income attributable to the depositors	**(366,205)**	(355,285)
Income from Islamic Banking operations before elimination	**789,053**	710,932
Elimination of intercompany income and expenses	**(6,815)**	80,543
Income from Islamic Banking operations reported in statement of profit or loss of the Group [2]	**782,238**	791,475

[1] Included in the income derived from investment of depositors' funds and others are net expense on financial instruments designated at fair value through profit or loss for the year ended 31 December	**(73,809)**	(113,821)
[2] Included in income from Islamic Banking operations reported in statement of profit or loss of the Group is net trading income for the year ended 31 December	**10,100**	117,225

29 Other Operating Income

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Net gain from disposal of financial investments at FVOCI	**12,218**	–	**12,218**	–
Dividend income from financial investments at FVOCI (Unquoted in Malaysia)	**1,503**	2,553	**1,503**	2,553
Dividend income from subsidiary	**–**	–	**53,679**	–
Discretionary coupon income on other equity instrument issued by subsidiary	**–**	–	**35,112**	29,109
Rental income	**28,553**	6,773	**28,553**	6,773
Net gains on disposal of property and equipment	**925**	1,175	**925**	1,175
Net upwards revaluation on property	**7,940**	–	**7,940**	–
Income recharges from subsidiary	**–**	–	**191,545**	180,336
Other operating income	**40,397**	61,637	**40,397**	61,637
	91,536	72,138	**371,872**	281,583

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 ECL (Written-back)/Charges

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Net increase in ECL	**76,534**	191,356	**48,531**	157,628
Recoveries	**(129,286)**	(123,065)	**(68,206)**	(59,107)
Written off	**1,091**	1,976	**1,051**	1,760
ECL (written-back)/charges	**(51,661)**	70,267	**(18,624)**	100,281

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

(i) Loan, advances and financing

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Net increase in ECL	**70,213**	146,705	**37,758**	112,355
Recoveries	**(129,286)**	(123,065)	**(68,206)**	(59,107)
Written off	**1,091**	1,976	**1,051**	1,760
ECL (written-back)/charges	**(57,982)**	25,616	**(29,397)**	55,008

(ii) Money at call and interbank placements with original maturities of three months or less

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Net (release)/increase in ECL	**(96)**	11	**(66)**	(11)

(iii) Debt securities - FVOCI

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Net increase/(release) in ECL	**719**	(230)	**631**	(205)

(iv) Financial investments at amortised costs

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Net increase in ECL	**474**	602	**399**	368

(v) Loan commitments and contingencies

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Net increase in ECL	**5,224**	44,268	**9,809**	45,121

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Other Operating Expenses

	Group 31 Dec 2024 RM'000	31 Dec 2023 RM'000	*Bank* 31 Dec 2024 RM'000	31 Dec 2023 RM'000
Personnel expenses	**674,650**	660,821	**636,415**	621,103
Promotion and marketing related expenses	**52,832**	40,531	**44,968**	33,134
Establishment related expenses	**201,734**	155,831	**175,260**	140,808
General administrative expenses	**149,012**	172,386	**122,705**	146,267
Related company charges	**889,648**	827,315	**881,826**	818,280
	1,967,876	1,856,884	**1,861,174**	1,759,592
Personnel expenses				
Salaries, allowances and bonuses	**515,576**	515,734	**485,459**	484,206
Employees Provident Fund contributions	**87,548**	88,366	**82,168**	82,717
Share based payment	**9,731**	10,087	**9,719**	9,944
Others	**61,795**	46,634	**59,069**	44,236
	674,650	660,821	**636,415**	621,103
Establishment related expenses				
Depreciation of property and equipment	**53,325**	52,311	**51,466**	50,258
Depreciation of ROU assets	**56,091**	13,484	**38,631**	7,637
Amortisation of intangible assets	**3,904**	5,911	**3,904**	5,911
Impairment of intangible assets	**–**	196	**–**	196
Information technology costs	**27,645**	14,604	**25,043**	12,329
Revaluation loss on property	**–**	19,274	**–**	19,274
Property and equipment written off	**13**	876	**13**	871
General repairs and maintenance	**21,276**	14,250	**18,834**	11,012
Utilities	**5,923**	5,550	**4,904**	4,573
Others	**33,557**	29,375	**32,465**	28,747
	201,734	155,831	**175,260**	140,808
General administrative expenses				
Auditors' remuneration				
- Statutory audit fees	**765**	715	**592**	553
- Regulatory related fees	**185**	565	**129**	410
- Non-audit fees	**54**	60	**–**	–
Professional fees [1]	**7,148**	10,066	**5,627**	8,388
Communication	**25,458**	33,781	**24,214**	32,135
Others	**115,402**	127,199	**92,143**	104,781
	149,012	172,386	**122,705**	146,267

[1] Included in professional fees are fees paid to the Shariah Committee members of HBMS:

	Group 31 Dec 2024 RM'000	31 Dec 2023 RM'000
Shariah Committee members	**637**	579

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Other Operating Expenses (Cont'd)

	Group		Bank	
	31 Dec 2024 RM'000	31 Dec 2023 RM'000	**31 Dec 2024 RM'000**	31 Dec 2023 RM'000
Related company charges	**889,648**	827,315	**881,826**	818,280
Of which by:				
(i) Type of service				
- Information technology related cost	**470,168**	373,115	**470,204**	373,082
- Non information technology related cost	**419,480**	454,200	**411,622**	445,198
(ii) Countries/territories				
- Hong Kong	**607,121**	506,394	**606,945**	506,295
- United Kingdom	**151,779**	146,066	**150,764**	145,548
- Malaysia	**71,870**	78,856	**65,698**	71,106
- India	**32,702**	74,571	**32,273**	73,937
- Others	**26,176**	21,428	**26,146**	21,394

32 Tax Expense

	Group		Bank	
	31 Dec 2024 RM'000	31 Dec 2023 RM'000	**31 Dec 2024 RM'000**	31 Dec 2023 RM'000
Malaysian income tax				
– Current year	**479,600**	491,058	**352,100**	366,409
– Prior years	**(139)**	(35,539)	**1,314**	(26,380)
Total current tax recognised in profit or loss	**479,461**	455,519	**353,414**	340,029
<u>Deferred tax</u>				
Origination and reversal of temporary differences (Current year)	**56,320**	(22,596)	**56,108**	(11,445)
Total tax expense	**535,781**	432,923	**409,522**	328,584

A numerical reconciliation between the tax expense and the accounting profit multiplied by the applicable tax rate is as follows:

	Group		Bank	
	31 Dec 2024 RM'000	31 Dec 2023 RM'000	**31 Dec 2024 RM'000**	31 Dec 2023 RM'000
Profit before tax	**2,211,358**	1,871,312	**1,777,257**	1,438,222
Income tax using Malaysian tax rate	**530,726**	449,115	**426,542**	345,173
Non-deductible expenses	**7,478**	20,209	**5,242**	17,639
Tax exempt income	**(2,284)**	(862)	**(23,576)**	(7,848)
(Over)/ under provision in respect of prior years	**(139)**	(35,539)	**1,314**	(26,380)
Tax expense	**535,781**	432,923	**409,522**	328,584

33 Earnings per share

The earnings per ordinary share have been calculated based on profit for the financial year and ordinary shares in issue of 229,000,000 (2023: 229,000,000) during the financial year. The Group and the Bank have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares.

34 Significant Related Party Transactions and Balances

For the purpose of these financial statements, parties are considered to be related to the Group if:

(i) the Group or the Bank has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial or operational decisions, or vice versa, or
(ii) where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The related parties of the Group and the Bank comprise:

(i) the Bank's immediate holding bank (hereinafter referred to as parent) and ultimate holding company;
(ii) the Bank's subsidiaries;
(iii) associated companies of the Bank's ultimate holding company;
(iv) key management personnel who are defined as those person having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank, either directly or indirectly. Key management personnel consist of all members of the Board of Directors and certain senior management of the Group and the Bank, including their close family members.
(v) Transactions, arrangements and agreements that are entered into by the Group and the Bank with companies that may be controlled/jointly controlled by the key management personnel of the Group and the Bank and their close family members.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Significant Related Party Transactions and Balances (Cont'd)

(a) The significant transactions and outstanding balances of the Group and the Bank with its related parties are as follows:

	Group					
	2024			2023		
	Parent	***Other related companies***	***Key management personnel***	*Parent*	*Other related companies*	*Key management personnel*
	RM'000	**RM'000**	**RM'000**	RM'000	RM'000	RM'000
Income						
Interest/finance income on deposits and placements with banks and other financial institutions	**5,650**	**13,926**	**–**	7,673	12,047	–
Interest/finance income on loans, advances and financing from customers	**–**	**–**	**92**	–	–	193
Fees and commission	**5,141**	**18,163**	**–**	4,684	16,746	–
Other income	**13,535**	**22,328**	**–**	3,593	31,091	–
Net trading (expense)/income	**(29,392)**	**520,323**	**–**	3,886	(79,962)	–
	(5,066)	**574,740**	**92**	19,836	(20,078)	193
Expenditure						
Interest/finance expense on deposits and placements from banks and financial institutions	**3,737**	**87,627**	**–**	1,247	74,897	–
Interest/finance expense on deposits from customers	**–**	**–**	**225**	–	–	183
Fees and commission	**1,938**	**11,391**	**–**	4,370	11,411	–
Operating expenses	**607,066**	**282,582**	**–**	506,330	320,985	–
	612,741	**381,600**	**225**	511,947	407,293	183

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Significant Related Party Transactions and Balances (Cont'd)

(a) The significant transactions and outstanding balances of the Group and the Bank with its related parties are as follows (Cont'd):

	Group					
	2024			2023		
	Parent	***Other related companies***	***Key management personnel***	*Parent*	*Other related companies*	*Key management personnel*
	RM'000	**RM'000**	**RM'000**	RM'000	RM'000	RM'000
Amount due from						
Deposits and placements with banks and other financial institutions (including cash and short-term funds)	**19,750**	**277,137**	**–**	42,730	249,657	–
Loans, advances and financing	**–**	**–**	**2,102**	–	–	2,068
Derivative financial assets	**167,394**	**221,018**	**–**	467,922	357,739	–
Other assets	**192,325**	**592,625**	**–**	194,083	191,276	–
	379,469	**1,090,780**	**2,102**	704,735	798,672	2,068
Amount due to						
Deposit and placements from banks and other financial institutions	**20,852**	**1,360,794**	**–**	55,241	2,814,918	–
Deposit from customers	**–**	**–**	**11,957**	–	–	9,387
Derivative financial liabilities	**295,457**	**221,753**	**–**	489,312	224,405	–
Other liabilities	**328,278**	**458,549**	**–**	581,526	580,616	–
Structured liabilities designated at fair value through profit and loss	**–**	**–**	**354**	–	–	144
	644,587	**2,041,096**	**12,311**	1,126,079	3,619,939	9,531

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Significant Related Party Transactions and Balances (Cont'd)

(a) The significant transactions and outstanding balances of the Group and the Bank with its related parties are as follows (Cont'd):

	Bank			
	2024			
	Parent RM'000	**Subsidiary bank RM'000**	**Other related companies RM'000**	**Key management personnel RM'000**
Income				
Interest/finance income on deposits and placements with Banks and other financial institutions	**5,650**	**67,419**	**13,926**	**–**
Interest/finance income on loans, advances and financing from customers	**–**	**–**	**–**	**76**
Fees and commission	**5,088**	**–**	**16,532**	**–**
Other income	**13,535**	**191,545**	**22,207**	**–**
Net trading (expense)/income	**(29,392)**	**(63,849)**	**510,068**	**–**
	(5,119)	**195,115**	**562,733**	**76**
Expenditure				
Interest/finance expense on deposits and placements from Banks and other financial institutions	**3,737**	**7,117**	**68,639**	**–**
Interest/finance expense on deposits from customers	**–**	**–**	**–**	**126**
Fees and commission	**1,882**	**2,317**	**10,296**	**–**
Operating expenses	**606,890**	**951**	**273,985**	**–**
	612,509	**10,385**	**352,920**	**126**
Amount due from				
Deposits and placements with banks and other financial institutions (including cash and short-term funds)	**14,998**	**2,327,508**	**187,121**	**–**
Loans, advances and financing	**–**	**–**	**–**	**1,829**
Derivative financial assets	**167,394**	**192,900**	**221,018**	**–**
Other assets	**192,325**	**294,994**	**592,518**	**–**
	374,717	**2,815,402**	**1,000,657**	**1,829**
Amount due to				
Deposit and placements from banks and other financial institutions	**20,841**	**200,000**	**1,178,325**	**–**
Deposit from customers	**–**	**–**	**–**	**8,614**
Derivative financial liabilities	**295,457**	**229,098**	**221,753**	**–**
Other liabilities	**328,000**	**1,443**	**454,909**	**–**
Structured liabilities designated at fair value through profit and loss	**–**	**–**	**–**	**234**
	644,298	**430,541**	**1,854,987**	**8,848**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Significant Related Party Transactions and Balances (Cont'd)

(a) The significant transactions and outstanding balances of the Group and the Bank with its related parties are as follows (Cont'd):

	Bank			
	2023			
	Parent RM'000	Subsidiary bank RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Interest/finance income on deposits and placements with Banks and other financial institutions	7,673	60,063	12,047	–
Interest/finance income on loans, advances and financing from customers	–	–	–	190
Fees and commission	4,625	–	15,202	–
Other income	3,593	180,336	30,975	–
Net trading income/(expenses)	3,886	31,139	(80,655)	–
	19,777	271,538	(22,431)	190
Expenditure				
Interest/finance expense on deposits and placements from Banks and other financial institutions	1,247	8,315	44,378	–
Interest/finance expense on deposits from customers	–	–	–	92
Fees and commission	4,324	1,225	10,123	–
Operating expenses	506,237	1,119	310,924	–
	511,808	10,659	365,425	92
Amount due from				
Deposits and placements with banks and other financial institutions (including cash and short-term funds)	37,429	1,458,588	161,700	–
Loans, advances and financing	–	–	–	1,947
Derivative financial assets	467,922	82,415	357,739	–
Other assets	194,083	152,532	191,179	–
	699,434	1,693,535	710,618	1,947
Amount due to				
Deposit and placements from banks and other financial institutions	55,230	200,000	2,003,410	–
Deposit from customers	–	–	–	6,596
Derivative financial liabilities	489,312	80,271	224,405	–
Other liabilities	581,383	57,913	574,757	–
Structured liabilities designated at fair value through profit and loss	–	–	–	144
	1,125,925	338,184	2,802,572	6,740

All transactions of the Group and the Bank with its related parties are made in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Significant Related Party Transactions and Balances (Cont'd)

Detail of Directors' remuneration of the Group and the Bank during the financial year are as follow:

(b) Key management personnel and other material risk takers' remuneration

(i) The remuneration of CEO and Directors

The remuneration of the members of the Board of Directors/CEO of HSBC Bank Malaysia Berhad and its subsidiaries, charged to the statements of profit or loss and other comprehensive income during the financial year are as follows:

2024	***Group***				
	Salaries and bonuses RM'000	**Other short term employee benefits RM'000**	**Share-based payment RM'000**	**Fees RM'000**	**Total RM'000**
Executive Directors of the Bank and subsidiary					
Dato' Omar Siddiq bin Amin Noer Rashid (CEO of the Bank)	**3,373**	**781**	**4,172**	**–**	**8,326**
Surendranath Ravi Rosha	**–**	**–**	**–**	**–**	**–**
Non-Executive Directors of the Bank and subsidiary					
Datuk Kamaruddin bin Taib	**–**	**–**	**–**	**318**	**318**
Datin Seri Sunita-Mei Lin Rajakumar	**–**	**–**	**–**	**237**	**237**
Yoong Sin Min	**–**	**–**	**–**	**235**	**235**
Tunku Dato' Mahmood Fawzy Bin Tunku Muhiyiddin [1]	**–**	**–**	**–**	**–**	**–**
Choo Yoo Kwan @ Choo Yee Kwan [2]	**–**	**–**	**–**	**261**	**261**
Zuraida binti Jamaluddin [3]	**–**	**–**	**–**	**225**	**225**
Datin Che Teh Ija binti Mohd Jalil	**–**	**–**	**–**	**233**	**233**
Lim Tiang Siew	**–**	**–**	**–**	**178**	**178**
Datuk Md Arif bin Mahmood	**–**	**–**	**–**	**160**	**160**
Ng Ing Peng	**–**	**–**	**–**	**166**	**166**
Ho Chai Huey [4]	**–**	**–**	**–**	**–**	**–**
	3,373	**781**	**4,172**	**2,013**	**10,339**
CEO of the Bank's subsidiary					
Raja Amir Shah bin Raja Azwa	**1,233**	**294**	**32**	**–**	**1,559**
	1,233	**294**	**32**	**–**	**1,559**

[1] Appointed on 1 February 2025

[2] Retired on 24 January 2025

[3] Retired on 31 January 2025

[4] Retired effective 1 January 2024

(b) Key management personnel and other material risk takers' remuneration (Cont'd)

(i) The remuneration of CEO and Directors (Cont'd)

2023	*Group*				
	Salaries and bonuses	Other short term employee benefits	Share-based payment	Fees	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Director of the Bank and subsidiary					
Dato' Omar Siddiq bin Amin Noer Rashid (CEO of the Bank)	3,371	608	1,272	–	5,251
Surendranath Ravi Rosha [1]	–	–	–	–	–
Non-Executive Directors of the Bank and subsidiary					
Datuk Kamaruddin bin Taib	–	–	–	295	295
Choo Yoo Kwan @ Choo Yee Kwan	–	–	–	261	261
Datin Seri Sunita-Mei Lin Rajakumar	–	–	–	237	237
Zuraida binti Jamaluddin	–	–	–	225	225
Yoong Sin Min [2]	–	–	–	192	192
Datin Che Teh Ija binti Mohd Jalil	–	–	–	211	211
Lim Tiang Siew [3]	–	–	–	132	132
Datuk Md Arif bin Mahmood [4]	–	–	–	51	51
Ng Ing Peng [5]	–	–	–	39	39
Tan Kar Leng @ Chen Kar Leng [6]	–	–	–	60	60
Adil Ahmad [7]	–	–	–	61	61
Mukhtar Malik Hussain [8]	–	–	–	348	348
Albert Quah Chei Jin [9]	–	–	–	178	178
Ho Chai Huey [10]	–	–	–	176	176
	3,371	**608**	**1,272**	**2,466**	**7,717**
CEO of the Bank's subsidiary					
Raja Amir Shah bin Raja Azwa	1,083	273	13	–	**1,369**
	1,083	273	13	–	1,369

[1] Appointed effective 5 January 2023
[2] Appointed effective 1 March 2023
[3] Appointed effective 8 March 2023
[4] Appointed effective 1 September 2023
[5] Appointed effective 1 October 2023
[6] Retired effective 1 April 2023
[7] Retired effective 4 May 2023
[8] Retired effective 14 December 2023
[9] Retired effective 31 December 2023
[10] Retired effective 1 January 2024

34 Significant Related Party Transactions and Balances (Cont’d)

(b) Key management personnel and other material risk takers' remuneration (Cont'd)

(i) The remuneration of CEO and Directors (Cont'd)

2024	*Bank*				
	Salaries and bonuses RM'000	Other short term employee benefits RM'000	Share-based payment RM'000	Fees RM'000	Total RM'000
Executive Directors					
Dato’ Omar Siddiq bin Amin Noer Rashid (CEO of the Bank)	**3,373**	**781**	**4,172**	**–**	**8,326**
Surendranath Ravi Rosha	**–**	**–**	**–**	**–**	**–**
Non-Executive Directors					
Datuk Kamaruddin bin Taib	**–**	**–**	**–**	**318**	**318**
Datin Seri Sunita-Mei Lin Rajakumar	**–**	**–**	**–**	**237**	**237**
Yoong Sin Min	**–**	**–**	**–**	**235**	**235**
Tunku Dato' Mahmood Fawzy Bin Tunku Muhiyiddin [1]	**–**	**–**	**–**	**–**	**–**
Choo Yoo Kwan @ Choo Yee Kwan [2]	**–**	**–**	**–**	**261**	**261**
Zuraida binti Jamaluddin [3]	**–**	**–**	**–**	**225**	**225**
					–
	3,373	**781**	**4,172**	**1,276**	**9,602**

[1] Appointed on 1 February 2025
[2] Retired on 24 January 2025
[3] Retired on 31 January 2025

(b) Key management personnel and other material risk takers' remuneration (Cont'd)

(i) The remuneration of CEO and Directors (Cont'd)

2023	Bank				
	Salaries and bonuses RM'000	Other short term employee benefits RM'000	Share-based payment RM'000	Fees RM'000	Total RM'000
Executive Directors					
Dato' Omar Siddiq bin Amin Noer Rashid (CEO of the Bank)	3,371	608	1,272	–	**5,251**
Surendranath Ravi Rosha [1]	–	–	–	–	**–**
Non-Executive Directors					
Datuk Kamaruddin bin Taib	–	–	–	295	**295**
Choo Yoo Kwan @ Choo Yee Kwan	–	–	–	261	**261**
Datin Seri Sunita-Mei Lin Rajakumar	–	–	–	237	**237**
Zuraida binti Jamaluddin	–	–	–	225	**225**
Yoong Sin Min [2]	–	–	–	192	**192**
Tan Kar Leng @ Chen Kar Leng [3]	–	–	–	60	**60**
Mukhtar Malik Hussain [4]	–	–	–	217	**217**
	3,371	**608**	**1,272**	**1,487**	**6,738**

[1] Appointed effective 5 January 2023
[2] Appointed effective 1 March 2023
[3] Retired effective 1 April 2023
[4] Retired effective 14 December 2023

(ii) The remuneration of senior management and other material risk takers

Senior management consists of certain Executive Committee (EXCO) members for the Group and the Bank.

Other material risk taker refers to an employee who is not a member of the EXCO but falls under the Group and the Bank's material risk taker definition, and shall include:
(i) officer who can materially commit or control significant amounts of the Group and the Bank's resources or whose actions are likely to have a significant impact on its risk profile; or
(ii) officer who is among the most highly remunerated officers in the Group and the Bank.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Significant Related Party Transactions and Balances (Cont'd)

(b) Key management personnel and other material risk takers' remuneration (Cont'd)

(ii) The remuneration of senior management and other material risk takers (Cont'd)

Total Remuneration

Senior Management	*Group*			
	31 Dec 2024		31 Dec 2023	
	Unrestricted RM'000	**Deferred RM'000**	Unrestricted RM'000	Deferred RM'000
Fixed remuneration				
Cash	**18,139**	**–**	16,562	–
Variable remuneration				
Cash	**7,216**	**1,963**	5,464	1,814
Shares and share-linked instruments	**2,944**	**2,857**	1,984	2,101
	10,160	**4,820**	7,448	3,915
Total Senior Management's Remuneration	**28,299**	**4,820**	24,010	3,915

Number of officers having received a variable remuneration during the financial year: 22 (2023: 17).

Other Material Risk Takers	*Group*			
	31 Dec 2024		31 Dec 2023	
	Unrestricted RM'000	**Deferred RM'000**	Unrestricted RM'000	Deferred RM'000
Fixed remuneration				
Cash	**2,097**	**–**	1,272	–
Variable remuneration				
Cash	**1,085**	**–**	1,430	–
Shares and share-linked instruments	**–**	**140**	–	282
	1,085	**140**	1,430	282
Total Other Material Risk Takers' Remuneration	**3,182**	**140**	2,702	282

Number of officers having received a variable remuneration during the financial year: 2 (2023: 2).

(b) Key management personnel and other material risk takers' remuneration (Cont'd)

(ii) The remuneration of senior management and other material risk takers (Cont'd)

Total Remuneration (Cont'd)

Senior Management	*Bank*			
	31 Dec 2024		31 Dec 2023	
	Unrestricted RM'000	**Deferred RM'000**	Unrestricted RM'000	Deferred RM'000
Fixed remuneration				
Cash	**14,656**	**–**	13,543	–
Variable remuneration				
Cash	**5,318**	**1,963**	4,072	1,814
Shares and share-linked instruments	**2,944**	**2,717**	1,984	2,004
	8,262	**4,680**	6,056	3,818
Total Senior Management's Remuneration	**22,918**	**4,680**	19,599	3,818

Number of officers having received a variable remuneration during the financial year: 13 (2023: 11).

Other Material Risk Takers	*Bank*			
	31 Dec 2024		31 Dec 2023	
	Unrestricted RM'000	**Deferred RM'000**	Unrestricted RM'000	Deferred RM'000
Fixed remuneration				
Cash	**2,097**	**–**	1,272	–
Variable remuneration				
Cash	**1,085**	**–**	1,430	–
Shares and share-linked instruments	**–**	**140**	–	282
	1,085	**140**	1,430	282
Total Other Material Risk Takers' Remuneration	**3,182**	**140**	2,702	282

Number of officers having received a variable remuneration during the financial year: 2 (2023: 2).

Guaranteed bonuses, sign-on awards and severance payments

Other than the above, no senior management nor other material risk takers received any guaranteed bonuses, sign-on awards and severance payments.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Significant Related Party Transactions and Balances (Cont'd)

(b) Key management personnel and other material risk takers' remuneration (Cont'd)

(ii) The remuneration of senior management and other material risk takers (Cont'd)

Deferred Remuneration

	Group			
	31 Dec 2024		31 Dec 2023	
	Senior management RM'000	**Other material risk takers RM'000**	Senior management RM'000	Other material risk takers RM'000
Outstanding deferred remuneration				
Cash	**4,421**	**111**	2,090	36
Shares and share-linked instruments	**11,920**	**390**	11,166	773
	16,341	**501**	13,256	809
Deferred remuneration paid out	**5,852**	**82**	3,226	443

	Bank			
	31 Dec 2024		31 Dec 2023	
	Senior management RM'000	**Other material risk takers RM'000**	Senior management RM'000	Other material risk takers RM'000
Outstanding deferred remuneration				
Cash	**4,421**	**111**	2,069	36
Shares and share-linked instruments	**11,667**	**390**	10,972	773
	16,088	**501**	13,041	809
Deferred remuneration paid out	**5,739**	**82**	3,040	443

Total amount of outstanding deferred and retained remuneration exposed to ex-post explicit and implicit adjustments as at 31 December 2024:

- for senior management is RM24,741,000 for the Group and RM24,314,000 for the Bank (2023: RM18,230,000 for the Group and RM17,801,000 for the Bank).
- for other material risk takers is RM671,000 for the Group and the Bank (2023: RM1,339,000 for the Group and the Bank).

35 Credit Exposure to Connected Parties

	Group		*Bank*	
	31 Dec 2024 RM'000	31 Dec 2023 RM'000	**31 Dec 2024 RM'000**	31 Dec 2023 RM'000
Aggregate value of outstanding credit exposures to connected parties	**3,435,138**	3,347,099	**3,170,693**	3,058,375
As a percentage of total credit exposures	**3.0 %**	3.0 %	**3.4 %**	3.4 %
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)

36 Capital Adequacy

	Group	
	31 Dec 2024	31 Dec 2023
	RM'000	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	**1,045,875**	1,045,875
Retained profits	**9,110,558**	9,022,327
Other reserves	**847,641**	746,690
Regulatory adjustments	**(909,948)**	(833,065)
Total CET1 capital	**10,094,126**	9,981,827
Tier 1 capital		
Additional Tier 1 preference shares	**2,193,000**	1,500,000
Total Tier 1 capital	**12,287,126**	11,481,827
Tier 2 capital		
General provisions	**629,333**	612,218
Regulatory adjustments	**57,576**	59,176
Total Tier 2 capital	**686,909**	671,394
Capital base	**12,974,035**	12,153,221
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	**16.953%**	17.452%
Tier 1 Capital ratio	**20.636%**	20.075%
Total Capital ratio	**21.790%**	21.249%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	**16.306%**	16.903%
Tier 1 Capital ratio	**19.989%**	19.525%
Total Capital ratio	**21.143%**	20.699%

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)

36 Capital Adequacy (Cont'd)

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

	Group	
	31 Dec 2024	31 Dec 2023
	RM'000	RM'000
Total RWA for credit risk [1]	**50,346,619**	48,977,450
Total RWA for market risk	**2,292,635**	2,212,482
Total RWA for operational risk	**6,902,586**	6,004,624
	59,541,840	57,194,556

[1] The risk weighted amount for credit risk relating to the SIAF/IAA (refer to Note11(i) for more details) are as follows:

	Group	
	31 Dec 2024	31 Dec 2023
	RM'000	RM'000
Under SIAF/IAA arrangement	**658,314**	940,464

	Bank	
	31 Dec 2024	31 Dec 2023
	RM'000	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	**1,045,875**	1,045,875
Retained profits	**6,945,224**	7,133,615
Other reserves	**780,299**	717,335
Regulatory adjustments	**(1,463,496)**	(1,439,857)
Total CET1 capital	**7,307,902**	7,456,968
Tier 1 capital		
Additional Tier 1 preference shares	**2,193,000**	1,500,000
Regulatory adjustments	**(501,063)**	(501,063)
Total Tier 1 capital	**8,999,839**	8,455,905
Tier 2 capital		
General provisions	**467,581**	448,989
Regulatory adjustments	**57,576**	59,176
Total Tier 2 capital	**525,157**	508,165
Capital base	**9,524,996**	8,964,070

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Capital Adequacy (Cont'd)

	Bank	
	31 Dec 2024	31 Dec 2023
Before deducting proposed dividend		
CET 1 Capital ratio	**16.016%**	17.261%
Tier 1 Capital ratio	**19.725%**	19.573%
Total Capital ratio	**20.875%**	20.749%
After deducting proposed dividend		
CET 1 Capital ratio	**15.172%**	16.533%
Tier 1 Capital ratio	**18.880%**	18.845%
Total Capital ratio	**20.031%**	20.021%

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:

	Bank	
	31 Dec 2024	31 Dec 2023
	RM'000	RM'000
Total RWA for credit risk [1]	**37,406,489**	35,919,082
Total RWA for market risk	**2,197,736**	2,053,759
Total RWA for operational risk	**6,023,418**	5,229,007
	45,627,643	43,201,848

[1] The risk weighted amount for credit risk relating to the SIAF/IAA (refer to Note11(i) for more details) are as follows:

	Bank	
	31 Dec 2024	31 Dec 2023
	RM'000	RM'000
Under SIAF/IAA arrangement	**658,314**	940,464

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 CET1, 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. The transitional arrangement has ended with effect from 1 January 2024.

As required by the Guideline, below is the disclosure on the capital ratios as at 31 December 2023 with comparison of:
(i) the Capital Ratios, computed in accordance with the transitional arrangement
(ii) the Capital Ratios, had the transitional arrangement not been applied.

Group	**With Transitional Arrangement (%)**	**Without Transitional Arrangement (%)**
	31 Dec 2023	31 Dec 2023
Before deducting proposed dividend		
CET1 Capital Ratio	17.452%	17.375%
Tier 1 Capital Ratio	20.075%	19.998%
Total Capital Ratio	21.249%	21.172%
After deducting proposed dividend		
CET1 Capital Ratio	16.903%	16.826%
Tier 1 Capital Ratio	19.525%	19.448%
Total Capital Ratio	20.699%	20.622%

Bank	**With Transitional Arrangement (%)**	**Without Transitional Arrangement (%)**
	31 Dec 2023	31 Dec 2023
Before deducting proposed dividend		
CET1 Capital Ratio	17.261%	17.204%
Tier 1 Capital Ratio	19.573%	19.517%
Total Capital Ratio	20.749%	20.693%
After deducting proposed dividend		
CET1 Capital Ratio	16.533%	16.476%
Tier 1 Capital Ratio	18.845%	18.789%
Total Capital Ratio	20.021%	19.965%

37 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.

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
Principal amount	**RM'000**	RM'000	**RM'000**	RM'000
Direct credit substitutes	**641,943**	530,256	**610,429**	496,547
Transaction-related contingent items	**12,801,108**	11,582,381	**10,966,743**	9,332,307
Short-term self-liquidating trade-related contingencies	**420,263**	659,875	**281,383**	500,020
Forward asset purchases	**18,784**	–	**18,784**	–
Formal standby facilities and credit lines				
- Maturity not exceeding one year	**8,690,729**	7,439,408	**7,380,469**	6,355,292
- Maturity exceeding one year	**14,279,178**	13,982,358	**10,661,652**	10,695,256
Other unconditionally cancellable	**21,228,765**	20,510,762	**17,838,394**	17,260,641
Unutilised credit card lines	**14,101,767**	13,366,131	**10,813,037**	10,061,414
Foreign exchange related contracts:				
- Less than one year	**104,006,700**	92,291,213	**105,324,987**	92,457,674
- Over one year to less than five years	**5,671,758**	5,277,349	**5,671,758**	5,277,349
- Over five years	**274,452**	334,593	**274,452**	334,593
Interest/profit rate related contracts:				
- Less than one year	**15,249,291**	24,728,621	**15,872,401**	25,854,970
- Over one year to less than five years	**25,677,203**	18,684,881	**26,369,199**	19,497,384
- Over five years	**571,808**	665,332	**571,808**	665,332
Gold and other precious metals contracts:				
- Less than one year	**10,823**	13,252	**10,823**	13,252
Equity related contracts:				
- Less than one year	**1,804,297**	1,220,865	**2,431,823**	2,091,734
- Over one year to less than five years	**1,356,137**	1,924,145	**2,174,878**	2,628,795
	226,805,006	213,211,422	**217,273,020**	203,522,560

of which the amount related to SIAF/IAA arrangement (refer to Note11(i) for more details) are as below:

	Bank	
	31 Dec 2024	31 Dec 2023
	RM'000	RM'000
Formal standby facilities and credit lines:		
- Maturity not exceeding one year	**–**	10,092
- Maturity exceeding one year	**89,591**	144,048
	89,591	154,140

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 Derivative Financial Instruments

(a) Details of derivative financial instruments outstanding are as follows:

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

	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
Group	**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 2024	**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	100,754,365	1,761,568	–	102,515,933	738,778	32,714	–	771,492	954,174	14,905	–	969,079
- Swaps	2,805,817	3,910,190	274,452	6,990,459	62,080	198,675	12,642	273,397	71,796	156,738	8,991	237,525
- Options	446,518	–	–	446,518	6,174	–	–	6,174	1,590	–	–	1,590
Interest/profit rate related contracts												
- Options	569,738	209,918	–	779,656	419	17	–	436	620	1,409	–	2,029
- Swaps	14,679,553	25,467,285	571,808	40,718,646	17,070	109,954	6,652	133,676	13,928	110,077	6,773	130,778
Equity related contracts												
- Options	1,804,297	1,356,137	–	3,160,434	20,560	30,205	–	50,765	28,027	39,808	–	67,835
Precious metal contracts												
- Options	10,823	–	–	10,823	–	–	–	–	82	–	–	82
Total	121,071,111	32,705,098	846,260	154,622,469	845,081	371,565	19,294	1,235,940	1,070,217	322,937	15,764	1,408,918

The Group does not have any hedging instrument as at 31 December 2024.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 Derivative Financial Instruments (Cont'd)

(a) 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 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	89,052,940	866,386	–	89,919,326	747,621	18,975	–	766,596	738,391	4,362	–	742,753
- Swaps	2,991,785	4,410,963	334,593	7,737,341	62,134	269,588	8,247	339,969	126,217	163,900	31,882	321,999
- Options	246,488	–	–	246,488	1,077	–	–	1,077	1,407	–	–	1,407
Interest/profit rate related contracts												
- Options	771,054	583,972	–	1,355,026	372	859	–	1,231	7,883	93	–	7,976
- Swaps	22,457,567	18,100,909	665,332	41,223,808	93,728	138,098	11,690	243,516	90,534	140,127	17,506	248,167
Equity related contracts												
- Options	1,220,865	1,924,145	–	3,145,010	161,084	27,646	–	188,730	214,166	39,238	–	253,404
Precious metal contracts												
- Options	13,252	–	–	13,252	269	–	–	269	288	–	–	288
Sub- total	116,753,951	25,886,375	999,925	143,640,251	1,066,285	455,166	19,937	1,541,388	1,178,886	347,720	49,388	1,575,994
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	1,500,000	–	–	1,500,000	1,651	–	–	1,651	–	–	–	–
Total	118,253,951	25,886,375	999,925	145,140,251	1,067,936	455,166	19,937	1,543,039	1,178,886	347,720	49,388	1,575,994

38 Derivative Financial Instruments (Cont'd)

(a) 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):

	Contract / Notional Amount				**Positive Fair Value**				**Negative Fair Value**			
Bank	**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 2024	**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	**102,128,152**	**1,761,568**	**–**	**103,889,720**	**721,395**	**32,714**	**–**	**754,109**	**952,344**	**14,905**	**–**	**967,249**
- Swaps	**2,750,317**	**3,910,190**	**274,452**	**6,934,959**	**61,783**	**198,521**	**11,392**	**271,696**	**71,451**	**156,738**	**8,991**	**237,180**
- Options	**446,518**	**–**	**–**	**446,518**	**6,174**	**–**	**–**	**6,174**	**1,590**	**–**	**–**	**1,590**
Interest rate related contracts												
- Options	**612,675**	**568,158**	**–**	**1,180,833**	**829**	**9,748**	**–**	**10,577**	**620**	**259**	**–**	**879**
- Swaps	**15,259,726**	**25,801,041**	**571,808**	**41,632,575**	**17,559**	**110,208**	**6,652**	**134,419**	**14,683**	**112,063**	**6,773**	**133,519**
Equity related contracts												
- Options	**2,431,823**	**2,174,878**	**–**	**4,606,701**	**36,809**	**81,125**	**–**	**117,934**	**30,884**	**63,782**	**–**	**94,666**
Precious metal contracts												
- Options	**10,823**	**–**	**–**	**10,823**	**–**	**–**	**–**	**–**	**82**	**–**	**–**	**82**
Total	**123,640,034**	**34,215,835**	**846,260**	**158,702,129**	**844,549**	**432,316**	**18,044**	**1,294,909**	**1,071,654**	**347,747**	**15,764**	**1,435,165**

The Bank does not have any hedging instrument as at 31 December 2024.

38 Derivative Financial Instruments (Cont'd)

(a) 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):

	Contract / Notional Amount				**Positive Fair Value**				**Negative Fair Value**			
Bank	**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 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	89,219,401	866,386	–	90,085,787	744,614	18,975	–	763,589	737,609	4,362	–	741,971
- Swaps	2,991,785	4,410,963	334,593	7,737,341	62,028	269,588	8,228	339,844	126,218	163,900	32,058	322,176
- Options	246,488	–	–	246,488	1,077	–	–	1,077	1,407	–	–	1,407
Interest rate related contracts												
- Options	850,108	922,956	–	1,773,064	372	18,417	–	18,789	7,883	93	–	7,976
- Swaps	23,504,862	18,574,428	665,332	42,744,622	97,403	138,962	11,690	248,055	90,851	143,349	17,506	251,706
Equity related contracts												
- Options	2,091,734	2,628,795	–	4,720,529	188,917	43,099	–	232,016	215,781	39,292	–	255,073
Precious metal contracts												
- Options	13,252	–	–	13,252	269	–	–	269	288	–	–	288
Sub- total	118,917,630	27,403,528	999,925	147,321,083	1,094,680	489,041	19,918	1,603,639	1,180,037	350,996	49,564	1,580,597
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	1,500,000	–	–	1,500,000	1,651	–	–	1,651	–	–	–	–
Total	120,417,630	27,403,528	999,925	148,821,083	1,096,331	489,041	19,918	1,605,290	1,180,037	350,996	49,564	1,580,597

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 Derivative Financial Instruments (Cont'd)

(b) Fair value hedges

The Group and the Bank enter into to fixed-for-floating-interest-rate swaps to manage the exposure to changes in fair value due to movements in market interest rates on fixed rate debt securities held which are not measured at fair value through profit or loss.

(i) Hedging instrument by hedged risk

Group and Bank	***Hedging instrument***				
		Carrying amount			
	Notional amount [1]	**Assets**	**Liabilities**	**Balance sheet presentation**	**Change in fair value [2]**
Hedged risk	**RM'000**	**RM'000**	**RM'000**		**RM'000**
At 31 Dec 2024					
Interest rate	**–**	**–**	**–**	**Derivatives**	**(1,410)**
At 31 Dec 2023					
Interest rate	1,500,000	1,651	–	Derivatives	(8,459)

[1] The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date. They do not represent amounts at risk.
[2] Used in effectiveness testing, which uses the full fair value change of the hedging instrument not excluding any component.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 Derivative Financial Instruments (Cont'd)

(b) Fair value hedges (Cont'd)

(ii) Hedged item by hedged risk

Group and Bank	***Hedged item***						***In-effectiveness***	
	Carrying amount		**Accumulated fair value hedged adjustments included in carrying amount [2]**					
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Balance sheet presentation**	**Change in fair value [1]**	**Recognised in profit and loss**	**Profit and loss presentation**
Hedged risk	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000	
At 31 Dec 2024								
Interest rate	**–**	**–**	**–**	**–**	**Financial investments at FVOCI**	**852**	**(558)**	**Net trading income**
At 31 Dec 2023								
Interest rate	1,514,889	–	852	–	Financial investments at FVOCI	7,929	(530)	Net trading income

[1] *Used in effectiveness testing, which comprise an amount attributable to the designated hedged risk that can be a risk component.*
[2] *There was no accumulated amount of fair value adjustments remaining in the statement of financial position for hedged items that have ceased to be adjusted for hedging gains and losses for FVOCI assets.*

Sources of hedge ineffectiveness may arise from basis risk including but not limited to the discount rates used for calculating the fair value of derivatives, hedges using instruments with a non-zero fair value and notional and timing differences between the hedged items and hedging instruments.

The Group and the Bank manage interest rate risk in a dynamic risk management strategy, of which the high quality fixed-rate debt securities held may be sold to meet liquidity and funding requirements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39 Repurchase and Reverse Repurchase Transactions and Collateral Pledged/ Accepted

In the normal course of business, the Group and the Bank sell assets to raise liabilities and accept assets for resale. Assets sold and received are mainly via repurchase agreements and reverse repurchase agreements. Collateral is accepted and pledged on derivative contracts, mainly in the form of cash.

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Carrying amount of assets and collateral pledged				
- Collateral pledged on derivative contracts (ISDA[1])	**283,807**	255,205	**283,807**	255,205
Fair value of assets and collateral accepted				
- Securities bought under reverse repurchase agreement	**8,414,376**	11,004,063	**8,414,376**	10,886,305
- Securities sold under regulated short selling	**260,111**	245,051	**260,111**	245,051
- Collateral accepted on derivative contracts (ISDA[1])	**155,014**	200,855	**155,014**	200,855

[1] ISDA: International Swaps and Derivatives Association

40 Capital Commitments

	Group		*Bank*	
	31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
	RM'000	RM'000	**RM'000**	RM'000
Property and equipment				
- Authorised and contracted, but not provided for	**3,279**	687	**3,279**	687

41 Equity-based Compensation

The Group and the Bank participated in the following equity settled share compensation plans operated by the HSBC Group for the acquisition of HSBC Holdings plc shares.

Restricted Share Plan and Share Match Schemes

The HSBC Holdings Restricted Share Plan is intended to align the interests of executives with those of shareholders by linking executive awards to the creation of superior shareholder value. This is achieved by focusing on predetermined targets. An assessment of performance over the relevant period ending on 31 December is used to determine the amount of the award to be granted. Deferred awards generally require employees to remain in employment over the vesting period and are not subject to performance conditions after the grant date. Deferred share awards generally vest over a period of three years. Vested shares may be subject to a retention requirement (restriction) post-vesting. The cost of the conditional awards is recognised through an annual charge based on the likely level of vesting of shares, apportioned over the period of service to which the award relates.

The Share Match Schemes was first introduced in Malaysia in 2014. Eligible HSBC employees will acquire HSBC Holdings ordinary shares. Shares are purchased in the market each quarter up to a maximum value of £750 or the equivalent in local currency over a period of one year. Matching awards are added at a ratio of one free share for every three purchased. Matching awards vest subject to continued employment and the retention of the purchased shares for a maximum period of two years and nine months.

	Group		Bank	
	2024 Number ('000)	2023 Number ('000)	**2024 Number ('000)**	2023 Number ('000)
Balance at 1 January	**618**	665	**607**	651
Granted in the financial year	**262**	227	**263**	223
Released in the financial year	**(339)**	(251)	**(335)**	(245)
Cancelled in the financial year	**(71)**	(22)	**(70)**	(21)
Transferred out in the financial year	**(32)**	(1)	**(33)**	(1)
Balance at 31 December	**438**	618	**432**	607
	2024 RM'000	2023 RM'000	**2024 RM'000**	2023 RM'000
Compensation cost recognised during the financial year	**9,004**	10,087	**8,992**	9,944

The weighted average purchase price for all shares purchased by HSBC for awards under the Restricted Share Plan and the Share Match Schemes is £5.43 (2023: £5.61). The weighted average fair value of the HSBC share at 31 December 2024 for the share granted during the financial year was £5.17 (2023: £4.89). The weighted average remaining vesting period as at 31 December 2024 was 0.99 years (2023: 0.89 years).