

**HSBC AMANAH MALAYSIA BERHAD**  
**(Company No. 200801006421 (807705-X))**  
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**31 MARCH 2022**

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

**HSBC AMANAH MALAYSIA BERHAD**  
**(Company No. 200801006421 (807705-X))**  
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022**

	<i>Note</i>	<b>31 Mar 2022</b> RM'000	31 Dec 2021 RM'000
<b>Assets</b>			
Cash and short-term funds	11	<b>4,289,316</b>	4,075,349
Financial investments at fair value through other comprehensive income (FVOCI)	12	<b>2,086,959</b>	2,252,951
Financing and advances	13	<b>12,571,787</b>	12,856,066
Derivative financial assets	16	<b>61,644</b>	92,858
Other assets	17	<b>105,572</b>	74,424
Statutory deposits with Bank Negara Malaysia	18	<b>28,860</b>	19,861
Equipment		<b>6,683</b>	6,905
Tax recoverable		-	13,260
Deferred tax assets		<b>51,320</b>	49,346
<b>Total assets</b>		<b>19,202,141</b>	19,441,020
<b>Liabilities</b>			
Deposits from customers	19	<b>12,506,456</b>	12,791,702
Deposits and placements from banks and other financial institutions	20	<b>1,470,710</b>	1,784,862
Structured liabilities designated at fair value through profit or loss (FVTPL)	21	<b>1,467,969</b>	1,188,099
Bills payable		<b>8,204</b>	12,867
Derivative financial liabilities	16	<b>78,628</b>	67,615
Other liabilities	22	<b>514,891</b>	469,724
Provision for taxation		<b>1,052</b>	-
Multi-Currency Sukuk Programme	23	<b>513,023</b>	515,333
Subordinated Commodity Murabahah Financing	24	<b>605,711</b>	600,777
<b>Total liabilities</b>		<b>17,166,644</b>	17,430,979
<b>Equity</b>			
Share capital		<b>660,000</b>	660,000
Reserves		<b>1,375,497</b>	1,350,041
<b>Total equity attributable to owner of the Bank</b>		<b>2,035,497</b>	2,010,041
<b>Total liabilities and equity</b>		<b>19,202,141</b>	19,441,020
Restricted investment accounts <sup>[1]</sup>		3,682,981	3,799,016
Total Islamic Banking asset <sup>[1]</sup>		22,885,122	23,240,036
<b>Commitments and contingencies</b>	31	<b>28,920,031</b>	27,296,398

<sup>[1]</sup> The disclosure is in accordance with the requirements of Bank Negara Malaysia's Guideline on Financial Reporting for Islamic Banking Institutions dated 27 September 2019.

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2021 and the accompanying explanatory notes on pages 8 to 31 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 26 April 2022.*

**HSBC AMANAH MALAYSIA BERHAD**  
**(Company No. 200801006421 (807705-X))**  
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

	<i>Note</i>	<b>31 Mar 2022</b> <b>RM'000</b>	31 Mar 2021 RM'000
Income derived from investment of depositors' funds and others	25	<b>147,985</b>	146,426
Income derived from investment of shareholder's funds	26	<b>41,283</b>	37,836
Impairment (provision)/write-back	27	<b>(44,126)</b>	31,627
Total distributable income		<b>145,142</b>	215,889
Income attributable to depositors	28	<b>(41,117)</b>	(45,379)
Total net income		<b>104,025</b>	170,510
Operating expenses	29	<b>(57,914)</b>	(62,718)
Profit before tax		<b>46,111</b>	107,792
Tax expense		<b>(14,312)</b>	(26,829)
<b>Profit for the financial period</b>		<b>31,799</b>	80,963
Profit attributable to the owner of the Bank		<b>31,799</b>	80,963
Basic earnings per RM0.50 ordinary share		<b>31.8 sen</b>	81.0 sen

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**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000
<b>Profit for the financial period</b>	<b>31,799</b>	80,963
<b>Other comprehensive income/(expense)</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Own credit reserves:		
Change in fair value	<b>(8,155)</b>	(2,099)
Income tax effect	<b>1,957</b>	504
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met:</i>		
Fair value through other comprehensive income reserve:		
Change in fair value	<b>(70)</b>	(6,297)
Impairment (charges)/write-back	<b>(100)</b>	14
Income tax effect	<b>17</b>	1,511
Other comprehensive (expense)/income for the financial period, net of income tax	<b>(6,351)</b>	(6,367)
<b>Total comprehensive income attributable to the owner of the Bank</b>	<b>25,448</b>	74,596

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**HSBC AMANAH MALAYSIA BERHAD**  
(Company No. 200801006421 (807705-X))  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

	<i>Non-distributable</i>				<i>Distributable</i>		<i>Total</i>
	<i>Share capital</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2022</b>							
<b>Balance at 1 January</b>	<b>660,000</b>	<b>(2,851)</b>	<b>(2,193)</b>	<b>511</b>	<b>46,800</b>	<b>1,307,774</b>	<b>2,010,041</b>
Profit for the financial period	-	-	-	-	-	<b>31,799</b>	<b>31,799</b>
<b>Other comprehensive income, net of tax</b>							
FVOCI reserve/Own Credit reserve							
Net change in fair value	-	(53)	(6,198)	-	-	-	(6,251)
Impairment charges	-	(100)	-	-	-	-	(100)
<i>Total other comprehensive expense</i>	-	(153)	(6,198)	-	-	-	(6,351)
	-						
<b>Total comprehensive (expense)/income for the financial period</b>		<b>(153)</b>	<b>(6,198)</b>	-	-	<b>31,799</b>	<b>25,448</b>
Net change in regulatory reserves	-	-	-	-	<b>16,200</b>	<b>(16,200)</b>	-
<b>Transactions with the owner, recorded directly in equity</b>							
Share based payment transactions	-	-	-	<b>(21)</b>	-	<b>29</b>	<b>8</b>
<b>Balance at 31 March</b>	<b>660,000</b>	<b>(3,004)</b>	<b>(8,391)</b>	<b>490</b>	<b>63,000</b>	<b>1,323,402</b>	<b>2,035,497</b>

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022 (Cont'd)**

	<i>Non-distributable</i>				<i>Distributable</i>		<i>Total</i>
	<i>Share capital</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2021</b>							
<b>Balance at 1 January</b>	660,000	11,868	(1,123)	777	6,100	1,350,035	2,027,657
Profit for the financial period	-	-	-	-	-	80,963	80,963
<b>Other comprehensive income, net of tax</b>							
FVOCI reserve/Own Credit reserve							
Net change in fair value	-	(4,786)	(1,595)	-	-	-	(6,381)
Impairment write-back	-	14	-	-	-	-	14
<i>Total other comprehensive expense</i>	-	(4,772)	(1,595)	-	-	-	(6,367)
<b>Total comprehensive (expense)/income for the financial period</b>	-	(4,772)	(1,595)	-	-	80,963	74,596
Net change in regulatory reserves	-	-	-	-	95,200	(95,200)	-
<b>Transactions with the owner, recorded directly in equity</b>							
Share based payment transactions	-	-	-	(15)	-	69	54
<b>Balance at 31 March</b>	<u>660,000</u>	<u>7,096</u>	<u>(2,718)</u>	<u>762</u>	<u>101,300</u>	<u>1,335,867</u>	<u>2,102,307</u>

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**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000
Profit for the financial period	<b>46,111</b>	107,792
Adjustments for non-operating and non-cash items	<b>68,400</b>	36,784
Operating profit before working capital changes	<b>114,511</b>	144,576
Changes in working capital:		
Net changes in operating assets	<b>183,877</b>	(20,130)
Net changes in operating liabilities	<b>(246,324)</b>	485,770
Income tax paid	<b>-</b>	(9,179)
<b>Net cash generated from operating activities</b>	<b>52,064</b>	601,037
<b>Net cash generated from/(used in) investing activities</b>	<b>163,093</b>	(388,339)
<b>Net cash used in financing activities</b>	<b>(1,190)</b>	(970)
	<b>161,903</b>	(389,309)
<b>Net changes in cash and cash equivalents</b>	<b>213,967</b>	211,728
<b>Cash and cash equivalents at 1 January</b>	<b>4,075,349</b>	3,251,883
<b>Cash and cash equivalents at 31 March</b>	<b>4,289,316</b>	3,463,611
<b>Analysis of cash and cash equivalents</b>		
Cash and short-term funds	<b>4,289,316</b>	3,463,611

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**UNAUDITED CONDENSED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022 (Cont'd)**

**Changes in liabilities arising from financing activities**

	At 1 January RM'000	Cash inflow/ (outflow) RM'000	Foreign exchange adjustment RM'000	Fair value movement RM'000	Profit accrual RM'000	At 31 March RM'000
<b>2022</b>						
Multi-Currency Sukuk Programme	515,333	-	-	(2,310)	-	513,023
Subordinated Commodity Murabahah Financing	600,777	-	4,934	-	-	605,711
Other Liabilities of which:						
Profits paid on Multi-Currency Sukuk Programme	5,242	2,214	-	-	3,088	10,544
Profits paid on Subordinated Commodity Murabahah Financing	143	(3,404)	-	-	3,509	248
	<b>1,121,495</b>	<b>(1,190)</b>	<b>4,934</b>	<b>(2,310)</b>	<b>6,597</b>	<b>1,129,526</b>
<b>2021</b>						
Multi-Currency Sukuk Programme	523,841	-	-	(2,919)	-	520,922
Subordinated Commodity Murabahah Financing	578,700	-	19,520	-	-	598,220
Other Liabilities of which:						
Profits paid on Multi-Currency Sukuk Programme	5,360	2,345	-	-	2,957	10,662
Profits paid on Subordinated Commodity Murabahah Financing	118	(3,315)	-	-	3,382	185
	<b>1,108,019</b>	<b>(970)</b>	<b>19,520</b>	<b>(2,919)</b>	<b>6,339</b>	<b>1,129,989</b>

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**HSBC AMANAH MALAYSIA BERHAD**  
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## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 General Information**

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HSBC Amanah Malaysia Berhad (the Bank) is a licensed Islamic Bank under the Islamic Financial Services Act, 2013. The principal activities of the Bank are Islamic banking and related financial services.

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

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at Level 21, Menara IQ, Lingakaran TRX, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia.

The immediate parent bank and ultimate holding company during the financial period are HSBC Bank Malaysia Berhad (HBMY) and HSBC Holdings Plc, respectively.

The unaudited condensed interim financial statements were approved and authorised for issue by the Board of Directors on 26 April 2022.

### **2 Basis of Preparation**

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The unaudited condensed interim financial statements for the financial period ended 31 March 2022 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Bank Negara Malaysia (BNM) requirements on Shariah related disclosures.

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2021. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial period ended 31 December 2021.

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

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

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

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

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

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

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

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

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#### **(ii) Standards and amendments to published standards that have been issued but not yet effective (Cont'd)**

Effective for annual periods commencing on or after 1 January 2023

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

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

### **3 Functional and Presentation of Currency**

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

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

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

### **5 Seasonality or Cyclical Factors**

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

### **6 Unusual Items Due to Their Nature, Size or Incidence**

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There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Bank for the financial period ended 31 March 2022.

### **7 Changes in Estimates**

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There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Bank for the financial period ended 31 March 2022.

### **8 Debt and Equity Securities**

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There were no issuances, cancellations, repurchases, resale or repayment of other debt or equity securities during the financial period ended 31 March 2022.

### **9 Dividend**

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No interim dividend was declared nor paid for the financial period ended 31 March 2022.

### **10 Significant and Subsequent Events**

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

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

**11 Cash and Short-Term Funds**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>559,440</b>	377,259
Money at call and interbank placements maturing within one month	<b>3,729,876</b>	3,698,090
	<b>4,289,316</b>	4,075,349

Money at call and interbank placements maturing within one month is within Stage 1 allocation (12-months ECL) with RM1,000 impairment allowance as at 31 March 2022 (31 December 2021: RM1,000).

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

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Money market instruments:		
Malaysian Government Islamic Sukuk	<b>2,086,959</b>	2,252,951

Financial investments at FVOCI are within Stage 1 allocation (12 -months ECL) with RM179,000 impairment allowance as at 31 March 2022 (31 December 2021: RM280,000). The carrying amount of financial investments at FVOCI is equivalent to their fair value. The impairment allowance is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

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

Maturing within one year	-	836,139
More than one year to three years	<b>1,609,110</b>	1,416,812
More than three years to five years	<b>477,849</b>	-
	<b>2,086,959</b>	2,252,951

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

**13 Financing and Advances**

**(i) By type and Shariah contracts**

At amortised cost	Sale-based	Lease-based	Equity-based	Ujrah	Total
	contracts	contracts	contracts		
	Commodity	Ijarah Thumma	Diminishing		
	Murabahah	Al-Bai	Musharakah		
31 Mar 2022	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	77,347	-	-	-	77,347
Term financing:					
House financing	-	-	3,791,698	-	3,791,698
Hire purchase receivables	-	208,638	-	-	208,638
Syndicated term financing	1,024,151	-	-	-	1,024,151
Other term financing	2,460,217	-	848,284	-	3,308,501
Trust receipts	522,493	-	-	-	522,493
Claims on customers under acceptance credits	237,957	-	-	-	237,957
Bills receivables	889,821	-	-	-	889,821
Staff financing-i	1,083	-	377	-	1,460
Credit cards-i	-	-	-	1,072,688	1,072,688
Revolving financing	2,006,087	-	-	-	2,006,087
Other financing	-	-	3,384	-	3,384
Gross financing and advances	<b>7,219,156</b>	<b>208,638</b>	<b>4,643,743</b>	<b>1,072,688</b>	<b>13,144,225</b>
Less: Impairment allowance					<b>(572,438)</b>
Total net financing and advances					<b>12,571,787</b>

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

**13 Financing and Advances (Cont'd)**

**(i) By type and Shariah contracts (Cont'd)**

	Sale-based contracts	Lease-based contracts	Equity-based contracts	Ujrah	Total
	Commodity Murabahah RM'000	Ijarah Thumma Al-Bai RM'000	Diminishing Musharakah RM'000	RM'000	RM'000
31 Dec 2021					
Cash line-i	70,093	-	-	-	70,093
Term financing:					
House financing	-	-	3,857,513	-	3,857,513
Hire purchase receivables	-	210,548	-	-	210,548
Syndicated term financing	1,022,242	-	-	-	1,022,242
Other term financing	2,342,879	-	869,012	-	3,211,891
Trust receipts	457,790	-	-	-	457,790
Claims on customers under acceptance credits	198,498	-	-	-	198,498
Bills receivables	1,147,722	-	-	-	1,147,722
Staff financing-i	1,104	-	383	-	1,487
Credit cards-i	-	-	-	1,073,822	1,073,822
Revolving financing	2,124,126	-	-	-	2,124,126
Other financing	-	-	3,716	-	3,716
Gross financing and advances	<u>7,364,454</u>	<u>210,548</u>	<u>4,730,624</u>	<u>1,073,822</u>	<u>13,379,448</u>
Less: Impairment allowance					<u>(523,382)</u>
Total net financing and advances					<u>12,856,066</u>

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

**13 Financing and Advances (Cont'd)**

**(ii) By type of customer**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Domestic non-bank financial institutions	<b>315,370</b>	417,793
Domestic business enterprises:		
Small medium enterprises	<b>1,171,923</b>	1,116,987
Others	<b>4,290,863</b>	4,357,333
Individuals	<b>5,651,104</b>	5,722,624
Other domestic entities	<b>2</b>	2
Foreign entities/individuals	<b>1,714,963</b>	1,764,709
	<b><u>13,144,225</u></b>	<u>13,379,448</u>

**(iii) By profit rate sensitivity**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Fixed rate:		
Hire purchase receivables	<b>208,638</b>	210,548
Other financing	<b>3,511,539</b>	3,648,621
Variable rate:		
Base Rate/Base Financing Rate plus	<b>4,720,107</b>	4,783,525
Cost-plus	<b>4,703,941</b>	4,736,754
	<b><u>13,144,225</u></b>	<u>13,379,448</u>

**(iv) By residual contractual maturity**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Maturing within one year	<b>5,943,837</b>	6,234,729
More than one year to three years	<b>576,544</b>	590,214
More than three years to five years	<b>1,212,314</b>	1,054,031
Over five years	<b>5,411,530</b>	5,500,474
	<b><u>13,144,225</u></b>	<u>13,379,448</u>

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

**13 Financing and Advances (Cont'd)**

**(v) By sector**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry & fishing	<b>12,144</b>	10,608
Mining and quarrying	<b>71,932</b>	77,899
Manufacturing	<b>1,601,985</b>	1,486,450
Electricity, gas and water	<b>144,478</b>	344,869
Construction	<b>989,414</b>	963,817
Real estate	<b>797,681</b>	956,755
Wholesale & retail trade, restaurants & hotels	<b>916,212</b>	839,134
Transport, storage and communication	<b>247,558</b>	146,321
Finance, takaful and business services	<b>780,962</b>	900,248
Household - Retail	<b>6,121,161</b>	6,195,547
Others	<b>1,460,698</b>	1,457,800
	<b><u>13,144,225</u></b>	<u>13,379,448</u>

**(vi) By purpose**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Purchase of landed property:		
Residential	<b>3,792,074</b>	3,857,897
Non-residential	<b>709,438</b>	729,179
Purchase of transport vehicles	<b>878</b>	878
Purchase of fixed assets excluding land & building	<b>208,391</b>	210,292
Consumption credit	<b>2,138,899</b>	2,140,872
Construction	<b>688,493</b>	700,915
Working capital	<b>4,361,146</b>	4,447,629
Other purpose	<b>1,244,906</b>	1,291,786
	<b><u>13,144,225</u></b>	<u>13,379,448</u>

**(vii) By geographical distribution**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Northern Region	<b>1,321,985</b>	1,309,927
Southern Region	<b>1,541,914</b>	1,527,607
Central Region	<b>9,970,679</b>	10,225,163
Eastern Region	<b>309,647</b>	316,751
	<b><u>13,144,225</u></b>	<u>13,379,448</u>

Concentration by location for financing and advances is based on the location of the customer.  
The Northern region consists of the states of Perlis, Kedah, Penang, Perak, Pahang, Kelantan and Terengganu.  
The Southern region consists of the states of Johor, Malacca and Negeri Sembilan.  
The Central region consists of the states of Selangor, Federal Territory of Kuala Lumpur and Federal Territory of Putrajaya.  
The Eastern region consists of the states of Sabah, Sarawak and the Federal Territory of Labuan.

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

### 13 Financing and Advances (Cont'd)

#### (viii) Assets under Management

The details of assets under management in respect of the Syndicated Investment Account Financing (SIAF)/Investment Agency Account (IAA) financing are as below. The exposures and the corresponding risk weighted amount are reported in investors' financial statements.

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Total gross financing and advances	<b>3,787,071</b>	3,802,192
Less: Impairment allowance	<b>(205,138)</b>	(183,710)
Total net financing and advances	<b>3,581,933</b>	3,618,482
<i>Maturity exceeding one year</i>	<b>101,048</b>	180,534
Total commitments and contingencies	<b>101,048</b>	180,534
<b>Total restricted investment accounts</b>	<b>3,682,981</b>	3,799,016
<b>Risk weighted assets (RWA) of restricted investment accounts</b>	<b>2,910,887</b>	2,941,036

The SIAF/IAA arrangement is based on the Wakalah principle where HBMY, solely or together with other financial institutions provide the funds, whilst the assets are managed by the Bank (as the Wakeel or agent). However, in the arrangement, the profits of the underlying assets are recognised by HBMY and the other financial institutions proportionately in relation to the funding provided in the syndication arrangement. At the same time, risks on the financing are also proportionately borne by HBMY and the other financial institutions. Hence, the underlying assets and allowance for impairment arising thereon, if any, are proportionately recognised and accounted for by HBMY and the other financial institutions.

The recognition and derecognition treatments of the above are in accordance to Note 3(f) on financial instruments in the audited financial statements of the Bank for the financial year ended 31 December 2021.

### 14 Impaired Financing

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

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Gross carrying amount as at 1 January	<b>1,175,011</b>	606,695
Transfer within stages	<b>244,113</b>	692,116
Net remeasurement due to changes in credit risk	<b>(23,391)</b>	(32,714)
Written-off	<b>(14,286)</b>	(91,086)
<b>Gross carrying amount as at 31 March/31 December</b>	<b>1,381,447</b>	1,175,011



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

**14 Impaired Financing (Cont'd)**

**(ii) By contract**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Ijarah Thumma Al-Bai (AITAB) ( <i>hire purchase</i> )	172	172
Commodity Murabahah ( <i>cost-plus</i> )	679,251	542,650
Diminishing Musharakah ( <i>profit and loss sharing</i> )	681,492	608,253
Ujrah ( <i>fee-based</i> )	20,532	23,936
	<u>1,381,447</u>	<u>1,175,011</u>

**(iii) By sector**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry & fishing	188	214
Manufacturing	16,972	25,502
Electricity, gas and water	133,703	-
Construction	134,787	136,921
Real estate	3,937	-
Wholesale & retail trade, restaurants & hotels	8,085	8,211
Finance, takaful and business services	53,675	53,276
Household - Retail	1,012,728	933,809
Others	17,372	17,078
	<u>1,381,447</u>	<u>1,175,011</u>

**(iv) By purpose**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Purchase of landed property:		
Residential	638,967	571,650
Non-residential	11,561	9,571
Purchase of fixed assets excluding land & building	172	169
Consumption credit	373,761	362,159
Construction	11,096	137,322
Working capital	329,338	77,892
Others	16,552	16,248
	<u>1,381,447</u>	<u>1,175,011</u>

**(v) By geographical distribution**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Northern Region	103,539	94,031
Southern Region	117,898	110,511
Central Region	1,132,684	949,437
Eastern Region	27,326	21,032
	<u>1,381,447</u>	<u>1,175,011</u>

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

**15 Expected credit losses allowance charges (ECL)**

**(i) Movements in ECL allowances for financing and advances**

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

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	12- month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Balance at 1 January 2022	<b>32,095</b>	<b>86,539</b>	<b>404,748</b>	<b>523,382</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>9,532</b>	<b>(7,604)</b>	<b>(1,928)</b>	-
- Transferred to Stage 2	<b>(2,438)</b>	<b>4,430</b>	<b>(1,992)</b>	-
- Transferred to Stage 3	<b>(28)</b>	<b>(5,259)</b>	<b>5,287</b>	-
New financial assets originated or purchased	<b>2,471</b>	-	-	<b>2,471</b>
Net remeasurement due to changes in credit risk	<b>(11,849)</b>	<b>(2,492)</b>	<b>74,042</b>	<b>59,701</b>
Asset written-off	-	-	<b>(14,352)</b>	<b>(14,352)</b>
Others	<b>1,236</b>	-	-	<b>1,236</b>
<b>Balance at 31 March 2022</b>	<b>31,019</b>	<b>75,614</b>	<b>465,805</b>	<b>572,438</b>
Balance at 1 January 2021	88,787	75,764	183,764	348,315
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	20,826	(10,099)	(10,727)	-
- Transferred to Stage 2	(23,881)	29,788	(5,907)	-
- Transferred to Stage 3	(3,832)	(28,688)	32,520	-
Changes due to modification not derecognised	-	-	-	-
New financial assets originated or purchased	8,524	-	-	8,524
Net remeasurement due to changes in credit risk	(59,179)	19,774	296,184	256,779
Asset written-off	-	-	(91,086)	(91,086)
Others	850	-	-	850
Balance at 31 December 2021	32,095	86,539	404,748	523,382

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

The total ECL allowances increased by RM49 million compared to the balance at the beginning of the year. This net increase was mainly contributed by net remeasurement due to changes in credit risk (RM59.6 million) and new financial assets originated or purchased (RM2.5million), and partly offset by asset written-off (RM14.3 million).

- 12-months ECL not credit impaired (Stage 1) - decreased by RM1.1 million, primarily due to decrease in remeasurement driven by changes in credit risk, and partially offset by migration of financings from/to Stage 1, Stage 2 and Stage 3, and new financial assets originated or purchased.
- Lifetime ECL not credit-impaired (Stage 2) - decreased by RM10.9 million, primarily due to decrease in migration of financings from/to Stage 1, Stage 2 and Stage 3, and remeasurement driven by changes in credit risk.
- Lifetime ECL credit-impaired (Stage 3) - increased by RM61.1 million, primarily due to increase in remeasurement driven by changes in credit risk and migration of financings from/to Stage 1, Stage 2 and Stage 3, and partially offset by asset written-off.

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

**15 Expected credit losses allowance charges (ECL) (Cont'd)**

**(ii) Movements in ECL allowances for financing commitments**

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

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	12- month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Balance at 1 January 2022	2,542	6,395	-	8,937
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	16	(16)	-	-
- Transferred to Stage 2	(43)	43	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	61	-	-	61
Net remeasurement due to changes in credit risk	(1,234)	(4,012)	-	(5,246)
Others	15	-	-	15
<b>Balance at 31 March 2022</b>	<b>1,357</b>	<b>2,410</b>	<b>-</b>	<b>3,767</b>
Balance at 1 January 2021	1,509	759	-	2,268
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	26	(26)	-	-
- Transferred to Stage 2	(419)	419	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	180	-	-	180
Net remeasurement due to changes in credit risk	1,231	5,243	-	6,474
Others	15	-	-	15
Balance at 31 December 2021	2,542	6,395	-	8,937

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 financing and other credit related commitments for retail portfolio are presented together with the allowance for the drawn financing and advances.

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

**16 Derivative Financial Instruments**

Details of derivative financial instruments outstanding are as follows:

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts:

	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
<b>31 Mar 2022</b>												
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	13,162,323	-	-	13,162,323	31,359	-	-	31,359	26,985	-	-	26,985
- Swaps	139,288	-	181,785	321,073	516	-	2,748	3,264	1,166	-	2,371	3,537
- Options	30,047	-	-	30,047	10	-	-	10	10	-	-	10
Profit rate related contracts												
- Swaps	175,000	979,714	-	1,154,714	611	14,396	-	15,007	-	1,391	-	1,391
- Options	-	458,610	-	458,610	-	-	-	-	-	29,181	-	29,181
Equity related contracts												
- Options purchased	348,632	710,653	-	1,059,285	4,988	7,016	-	12,004	111	17,413	-	17,524
<b>Total</b>	<b>13,855,290</b>	<b>2,148,977</b>	<b>181,785</b>	<b>16,186,052</b>	<b>37,484</b>	<b>21,412</b>	<b>2,748</b>	<b>61,644</b>	<b>28,272</b>	<b>47,985</b>	<b>2,371</b>	<b>78,628</b>

The Bank does not have any hedging instrument as at 31 March 2022.

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

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

	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
31 Dec 2021												
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	12,416,009	-	-	12,416,009	53,471	-	-	53,471	47,620	-	-	47,620
- Swaps	242,815	21,146	-	263,961	-	83	-	83	1,255	141	-	1,396
Profit rate related contracts												
- Swaps	235,000	1,010,293	-	1,245,293	781	17,292	-	18,073	-	1,658	-	1,658
- Options	-	361,968	-	361,968	-	-	-	-	-	12,775	-	12,775
Equity related contracts												
- Options purchased	243,376	592,619	-	835,995	5,522	15,703	-	21,225	-	4,160	-	4,160
<b>Total</b>	<b>13,182,147</b>	<b>1,986,026</b>	<b>-</b>	<b>15,168,173</b>	<b>59,780</b>	<b>33,078</b>	<b>-</b>	<b>92,858</b>	<b>48,881</b>	<b>18,734</b>	<b>-</b>	<b>67,615</b>

The Bank does not have any hedging instrument as at 31 December 2021.

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

**17 Other Assets**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Settlements	<b>12,464</b>	2,777
Income receivable	<b>8,114</b>	11,718
Profit receivable	<b>27,775</b>	20,824
Prepayments	<b>150</b>	150
Amount due from holding company	<b>2,648</b>	371
ROU assets	<b>22,855</b>	21,503
Other receivables	<b>31,566</b>	17,081
	<b><u>105,572</u></b>	<u>74,424</u>

**18 Statutory Deposits with Bank Negara Malaysia**

The non-profit 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.

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

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

**19 Deposits From Customers**

**(i) By type of deposit**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
<b>At amortised cost</b>		
Non-Mudharabah Fund		
Demand deposits		
- Qard	<b>3,084,208</b>	3,318,864
Savings deposits		
- Qard	<b>2,909,164</b>	2,859,605
Term deposits		
- Commodity Murabahah	<b>6,447,711</b>	6,555,915
- Qard	<b>65,373</b>	57,318
	<b>12,506,456</b>	12,791,702

The maturity structure of term deposits is as follows:

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Due within six months	<b>5,106,106</b>	5,212,577
More than six months to one year	<b>989,516</b>	973,920
More than one year to three years	<b>358,451</b>	346,719
More than three years to five years	<b>59,011</b>	80,017
	<b>6,513,084</b>	6,613,233

**(ii) By type of customer**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Government and statutory bodies	<b>14,598</b>	13,524
Business enterprises	<b>3,328,062</b>	3,610,567
Individuals	<b>5,737,315</b>	5,738,029
Foreign entities/individuals	<b>2,854,484</b>	2,810,701
Others	<b>571,997</b>	618,881
	<b>12,506,456</b>	12,791,702

**20 Deposits and Placements from Banks and Other Financial Institutions**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Non-Mudharabah Fund		
Licensed bank - parent company	<b>911,363</b>	1,036,500
Bank Negara Malaysia	<b>12,751</b>	1,866
Other financial institutions	<b>546,596</b>	746,496
	<b>1,470,710</b>	1,784,862

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

**21 Structured Liabilities Designated as Fair Value through profit or loss (FVTPL)**

<b>At fair value</b>	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Structured liabilities		
- Tawarruq	<b>1,467,969</b>	1,188,099

Structured liabilities are measured at fair value over the life of the instruments. Structured liabilities are deposits with embedded derivatives, of which both profit paid and fair valuation on the structured liabilities are recorded as net income/expense from financial instruments designated at fair value.

**22 Other Liabilities**

<b>At amortised cost</b>	Note	<b>31 Mar 2022</b>	31 Dec 2021
		<b>RM'000</b>	RM'000
Settlements		12,477	56
Amounts due to holding company		166,208	129,861
Profit payable		56,208	51,425
Deferred income		15,894	15,932
Marginal deposit		18,134	19,452
Accrued expenses		106,292	100,412
Lease liabilities		24,845	23,656
Other creditors	(a)	111,066	119,993
Provision on financing and credit related commitments	(b)	3,767	8,937
		<b>514,891</b>	469,724

(a) Other creditors

Included in other creditors is profit earned from inadvertent Shariah non-compliant activities. The contribution was distributed to the non-governmental organisations approved by the Shariah Committee during the financial period/year. No Shariah non-compliant event has been identified during the financial period.

**Source and use of charity funds**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Balance at 1 January	1	1
Shariah non-compliant income for the financial period/year <sup>[1]</sup>	-	4
Contribution to non-profit organisations	-	(4)
Balance at 31 March/31 December	<b>1</b>	<b>1</b>

<sup>[1]</sup> Income received from transactions in Financing and Advances and Nostro Accounts.

(b) Refer to Note 15(ii) for movement in provision.



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

**23 Multi-Currency Sukuk Programme**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Multi-Currency Sukuk Programme (MCSP)	<b>513,023</b>	515,333

The Bank issued the following series of 5-year unsecured Sukuk under its RM3.0 billion MCSP.

<u>Issuance under MCSP</u>	<b>RM'000</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Carrying Value</b>	
				<b>31 Mar 2022</b>	31 Dec 2021
				<b>RM'000</b>	RM'000
<b>At fair value</b>					
4th series <sup>[1]</sup>	<u>500,000</u>	2 Oct 2018	2 Oct 2023	<b>513,023</b>	515,333

Movement in MCSP

	<b>4th series</b>	<b>4th series</b>
	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Balance at 1 January	<b>515,333</b>	523,841
Change in fair value other than from own credit risk	<b>(2,475)</b>	(12,401)
Change in fair value from own credit risk	<b>165</b>	3,893
Balance at 31 March/ 31 December	<b>513,023</b>	515,333

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
The cumulative loss from change in fair value due to changes in own credit risk	<b>165</b>	3,893

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

**24 Subordinated Commodity Murabahah Financing**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Subordinated Commodity Murabahah Financing, at amortised costs		
- First tranche issued on 25 June 2014	<b>326,639</b>	323,978
- Second tranche issued on 30 June 2015	<b>279,072</b>	276,799
	<b>605,711</b>	600,777

The unsecured Subordinated Commodity Murabahah financing comprise of two tranches of Basel III compliant Tier 2 subordinated financing of USD equivalent of RM250 million each from the Bank's immediate holding company, HSBC Bank Malaysia Berhad (HBM). The tenor for both the Subordinated Commodity Murabahah financing is 10 years from the utilisation date with profit payable quarterly in arrears. Under the Capital Adequacy Framework for Islamic Banks (Capital Components), the par value of Tranche 1 of the subordinated financing are amortised on a straight line basis, with 20% of the par value phased out each year, with effect from 2020 for regulatory capital base purposes.

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

**25 Income Derived from Investment of Depositors' Funds and Others**

	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000
Income derived from investment of:		
(i) Term deposit	<b>104,857</b>	99,844
(ii) Other deposits	<b>43,128</b>	46,582
	<b>147,985</b>	146,426
(i) Income derived from investment of term deposits		
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	<b>70,624</b>	76,744
- Recoveries from impaired financing	<b>3,196</b>	5,810
Financial investments at FVOCI	<b>7,572</b>	5,798
Money at call and deposit with financial institutions	<b>6,286</b>	7,500
	<b>87,678</b>	95,852
<u>Other operating income</u>		
Realised gain from dealing in foreign currency	<b>6,913</b>	3,853
Unrealised (loss)/gain from dealing in foreign currency	<b>(853)</b>	3,953
Gain from sale of financial assets designated as FVTPL and other financial instruments	<b>908</b>	706
Unrealised loss from revaluation of financial assets at FVTPL	<b>(9,486)</b>	(739)
Realised gain from trading in derivatives	<b>1,669</b>	1,115
Unrealised loss from trading in derivatives	<b>(7,231)</b>	(2,027)
Net income/(expense) from financial liabilities designated at FVTPL	<b>25,259</b>	(2,869)
	<b>17,179</b>	3,992
	<b>104,857</b>	99,844
	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000
(ii) Income derived from investment of other deposits		
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	<b>38,265</b>	34,805
- Recoveries from impaired financing	<b>1,732</b>	2,635
Financial investments at FVOCI	<b>4,103</b>	2,629
Money at call and deposit with financial institutions	<b>3,406</b>	3,401
	<b>47,506</b>	43,470
<u>Other operating income</u>		
Realised gain from dealing in foreign currency	<b>3,745</b>	1,747
Unrealised (loss)/gain from dealing in foreign currency	<b>(462)</b>	1,793
Gain from sale of financial assets designated as FVTPL and other financial instruments	<b>492</b>	320
Unrealised loss from revaluation of financial assets at FVTPL	<b>(5,139)</b>	(335)
Realised gain from trading in derivatives	<b>904</b>	506
Unrealised loss from trading in derivatives	<b>(3,918)</b>	(919)
	<b>(4,378)</b>	3,112
	<b>43,128</b>	46,582

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

**26 Income Derived from Investment of Shareholder's Funds**

	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	<b>13,259</b>	14,118
- Recoveries from impaired financing	<b>600</b>	1,069
Financial investments at FVOCI	<b>1,422</b>	1,066
Money at call and deposit with financial institutions	<b>1,180</b>	1,380
	<b>16,461</b>	17,633
<u>Other operating income</u>		
Fee commission <sup>[1]</sup>	<b>26,423</b>	18,646
Realised gain from dealing in foreign currency	<b>1,298</b>	709
Unrealised (loss)/gain from dealing in foreign currency	<b>(160)</b>	727
Gain from sale of financial assets designated as FVTPL and other financial instruments	<b>170</b>	130
Unrealised loss from revaluation of financial assets at FVTPL	<b>(1,781)</b>	(136)
Realised gain from trading in derivatives	<b>313</b>	205
Unrealised loss from trading in derivatives	<b>(1,358)</b>	(373)
Shared-service fees from holding company	<b>286</b>	295
Other expense	<b>(369)</b>	-
	<b>24,822</b>	20,203
	<b>41,283</b>	37,836
<sup>[1]</sup> The above fees and commissions were derived from the following major contributors:		
Service charges and fees	<b>10,294</b>	3,316
Credit cards	<b>5,471</b>	5,700
Credit facilities	<b>3,051</b>	2,626
Agency fee	<b>4,389</b>	5,777

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

**27 Impairment (provision)/write-back**

	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000
Net increase/(net release) in allowance/provision (net of releases)	<b>56,886</b>	(14,574)
Recoveries	<b>(12,760)</b>	(17,053)
<b>Total write-back from/(charge to) statement of profit or loss</b>	<b>44,126</b>	(31,627)

Breakdown of the impairment allowance/provision is disclosed by financial instruments type are as follow:

**(i) Financing and advances**

Net increase/(net release) in allowance (net of releases)	<b>62,172</b>	(14,620)
Recoveries	<b>(12,760)</b>	(17,053)
<b>Total write-back from/(charge to) statement of profit or loss</b>	<b>49,412</b>	(31,673)

**(ii) Money at call and interbank placements maturing within one month**

<b>Net release in allowance/provision</b>	<b>(1)</b>	(1)
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**(iii) Financing commitments**

<b>(Net release)/net increase in allowance/provision</b>	<b>(5,185)</b>	33
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**(iv) Financial investment at FVOCI**

<b>(Net release)/net increase in allowance/provision</b>	<b>(100)</b>	14
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**28 Income Attributable to Depositors**

	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000
<u>Non-Mudharabah Fund</u>		
- Deposits from customers	<b>30,500</b>	34,904
- Deposits and placements of banks and other financial institutions	<b>3,709</b>	3,278
- Lease liabilities	<b>256</b>	769
- Others	<b>6,652</b>	6,428
	<b>41,117</b>	45,379

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

**29 Operating Expenses**

	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000
Personnel expenses	<b>7,748</b>	10,195
Promotion and marketing related expenses	<b>1,495</b>	1,108
Establishment related expenses	<b>2,906</b>	3,536
General administrative expenses	<b>6,654</b>	7,157
Related company expenses	<b>39,111</b>	40,722
	<b>57,914</b>	62,718
Personnel expenses		
Salaries, allowances and bonuses	<b>5,873</b>	8,210
Employees Provident Fund contributions	<b>1,223</b>	1,487
Share based payment	<b>101</b>	34
Other staff related costs	<b>551</b>	464
	<b>7,748</b>	10,195
Establishment related expenses		
Depreciation of equipment	<b>561</b>	626
Depreciation of ROU assets	<b>1,459</b>	1,558
Information technology costs	<b>484</b>	183
Equipment written off	<b>72</b>	121
Utilities	<b>218</b>	349
Others	<b>112</b>	699
	<b>2,906</b>	3,536
Related company charges		
Of which by:		
(i) Type of service		
- Information technology related cost	<b>7,425</b>	6,406
- Non information technology related cost	<b>31,686</b>	34,316
	<b>39,111</b>	40,722
(ii) Country/territory		
- Malaysia	<b>38,889</b>	40,217
- India	<b>179</b>	-
- United Kingdom	<b>5</b>	500
- Hong Kong	<b>3</b>	5
- Others	<b>35</b>	-
	<b>39,111</b>	40,722

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

**30 Capital Adequacy**

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
<b>Tier 1 capital</b>		
Paid-up ordinary share capital	<b>660,000</b>	660,000
Retained profits	<b>1,291,603</b>	1,307,774
Other reserves	<b>48,261</b>	40,307
Regulatory adjustments	<b>(102,486)</b>	(83,894)
Total Common Equity Tier 1 (CET1) and Tier 1 capital	<b>1,897,378</b>	1,924,187
<b>Tier 2 capital</b>		
Subordinated Commodity Murabahah financing	<b>419,241</b>	415,826
Impairment allowance (unimpaired portion) & regulatory reserves	<b>144,542</b>	145,252
Total Tier 2 capital	<b>563,783</b>	561,078
<b>Capital base</b>	<b>2,461,161</b>	2,485,265
<u>Before deducting proposed dividend</u>		
CET1 and Tier 1 Capital ratio	<b>15.056%</b>	15.172%
Total Capital ratio	<b>19.529%</b>	19.596%
<u>After deducting proposed dividend</u>		
CET1 and Tier 1 Capital ratio	<b>15.056%</b>	15.172%
Total Capital ratio	<b>19.529%</b>	19.596%

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

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

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

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

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

	<b>With Transitional Arrangement</b>		Without Transitional Arrangement	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	%	%	%	%
<u>Before deducting proposed dividend</u>				
CET1 and Tier 1 Capital	<b>15.056%</b>	15.172%	<b>15.056%</b>	15.085%
Total Capital	<b>19.529%</b>	19.596%	<b>19.529%</b>	19.509%

Breakdown of RWA in the various categories of risk weights:

	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Total RWA for credit risk	<b>11,563,361</b>	11,620,173
Total RWA for market risk	<b>28,254</b>	60,804
Total RWA for operational risk	<b>1,010,903</b>	1,001,279
	<b>12,602,518</b>	12,682,256

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

**31 Commitments and Contingencies**

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

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

<b>Principal amount</b>	<b>31 Mar 2022</b> <b>RM'000</b>	31 Dec 2021 RM'000
Direct credit substitutes	<b>35,920</b>	17,418
Transaction-related contingent items	<b>1,705,421</b>	1,701,750
Short-term self-liquidating trade-related contingencies	<b>55,819</b>	53,786
Formal standby facilities and credit lines		
- Maturity not exceeding one year	<b>1,495,142</b>	1,361,894
- Maturity exceeding one year	<b>3,182,013</b>	3,190,748
Other unconditionally cancellable	<b>2,833,002</b>	2,343,942
Unutilised credit card lines	<b>3,426,662</b>	3,458,687
Equity related contracts		
- Less than one year	<b>348,632</b>	243,376
- One year to less than five years	<b>710,653</b>	592,619
Profit rate related contracts		
- Less than one year	<b>175,000</b>	235,000
- One year to less than five years	<b>1,438,324</b>	1,372,261
Foreign exchange related contracts		
- Less than one year	<b>13,331,658</b>	12,703,771
- One year to less than five years	-	21,146
- Five years and above	<b>181,785</b>	-
	<b>28,920,031</b>	27,296,398

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

### 32 Performance Review, Economy and Prospects

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#### Performance review

The Bank recorded a profit before taxation of RM46.1 million for the financial period ended 31 March 2022, a reduction of RM61.7 million compared to the corresponding period last year. This was mainly due to higher impairment provisions (RM44.1 million net charge compared to RM31.6 million net write-back) primarily driven by stage 3 downgrade of financing and advances in the current period. This was partly offset by higher non-financing income (up RM10.3 million) and lower operating expenses (down RM4.8 million).

Total balance sheet as at 31 March 2022 stood at RM19.2 billion, a decrease of RM0.2 billion compared to 31 December 2021 of RM19.4 billion. The Bank's capital and liquidity ratios remained strong and were well above the regulatory requirements.

#### Economy and Prospects

Just as countries across the globe gradually transit towards endemic management of COVID-19 with positive views that the global economy is heading towards a recovery stage, the world is hit by yet another geopolitical conflict between Russia and Ukraine. The economic implications arising from sanctions rolled out on Russia as a result of this conflict, which began in February 2022, is expected to extend beyond the short-term repercussions on commodity prices and inflation. It may pose a broad-based supply shock to the global economy.

While the Russia-Ukraine conflict will also weigh on our economy, Malaysia being Asia's only major net oil & gas exporter and the world's second largest palm oil exporter, should be able to offset some supply chain disruptions and external risks. The pace of our economic recovery is also expected to gather further momentum with the reopening of the economy and international borders on 1 April 2022. With better COVID-19 management and higher vaccination rates, the domestic spending and economic activities are not expected to be severely disrupted in the event of resurgences. For 2022, the domestic economy is expected to grow between 5.3% and 6.3% whilst headline inflation is forecasted to average between 2.2% and 3.2%. As for monetary policy, Bank Negara Malaysia (BNM) has maintained the overnight policy rate (OPR) at historical low of 1.75% since July 2020 as it considers the current stance of monetary policy to be appropriate and accommodative given the prevailing outlook on growth and inflation for 2022. As anticipated in most economies, we expect normalisation of monetary policy by BNM as well but this is likely to be done in a gradual manner to ensure the domestic economy continues to grow in a sustainable manner.

In March 2022, HSBC Malaysia, including HSBC Amanah, officially opened our new head office in Menara IQ, which is located in the country's international financial centre in Tun Razak Exchange (TRX). The new head office, with enhanced digital offerings and innovative technology, is a testament of us providing a fit-for-purpose, modern working and banking environment to our employees and customers, while integrating the highest standards of environmental sustainability. We have also embraced a new Future of Work model for our employees, which offers a shift towards a more hybrid and flexible style of working.

Malaysia continues to be central to HSBC Group's strategy and is especially crucial to the Group's growth plans across the ASEAN region - an area that represents significant growth potential. At HSBC Malaysia, we remain committed to serving our customers, creating even better digital solutions and investing in our employees, aligning with HSBC Group's vision to build "A bank fit for the future".