

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

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

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

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

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023**

	<i>Note</i>	30 Sep 2023 RM'000	31 Dec 2022 RM'000
<b>Assets</b>			
Cash and short-term funds	11	3,603,800	4,930,875
Reverse sell and buy back agreement		114,721	–
Deposits and placements with banks and other financial institutions	12	408,784	933,429
Financial investments at fair value through other comprehensive income (FVOCI)	13	2,404,328	1,442,649
Financial investments at amortised cost	14	890,245	454,124
Financing and advances	15	13,711,883	13,843,011
Derivative financial assets	18	135,375	158,316
Other assets	19	248,789	163,624
Statutory deposits with Bank Negara Malaysia	20	234,261	198,860
Equipment		5,223	6,769
Tax recoverable		–	7,104
Deferred tax assets		54,336	31,275
<b>Total assets</b>		<b>21,811,745</b>	<b>22,170,036</b>
<b>Liabilities</b>			
Deposits from customers	21	14,184,417	13,957,652
Deposits and placements from banks and other financial institutions	22	1,493,475	2,043,447
Structured liabilities designated at fair value through profit or loss (FVTPL)	23	1,991,633	2,102,483
Bills payable		16,982	19,641
Derivative financial liabilities	18	208,056	292,572
Other liabilities	24	466,097	507,115
Provision for taxation		8,299	–
Multi-Currency Sukuk Programme	25	500,017	504,771
<b>Total liabilities</b>		<b>18,868,976</b>	<b>19,427,681</b>
<b>Equity</b>			
Share capital and other equity	26	1,161,063	1,161,063
Reserves		1,781,706	1,581,292
<b>Total equity attributable to owner of the Bank</b>		<b>2,942,769</b>	<b>2,742,355</b>
<b>Total liabilities and equity</b>		<b>21,811,745</b>	<b>22,170,036</b>
Restricted investment accounts <sup>[1]</sup>		2,446,566	2,177,223
Total Islamic Banking asset <sup>[1]</sup>		24,258,311	24,347,259
<b>Commitments and contingencies</b>	33	<b>34,443,138</b>	<b>31,348,580</b>

<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 29 April 2022.

*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 2022 and the accompanying explanatory notes on pages 8 to 35 attached to the unaudited condensed interim financial statements.*

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

**HSBC AMANAH MALAYSIA BERHAD**  
**(Company No. 200801006421 (807705-X))**  
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**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023**

	Note	Third Quarter		Nine Months Ended	
		30 Sep 2023 RM'000	30 Sep 2022 RM'000	30 Sep 2023 RM'000	30 Sep 2022 RM'000
Income derived from investment of depositors' funds and others	27	226,687	183,637	643,011	486,214
Income derived from investment of shareholder's funds	28	52,990	35,577	153,763	111,786
Impairment write-back/(provision)	29	4,797	4,611	(39,451)	(9,240)
Total distributable income		284,474	223,825	757,323	588,760
Income attributable to depositors	30	(91,044)	(55,093)	(266,398)	(140,464)
Total net income		193,430	168,732	490,925	448,296
Operating expenses	31	(65,959)	(57,531)	(189,161)	(177,764)
Profit before tax		127,471	111,201	301,764	270,532
Tax expense		(29,373)	(32,637)	(72,119)	(81,982)
<b>Profit for the financial period</b>		<b>98,098</b>	<b>78,564</b>	<b>229,645</b>	<b>188,550</b>
Profit attributable to the owner of the Bank		98,098	78,564	229,645	188,550
Basic earnings per RM0.50 ordinary share		98.1 sen	78.6 sen	229.6 sen	188.6 sen

*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 2022 and the accompanying explanatory notes on pages 8 to 35 attached to the unaudited condensed interim financial statements.*

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

**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023**

	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the financial period</b>	<b>98,098</b>	78,564	<b>229,645</b>	188,550
<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	(2,090)	(12,065)	(8,261)	(14,214)
Income tax effect	502	2,895	1,983	3,411
<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	1,791	1,593	8,224	(12,307)
Impairment (write-back)/charges	(2)	40	(11)	(115)
Income tax effect	(430)	(382)	(1,974)	2,954
Other comprehensive expense for the financial period, net of income tax	(229)	(7,919)	(39)	(20,271)
Total comprehensive income for the financial period	<u>97,869</u>	<u>70,645</u>	<u>229,606</u>	<u>168,279</u>
<b>Total comprehensive income attributable to the owner of the Bank</b>	<b><u>97,869</u></b>	<b><u>70,645</u></b>	<b><u>229,606</u></b>	<b><u>168,279</u></b>

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**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023**

	Non-distributable					Distributable		Total
	<i>Share capital</i>	<i>Other equity instrument</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>2023</b>								
<b>Balance at 1 January</b>	660,000	501,063	(9,829)	(5,131)	491	73,800	1,521,961	2,742,355
Profit for the financial period	-	-	-	-	-	-	229,645	229,645
<b>Other comprehensive income, net of tax</b>								
FVOCI reserve/Own Credit reserve								
Net change in fair value	-	-	6,250	(6,278)	-	-	-	(28)
Impairment write-back	-	-	(11)	-	-	-	-	(11)
<i>Total other comprehensive income/(expense)</i>	-	-	6,239	(6,278)	-	-	-	(39)
<b>Total comprehensive income/(expense) for the financial period</b>	-	-	6,239	(6,278)	-	-	229,645	229,606
Net change in regulatory reserves	-	-	-	-	-	(31,800)	31,800	-
<b>Transactions with the owner, recorded directly in equity</b>								
Share based payment transactions	-	-	-	-	(89)	-	6	(83)
Discretionary coupon on other equity instruments	-	-	-	-	-	-	(29,109)	(29,109)
<b>Balance at 30 September</b>	660,000	501,063	(3,590)	(11,409)	402	42,000	1,754,303	2,942,769

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

	Non-distributable					Distributable		Total
	<i>Share capital</i>	<i>Other equity instrument</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>2022</b>								
<b>Balance at 1 January</b>	660,000	–	(2,851)	(2,193)	511	46,800	1,307,774	2,010,041
Profit for the financial period	–	–	–	–	–	–	188,550	188,550
<b>Other comprehensive income, net of tax</b>								
FVOCI reserve/Own Credit reserve								
Net change in fair value	–	–	(9,353)	(10,803)	–	–	–	(20,156)
Impairment write-back	–	–	(115)	–	–	–	–	(115)
<i>Total other comprehensive expense</i>	–	–	(9,468)	(10,803)	–	–	–	(20,271)
<b>Total comprehensive (expense)/income for the financial period</b>	–	–	(9,468)	(10,803)	–	–	188,550	168,279
Net change in regulatory reserves	–	–	–	–	–	16,100	(16,100)	–
<b>Transactions with the owner, recorded directly in equity</b>								
Share based payment transactions	–	–	–	–	(207)	–	37	(170)
Other equity instrument issued	–	501,063	–	–	–	–	–	501,063
<b>Balance at 30 September</b>	660,000	501,063	(12,319)	(12,996)	304	62,900	1,480,261	2,679,213

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**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023**

	<b>30 Sep 2023</b>	30 Sep 2022
	<b>RM'000</b>	RM'000
Profit for the financial period	<b>301,764</b>	270,532
Adjustments for non-operating and non-cash items	<b>92,064</b>	38,433
Operating profit before working capital changes	<b>393,828</b>	308,965
Changes in working capital:		
Net changes in operating assets	<b>406,134</b>	(1,050,857)
Net changes in operating liabilities	<b>(630,685)</b>	1,933,677
Income tax paid	<b>(79,841)</b>	(18,138)
<b>Net cash generated from operating activities</b>	<b>89,436</b>	1,173,647
<b>Net cash (used in)/generated from investing activities</b>	<b>(1,377,660)</b>	606,086
<b>Net cash used in financing activities</b>	<b>(38,851)</b>	(116,373)
	<b>(1,416,511)</b>	489,713
<b>Net changes in cash and cash equivalents</b>	<b>(1,327,075)</b>	1,663,360
<b>Cash and cash equivalents at 1 January</b>	<b>4,930,875</b>	4,075,349
<b>Cash and cash equivalents at 30 September</b>	<b>3,603,800</b>	5,738,709
<b>Analysis of cash and cash equivalents</b>		
Cash and short-term funds	<b>3,603,800</b>	5,738,709

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**UNAUDITED CONDENSED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023 (Cont'd)**

**Changes in liabilities arising from financing activities**

	At 1 January RM'000	Cash outflow RM'000	Fair value movement RM'000	Profit accrual RM'000	At 30 September RM'000
<b>2023</b>					
Multi-Currency Sukuk Programme	504,771	–	(4,754)	–	500,017
Other Liabilities of which:					
Profit paid on Multi-Currency Sukuk Programme	5,301	(9,742)	–	15,103	10,662
	<b>510,072</b>	<b>(9,742)</b>	<b>(4,754)</b>	<b>15,103</b>	<b>510,679</b>
<b>2022</b>					
Multi-Currency Sukuk Programme	515,333	–	(8,860)	–	506,473
Subordinated Commodity Murabahah Financing	600,777	(600,777)	–	–	–
Other Liabilities of which:					
Profit paid on Multi-Currency Sukuk Programme	5,242	(4,389)	–	9,750	10,603
Profit paid on Subordinated Commodity Murabahah Financing	143	(12,270)	–	12,127	–
	<b>1,121,495</b>	<b>(617,436)</b>	<b>(8,860)</b>	<b>21,877</b>	<b>517,076</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, Lingkaran TRX, Tun Razak Exchange, 55188 Kuala Lumpur.

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 24 October 2023.

### 2 Basis of Preparation

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The unaudited condensed interim financial statements for the financial period ended 30 September 2023 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (MFRS) 134 'Interim Financial Reporting', International Accounting Standard 34 'Interim Financial Reporting' 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 2022. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial period ended 31 December 2022.

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

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

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

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

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.

#### **Effective for annual periods commencing on or after 1 January 2024**

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

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

### 2 Basis of Preparation

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

Effective for annual periods commencing on or after 1 January 2025

- Amendments to MFRS 121 on 'Lack of Exchangeability'

None of the above is expected to have a significant effect on the financial statements of the 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 2022 was not subject to any qualification.

### 5 Seasonal 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 30 September 2023.

### 7 Changes in Estimates

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

### 8 Debt and Equity Securities

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

### 9 Dividend

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No interim dividend was declared nor paid for the financial period ended 30 September 2023.

### 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>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>149,248</b>	278,477
Money at call and interbank placements maturing within one month	<b>3,454,552</b>	4,652,398
	<b>3,603,800</b>	4,930,875

Money at call and interbank placements maturing within one month is within Stage 1 allocation (12-months ECL) with RM8,000 impairment allowance as at 30 September 2023 (31 December 2022: RM11,000).

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

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Licensed bank - parent company	<b>200,000</b>	300,000
Bank Negara Malaysia	<b>208,784</b>	633,429
	<b>408,784</b>	933,429

The balance is within Stage 1 allocation (12 -month ECL) with RM Nil impairment allowance as at 30 September 2023 (31 December 2022: RM Nil).

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

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Money market instruments:		
Malaysian Government Islamic Sukuk	<b>631,458</b>	1,442,649
Malaysian Government Islamic treasury bills	<b>1,772,870</b>	-
	<b>2,404,328</b>	1,442,649

Financial investments at FVOCI are within Stage 1 allocation (12 -month ECL) with RM124,000 impairment allowance as at 30 September 2023 (31 December 2022: RM134,000). 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	<b>1,933,099</b>	972,579
More than one year to three years	<b>471,229</b>	470,070
	<b>2,404,328</b>	1,442,649

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

**14 Financial Investments at Amortised Cost**

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
<b>Debt instruments</b>		
Money market instruments:		
Malaysian Government Islamic Sukuk	<b>790,356</b>	258,715
Malaysian Government Islamic treasury bills	–	195,409
Unquoted:		
Corporate Sukuk	<b>99,889</b>	–
	<b>890,245</b>	454,124

Financial investments at amortised cost are within Stage 1 allocation (12-month ECL) with RM173,000 impairment allowance for the Bank as at 30 September 2023 (31 December 2022: RM 2,000).

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

**15 Financing and Advances**

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

At amortised cost	Sale-based contracts	Lease-based contracts	Equity-based contracts	Ujrah	Total
	Commodity Murabahah	Ijarah Thumma Al-Bai	Diminishing Musharakah		
30 Sep 2023	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	81,523	–	–	–	81,523
Term financing:					
House financing	–	–	3,641,372	–	3,641,372
Hire purchase receivables	–	217,961	–	–	217,961
Syndicated term financing	1,281,725	–	–	–	1,281,725
Other term financing	3,403,299	–	733,675	–	4,136,974
Trust receipts	547,483	–	–	–	547,483
Claims on customers under acceptance credits	212,448	–	–	–	212,448
Bills receivables	1,052,871	–	–	–	1,052,871
Staff financing-i	1,043	–	255	–	1,298
Credit cards-i	–	–	–	1,204,695	1,204,695
Revolving financing	1,771,321	–	–	–	1,771,321
Other financing	–	–	2,384	–	2,384
Gross financing and advances	<b>8,351,713</b>	<b>217,961</b>	<b>4,377,686</b>	<b>1,204,695</b>	<b>14,152,055</b>
Less: Impairment allowance					<b>(440,172)</b>
Total net financing and advances					<b>13,711,883</b>

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

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

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

	Sale-based contracts	Lease-based contracts	Equity-based contracts		
	Commodity Murabahah RM'000	Ijarah Thumma Al-Bai RM'000	Diminishing Musharakah RM'000	Ujrah RM'000	Total RM'000
31 Dec 2022					
Cash line-i	84,397	–	–	–	84,397
Term financing:					
House financing	–	–	3,666,246	–	3,666,246
Hire purchase receivables	–	234,388	–	–	234,388
Syndicated term financing	874,897	–	–	–	874,897
Other term financing	3,854,433	–	796,342	–	4,650,775
Trust receipts	743,760	–	–	–	743,760
Claims on customers under acceptance credits	195,945	–	–	–	195,945
Bills receivables	969,679	–	–	–	969,679
Staff financing-i	1,382	–	266	–	1,648
Credit cards-i	–	–	–	1,185,408	1,185,408
Revolving financing	1,735,974	–	–	–	1,735,974
Other financing	–	–	2,216	–	2,216
Gross financing and advances	<u>8,460,467</u>	<u>234,388</u>	<u>4,465,070</u>	<u>1,185,408</u>	<u>14,345,333</u>
Less: Impairment allowance					<u>(502,322)</u>
Total net financing and advances					<u>13,843,011</u>

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

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

**(ii) By type of customer**

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Domestic non-bank financial institutions	<b>155,116</b>	429,335
Domestic business enterprises:		
Small medium enterprises	<b>1,135,342</b>	1,168,499
Others	<b>4,916,168</b>	5,167,281
Individuals	<b>5,445,400</b>	5,532,839
Other domestic entities	<b>693</b>	769
Foreign entities/individuals	<b>2,499,336</b>	2,046,610
	<b><u>14,152,055</u></b>	<u>14,345,333</u>

**(iii) By profit rate sensitivity**

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Fixed rate:		
Hire purchase receivables	<b>217,961</b>	234,388
Other financing	<b>3,640,262</b>	3,683,443
Variable rate:		
Base Rate/Base Financing Rate	<b>4,253,218</b>	4,541,872
Cost-plus	<b>6,040,614</b>	5,885,630
	<b><u>14,152,055</u></b>	<u>14,345,333</u>

**(iv) By residual contractual maturity**

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Maturing within one year	<b>5,583,309</b>	5,113,770
More than one year to three years	<b>1,908,364</b>	2,321,922
More than three years to five years	<b>1,883,158</b>	1,904,623
Over five years	<b>4,777,224</b>	5,005,018
	<b><u>14,152,055</u></b>	<u>14,345,333</u>

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

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

**(v) By sector**

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry & fishing	<b>6,490</b>	7,922
Mining and quarrying	<b>43,762</b>	49,586
Manufacturing	<b>1,443,806</b>	1,613,701
Electricity, gas and water	<b>64,176</b>	67,904
Construction	<b>1,012,636</b>	976,846
Real estate	<b>1,312,607</b>	1,268,388
Wholesale & retail trade, restaurants & hotels	<b>960,004</b>	1,124,997
Transport, storage and communication	<b>257,142</b>	305,748
Finance, takaful and business services	<b>944,748</b>	1,177,927
Household - Retail	<b>5,897,261</b>	5,987,560
Others	<b>2,209,423</b>	1,764,754
	<b><u>14,152,055</u></b>	<b><u>14,345,333</u></b>

**(vi) By purpose**

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Purchase of landed property:		
Residential	<b>3,641,626</b>	3,666,511
Non-residential	<b>590,927</b>	654,597
Purchase of transport vehicles	<b>841</b>	1,142
Purchase of fixed assets excluding land & building	<b>218,370</b>	234,846
Consumption credit	<b>2,099,219</b>	2,147,910
Construction	<b>820,142</b>	823,317
Working capital	<b>4,733,455</b>	5,225,121
Other purpose	<b>2,047,475</b>	1,591,889
	<b><u>14,152,055</u></b>	<b><u>14,345,333</u></b>



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

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

**(vii) By geographical distribution**

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Northern Region	<b>1,369,156</b>	1,437,664
Southern Region	<b>1,604,134</b>	1,448,889
Central Region	<b>10,881,518</b>	11,152,118
Eastern Region	<b>297,247</b>	306,662
	<b><u>14,152,055</u></b>	<u>14,345,333</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.

**(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>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Total gross financing and advances	<b>2,350,123</b>	2,189,511
Less: Impairment allowance	<b>(96,722)</b>	(240,817)
Total net financing and advances	<b><u>2,253,401</u></b>	<u>1,948,694</u>
<i>Maturity not exceeding one year</i>	<b>151,617</b>	144,981
<i>Maturity exceeding one year</i>	<b>41,548</b>	83,548
Total commitments and contingencies	<b><u>193,165</u></b>	<u>228,529</u>
Total restricted investment accounts	<b><u>2,446,566</u></b>	<u>2,177,223</u>
Risk weighted assets (RWA) of restricted investment accounts	<b><u>1,366,969</u></b>	<u>1,007,324</u>

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 2022.

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

**16 Impaired Financing**

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

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Gross carrying amount as at 1 January	<b>971,931</b>	1,175,011
Transfer within stages	<b>(43,943)</b>	30,833
Net changes in risk parameters - further financing/(repayment)	<b>(37,347)</b>	(150,777)
Written-off	<b>(158,438)</b>	(83,136)
Gross carrying amount as at 30 September/31 December	<b><u>732,203</u></b>	<u>971,931</u>

**(ii) By contract**

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Ijarah Thumma Al-Bai (AITAB) (hire purchase)	<b>7,295</b>	172
Commodity Murabahah (cost-plus)	<b>379,609</b>	505,561
Diminishing Musharakah (profit and loss sharing)	<b>332,554</b>	447,234
Ujrah (fee-based)	<b>12,745</b>	18,964
	<b><u>732,203</u></b>	<u>971,931</u>

**(iii) By sector**

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry & fishing	<b>452</b>	40
Manufacturing	<b>13,159</b>	14,029
Electricity, gas and water	<b>59,938</b>	57,826
Construction	<b>101,056</b>	116,070
Real estate	<b>3,318</b>	3,639
Wholesale & retail trade, restaurants & hotels	<b>10,426</b>	4,073
Transport, storage and communication	<b>3,238</b>	1,532
Finance, takaful and business services	<b>3,951</b>	53,876
Household - Retail	<b>536,665</b>	702,493
Others	<b>–</b>	18,353
	<b><u>732,203</u></b>	<u>971,931</u>

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

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

**(iv) By purpose**

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Purchase of landed property:		
Residential	<b>310,976</b>	419,059
Non-residential	<b>7,675</b>	9,328
Purchase of fixed assets excluding land & building	<b>7,295</b>	172
Consumption credit	<b>223,102</b>	282,039
Construction	<b>101,057</b>	116,070
Working capital	<b>82,098</b>	127,652
Others	–	17,611
	<b>732,203</b>	971,931

**(v) By geographical distribution**

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Northern Region	<b>43,737</b>	53,616
Southern Region	<b>57,841</b>	72,461
Central Region	<b>618,304</b>	827,089
Eastern Region	<b>12,321</b>	18,765
	<b>732,203</b>	971,931

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

**17 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 2023	<b>32,961</b>	<b>73,144</b>	<b>396,217</b>	<b>502,322</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>37,291</b>	<b>(23,166)</b>	<b>(14,125)</b>	–
- Transferred to Stage 2	<b>(2,509)</b>	<b>8,420</b>	<b>(5,911)</b>	–
- Transferred to Stage 3	<b>(356)</b>	<b>(3,479)</b>	<b>3,835</b>	–
New financial assets originated or purchased	<b>22,672</b>	–	–	<b>22,672</b>
Net remeasurement due to changes in credit risk and assets derecognised	<b>(19,685)</b>	<b>18,953</b>	<b>67,512</b>	<b>66,780</b>
Asset written-off	–	–	<b>(158,438)</b>	<b>(158,438)</b>
Others	–	–	<b>6,836</b>	<b>6,836</b>
<b>Balance at 30 September 2023</b>	<b>70,374</b>	<b>73,872</b>	<b>295,926</b>	<b>440,172</b>
Balance at 1 January 2022	32,095	86,539	404,748	523,382
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	59,856	(23,657)	(36,199)	–
- Transferred to Stage 2	(3,256)	17,954	(14,698)	–
- Transferred to Stage 3	(190)	(6,467)	6,657	–
New financial assets originated or purchased	13,119	–	–	13,119
Net remeasurement due to changes in credit risk and assets derecognised	(68,663)	(1,225)	112,500	42,612
Asset written-off	–	–	(82,413)	(82,413)
Others	–	–	5,622	5,622
Balance at 31 December 2022	32,961	73,144	396,217	502,322

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 decreased by RM62.1 million compared to the balance at the beginning of the year. This net decrease was mainly contributed by asset written-off (RM158.4 million), partly offset by net remeasurement due to changes in credit risk and assets derecognised (RM66.8 million) and new financial assets originated or purchased (RM22.7 million).

- 12-months ECL not credit impaired (Stage 1) - increased by RM37.4 million primarily due to net migration of financing and advances from Stage 2 and 3, new financial assets originated or purchased, and partially offset by net remeasurement due to changes in credit risk.
- Lifetime ECL not credit-impaired (Stage 2) - increased by RM0.7 million, primarily due to increase in net remeasurement due to changes in credit risk, and partially offset by net migration of financing and advances to Stage 1 and 3.
- Lifetime ECL credit-impaired (Stage 3) - decreased by RM100.3 million, primarily due to asset written-off and net migration of financing and advances to Stage 1 and 2, and partially offset by net remeasurement due to changes in credit risk.

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

**17 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 2023	<b>1,636</b>	<b>7,153</b>	<b>24,228</b>	<b>33,017</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>1,158</b>	<b>(1,158)</b>	–	–
- Transferred to Stage 2	<b>(18)</b>	<b>18</b>	–	–
- Transferred to Stage 3	<b>(6)</b>	–	<b>6</b>	–
New financial assets originated or purchased	<b>228</b>	–	–	<b>228</b>
Net remeasurement due to changes in credit risk and assets derecognised	<b>(1,100)</b>	<b>(4,829)</b>	<b>(146)</b>	<b>(6,075)</b>
Others	<b>329</b>	–	–	<b>329</b>
<b>Balance at 30 September 2023</b>	<b>2,227</b>	<b>1,184</b>	<b>24,088</b>	<b>27,499</b>
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	45	(45)	–	–
- Transferred to Stage 2	(43)	43	–	–
- Transferred to Stage 3	–	(75)	75	–
New financial assets originated or purchased	551	–	–	551
Net remeasurement due to changes in credit risk and assets derecognised	(1,419)	835	24,153	23,569
Others	(40)	–	–	(40)
Balance at 31 December 2022	1,636	7,153	24,228	33,017

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)**

**18 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	>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
30 Sep 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	15,689,622	–	–	15,689,622	124,795	–	–	124,795	113,747	–	–	113,747
- Swaps	164,185	–	140,358	304,543	4,278	–	1,469	5,747	4,242	–	1,616	5,858
- Options	61,382	–	–	61,382	253	–	–	253	253	–	–	253
Profit rate related contracts												
- Swaps	1,310,086	893,424	–	2,203,510	507	2,206	–	2,713	4,179	3,500	–	7,679
- Options	–	420,703	–	420,703	–	–	–	–	–	28,459	–	28,459
Equity related contracts												
- Options purchased	846,883	797,475	–	1,644,358	1,867	–	–	1,867	30,705	21,355	–	52,060
<b>Total</b>	<b>18,072,158</b>	<b>2,111,602</b>	<b>140,358</b>	<b>20,324,118</b>	<b>131,700</b>	<b>2,206</b>	<b>1,469</b>	<b>135,375</b>	<b>153,126</b>	<b>53,314</b>	<b>1,616</b>	<b>208,056</b>

The Bank does not have any hedging instrument as at 30 September 2023.

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

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

	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
31 Dec 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	12,200,429	155,272	–	12,355,701	145,181	3,162	–	148,343	174,850	2,874	–	177,724
- Swaps	21,490	–	158,202	179,692	787	–	1,918	2,705	354	–	1,780	2,134
- Options	17,760	–	–	17,760	113	–	–	113	113	–	–	113
Profit rate related contracts												
- Swaps	1,233,160	1,325,473	–	2,558,633	1,353	2,437	–	3,790	3,937	6,981	–	10,918
- Options	–	451,095	–	451,095	–	–	–	–	–	40,537	–	40,537
Equity related contracts												
- Options purchased	577,897	1,198,067	–	1,775,964	3,283	82	–	3,365	17,353	43,793	–	61,146
<b>Total</b>	<b>14,050,736</b>	<b>3,129,907</b>	<b>158,202</b>	<b>17,338,845</b>	<b>150,717</b>	<b>5,681</b>	<b>1,918</b>	<b>158,316</b>	<b>196,607</b>	<b>94,185</b>	<b>1,780</b>	<b>292,572</b>

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

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

### 19 Other Assets

	30 Sep 2023 RM'000	31 Dec 2022 RM'000
Settlements	12,810	1,273
Income receivable	9,593	5,610
Profit receivable	17,798	15,992
Prepayments	2,179	–
Amount due from holding company	161,954	105,975
Rights of Use (ROU) assets	20,325	21,540
Other receivables	24,130	13,234
	<b>248,789</b>	<b>163,624</b>

### 20 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.

### 21 Deposits From Customers

#### (i) By type of deposit

	30 Sep 2023 RM'000	31 Dec 2022 RM'000
<b>At amortised cost</b>		
Non-Mudharabah Fund		
Demand deposits		
- Qard	4,067,145	3,381,215
Savings deposits		
- Qard	2,956,423	2,920,903
Term deposits		
- Commodity Murabahah	6,825,666	7,502,806
- Qard*	335,183	152,728
	<b>14,184,417</b>	<b>13,957,652</b>

\* Refers to incidental qard treatment due to timing differences between the deposit placement and the execution of Commodity Murabahah.

The maturity structure of term deposits is as follows:

	30 Sep 2023 RM'000	31 Dec 2022 RM'000
Due within six months	5,774,189	6,306,058
More than six months to one year	1,105,104	1,016,754
More than one year to three years	226,252	280,211
More than three years to five years	55,304	52,511
	<b>7,160,849</b>	<b>7,655,534</b>



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

**21 Deposits From Customers (Cont'd)**

**(ii) By type of customer**

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Government and statutory bodies	<b>10,300</b>	22,452
Business enterprises	<b>3,513,111</b>	3,732,877
Individuals	<b>5,578,312</b>	5,749,721
Foreign entities/individuals	<b>3,618,090</b>	3,646,709
Others	<b>1,464,604</b>	805,893
	<b><u>14,184,417</u></b>	<u>13,957,652</u>

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

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Non-Mudharabah Fund		
Licensed bank - parent company	<b>1,478,616</b>	2,034,464
Bank Negara Malaysia	<b>14,848</b>	8,972
Other financial institutions	<b>11</b>	11
	<b><u>1,493,475</u></b>	<u>2,043,447</u>

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

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
<b>At fair value</b>		
Structured liabilities		
- Tawarruq	<b>1,991,633</b>	2,102,483
	<b><u>1,991,633</u></b>	<u>2,102,483</u>

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.

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

**24 Other Liabilities**

	Note	30 Sep 2023 RM'000	31 Dec 2022 RM'000
<b>At amortised cost</b>			
Settlements		516	540
Amounts due to holding company		3,366	161,528
Profit payable		84,449	67,368
Deferred income		20,749	18,899
Marginal deposit		24,513	35,213
Accrued expenses		149,299	43,522
Lease liabilities		22,322	23,739
Other creditors	(a)	133,384	123,289
Provision on financing and credit related commitments	(b)	27,499	33,017
		<b>466,097</b>	<b>507,115</b>

(a) Other creditors

Included in other creditors is income from inadvertent Shariah non-compliant activities. The income is to be distributed to charity organisations approved by the Shariah Committee. There is one (1) actual Shariah Non-Compliant event identified during the financial period relating to financing and advances (2022:Nil). The event will be rectified in accordance with the Shariah Governance Policy Document.

<b>Source and use of charity funds</b>	30 Sep 2023 RM'000	31 Dec 2022 RM'000
Balance at 1 January	3	1
Shariah non-compliant income for the financial period/year <sup>[1]</sup>	228	5
Contribution to non-profit organisations	–	(3)
Balance at 30 September/31 December	<b>231</b>	<b>3</b>

<sup>[1]</sup> Income received from transactions in nostro accounts and from financing and advances.

(b) Refer to Note 17(ii) for movement in provision.

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

### 25 Multi-Currency Sukuk Programme

	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Multi-Currency Sukuk Programme (MCSP)	<b>500,017</b>	504,771

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

	<b>Nominal Value</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Carrying Value</b>	
				<b>30 Sep 2023</b>	<b>31 Dec 2022</b>
	<b>RM'000</b>			<b>RM'000</b>	<b>RM'000</b>
<u>Issuance under MCSP</u>					
<b>At fair value</b>					
4th series	500,000	2 Oct 2018	2 Oct 2023	<b>500,017</b>	504,771

#### Movement in MCSP

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

### 26 Share Capital and Other Equity

	<b>30 Sep 2023</b>		<b>31 Dec 2022</b>	
	<b>Number of Shares ('000)</b>	<b>RM'000</b>	<b>Number of Shares ('000)</b>	<b>RM'000</b>
<b>Share capital, issued and fully paid</b>				
<u>Ordinary shares of RM0.50 each</u>				
At 1 January / 30 September 2023 / 31 December 2022	<b>100,000</b>	<b>660,000</b>	100,000	660,000
<b>Other equity</b>				
Additional Tier 1 USD Wakalah Financing Facility		<b>501,063</b>		501,063
<b>Total share capital and other equity</b>		<b>1,161,063</b>		1,161,063

On 19 August 2022, the Bank had issued USD Wakalah Financing Facility (the Facility) equivalent to RM501 million to its immediate holding company, HSBC Bank Malaysia Berhad (HBMY). The Facility qualifies as Additional Tier 1 capital of the Bank as per the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by Bank Negara Malaysia (BNM). The Facility will be perpetual with no fixed maturity and may be callable at the option of the Bank 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 the Bank at all times) at the rate of compounded Secured Overnight Financing 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 as per MFRS 132 Financial instruments: Presentation.

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

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

	Third Quarter		Nine Months Ended	
	30 Sep 2023 RM'000	30 Sep 2022 RM'000	30 Sep 2023 RM'000	30 Sep 2022 RM'000
Income derived from investment of:				
(i) Term deposit	<b>143,971</b>	128,837	<b>399,104</b>	341,296
(ii) Other deposits	<b>82,716</b>	54,800	<b>243,907</b>	144,918
	<b>226,687</b>	183,637	<b>643,011</b>	486,214
(i) Income derived from investment of term deposits				
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	<b>110,611</b>	84,294	<b>321,556</b>	223,014
- Recoveries from impaired financing	<b>5,288</b>	3,978	<b>15,675</b>	15,980
Financial investments at FVOCI	<b>9,902</b>	5,226	<b>22,522</b>	18,974
Money at call and deposit with financial institutions	<b>19,584</b>	15,972	<b>64,433</b>	31,480
Financial investments at amortised cost	<b>4,951</b>	17	<b>13,164</b>	17
	<b>150,336</b>	109,487	<b>437,350</b>	289,465
<u>Other operating income</u>				
Realised gain/(loss) from dealing in foreign currency	<b>30,455</b>	(18,428)	<b>122</b>	(6,694)
Unrealised (loss)/gain from dealing in foreign currency	<b>(21,181)</b>	25,796	<b>23,533</b>	26,560
Realised (loss)/gain from trading in derivatives	<b>(2,375)</b>	6,376	<b>(6,318)</b>	12,548
Unrealised (loss)/gain from trading in derivatives	<b>(960)</b>	(27,084)	<b>15,317</b>	(62,741)
Net (expense)/income from financial liabilities designated at FVTPL	<b>(12,304)</b>	32,690	<b>(70,900)</b>	82,158
	<b>(6,365)</b>	19,350	<b>(38,246)</b>	51,831
	<b>143,971</b>	128,837	<b>399,104</b>	341,296

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

**27 Income Derived from Investment of Depositors' Funds and Others (Cont'd)**

	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
(ii) Income derived from investment of other deposits				
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	58,488	48,016	166,870	124,715
- Recoveries from impaired financing	2,797	2,301	8,134	8,937
Financial investments at FVOCI	5,204	3,010	11,688	10,611
Money at call and deposit with financial institutions	10,394	9,029	33,437	17,604
Financial investments at amortised cost	2,612	10	6,832	10
	<b>79,495</b>	<b>62,366</b>	<b>226,961</b>	<b>161,877</b>
<u>Other operating income</u>				
Realised gain/(loss) from dealing in foreign currency	15,649	(10,231)	64	(3,743)
Unrealised (loss)/gain from dealing in foreign currency	(10,761)	14,431	12,212	14,853
Realised (loss)/gain from trading in derivatives	(1,253)	3,605	(3,279)	7,017
Unrealised (loss)/gain from trading in derivatives	(414)	(15,371)	7,949	(35,086)
	<b>3,221</b>	<b>(7,566)</b>	<b>16,946</b>	<b>(16,959)</b>
	<b>82,716</b>	<b>54,800</b>	<b>243,907</b>	<b>144,918</b>

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

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

	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	23,352	15,702	64,016	42,022
- Recoveries from impaired financing	1,119	734	3,121	3,011
Financial investments at FVOCI	2,051	967	4,484	3,575
Money at call and deposit with financial institutions	4,181	2,990	12,827	5,932
Financial investments at amortised cost	1,038	3	2,621	3
	<b>31,741</b>	20,396	<b>87,069</b>	54,543
<u>Other operating income</u>				
Fee commission <sup>[1]</sup>	19,055	17,163	58,840	61,808
Realised gain/(loss) from dealing in foreign currency	5,871	(3,488)	24	(1,261)
Unrealised (loss)/gain from dealing in foreign currency	(3,934)	4,860	4,685	5,005
Realised (loss)/gain from trading in derivatives	(498)	1,193	(1,258)	2,364
Unrealised (loss)/gain from trading in derivatives	(89)	(5,057)	3,049	(11,822)
Shared-service fees from holding company	283	288	866	853
Other income	561	222	488	296
	<b>21,249</b>	15,181	<b>66,694</b>	57,243
	<b>52,990</b>	35,577	<b>153,763</b>	111,786

<sup>[1]</sup> The above fees and commissions were derived from the following major contributors:

Service charges and fees	4,365	6,000	12,933	21,629
Credit cards	5,544	4,169	18,283	15,173
Credit facilities	3,099	3,186	9,955	9,175
Agency fee	3,956	3,172	11,474	10,614

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

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

	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Net increase in allowance/provision	10,206	10,287	83,782	53,801
Recoveries	(15,003)	(14,561)	(44,521)	(44,081)
Written off	–	(337)	190	(480)
<b>Total (write-back from)/charge to statement of profit or loss</b>	<b>(4,797)</b>	<b>(4,611)</b>	<b>39,451</b>	<b>9,240</b>

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

**(i) Financing and advances**

Net increase in allowance	17,902	3,954	89,452	54,499
Recoveries	(15,003)	(14,561)	(44,521)	(44,081)
Written off	–	(337)	190	(480)
<b>Total charge to/(write-back from) statement of profit or loss</b>	<b>2,899</b>	<b>(10,944)</b>	<b>45,121</b>	<b>9,938</b>

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

Net (release)/increase in allowance/provision	(1)	4	15	4
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**(iii) Financing commitments**

Net (release)/increase in allowance/provision	(7,640)	6,289	(5,847)	(587)
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**(iv) Financial investment at FVOCI**

Net (release)/increase in allowance/provision	(2)	40	(11)	(115)
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**(v) Financial investments at amortised costs**

Net (release)/increase in allowance/provision	(53)	–	173	–
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**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**30 Income Attributable to Depositors**

	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Non-Mudharabah Fund				
Deposits from customers	71,672	38,874	204,036	101,970
Deposits and placements of banks and other financial institutions	13,974	8,488	46,117	15,606
Lease liabilities	257	234	770	743
Others	5,141	7,497	15,475	22,145
	<b>91,044</b>	<b>55,093</b>	<b>266,398</b>	<b>140,464</b>

**31 Operating Expenses**

	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	9,411	9,163	29,373	26,808
Promotion and marketing related expenses	2,787	1,412	5,331	4,684
Establishment related expenses	3,889	2,345	10,997	8,247
General administrative expenses	6,204	5,592	17,733	20,894
Related company expenses	43,668	39,019	125,727	117,131
	<b>65,959</b>	<b>57,531</b>	<b>189,161</b>	<b>177,764</b>
Personnel expenses				
Salaries, allowances and bonuses	7,623	7,523	23,182	21,371
Employees Provident Fund contributions	1,354	1,326	4,162	3,968
Share based payment	23	(108)	98	(132)
Other staff related costs	411	422	1,931	1,601
	<b>9,411</b>	<b>9,163</b>	<b>29,373</b>	<b>26,808</b>
Establishment related expenses				
Depreciation of equipment	557	557	1,509	1,673
Depreciation of ROU assets	1,467	1,477	4,365	4,522
Information technology costs	511	124	1,676	764
Equipment written off	–	–	5	72
Utilities	255	242	693	716
Others	1,099	(55)	2,749	500
	<b>3,889</b>	<b>2,345</b>	<b>10,997</b>	<b>8,247</b>



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

**31 Operating Expenses**

	Third Quarter		Nine Months Ended	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	RM'000	RM'000	RM'000	RM'000
Related company charges	<b>43,668</b>	39,019	<b>125,727</b>	117,131
Of which by:				
(i) Type of service				
- Information technology related cost	<b>9,212</b>	8,186	<b>26,228</b>	23,650
- Non information technology related cost	<b>34,456</b>	30,833	<b>99,499</b>	93,481
(ii) Country/ territory				
- Malaysia	<b>43,515</b>	38,785	<b>125,050</b>	116,531
- Others	<b>153</b>	234	<b>677</b>	600

**32 Capital Adequacy**

	30 Sep 2023	31 Dec 2022
	RM'000	RM'000
<b>Common Equity Tier 1 (CET1) capital</b>		
Paid-up ordinary share capital	<b>660,000</b>	660,000
Retained profits	<b>1,656,205</b>	1,521,961
Other reserves	<b>27,279</b>	54,429
Regulatory adjustments	<b>(71,087)</b>	(95,253)
Total CET1 capital	<b>2,272,397</b>	2,141,137
<b>Tier 1 capital</b>		
Additional Tier 1 capital	<b>501,063</b>	501,063
Total Tier 1 capital	<b>2,773,460</b>	2,642,200
<b>Tier 2 capital</b>		
Impairment allowance (unimpaired portion) & regulatory reserves	<b>164,936</b>	169,287
Total Tier 2 capital	<b>164,936</b>	169,287
<b>Capital base</b>	<b>2,938,396</b>	2,811,487
<u>Before/After deducting proposed dividend</u>		
CET1 Capital Ratio	<b>15.666%</b>	14.465%
Tier 1 Capital Ratio	<b>19.120%</b>	17.849%
Total Capital Ratio	<b>20.257%</b>	18.993%

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

### 32 Capital Adequacy (Cont'd)

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.

#### Before/After deducting proposed dividend

	With Transitional Arrangement (%)		Without Transitional Arrangement (%)	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
CET1 Capital Ratio	<b>15.666%</b>	14.465%	<b>15.558%</b>	14.465%
Tier 1 Capital Ratio	<b>19.120%</b>	17.849%	<b>19.013%</b>	17.849%
Total Capital Ratio	<b>20.257%</b>	18.993%	<b>20.150%</b>	18.993%

Breakdown of RWA in the various categories of risk weights:

	30 Sep 2023	31 Dec 2022
	RM'000	RM'000
Total RWA for credit risk	<b>13,194,870</b>	13,542,956
Total RWA for market risk	<b>180,701</b>	208,767
Total RWA for operational risk	<b>1,129,960</b>	1,050,968
	<b>14,505,531</b>	14,802,691

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

### 33 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 Bank.

<b>Principal amount</b>	<b>30 Sep 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Direct credit substitutes	<b>31,490</b>	128,998
Transaction-related contingent items	<b>2,122,731</b>	1,950,300
Short-term self-liquidating trade-related contingencies	<b>61,036</b>	126,579
Formal standby facilities and credit lines		
- Maturity not exceeding one year	<b>1,168,730</b>	1,670,824
- Maturity exceeding one year	<b>3,590,203</b>	3,847,754
Other unconditionally cancellable	<b>3,772,277</b>	2,938,881
Unutilised credit card lines	<b>3,372,553</b>	3,346,399
Equity related contracts		
- Less than one year	<b>846,883</b>	577,897
- One year to less than five years	<b>797,475</b>	1,198,067
Profit rate related contracts		
- Less than one year	<b>1,310,086</b>	1,233,160
- One year to less than five years	<b>1,314,127</b>	1,776,568
Foreign exchange related contracts		
- Less than one year	<b>15,915,189</b>	12,239,679
- One year to less than five years	-	155,272
- Over five years	<b>140,358</b>	158,202
	<b>34,443,138</b>	31,348,580

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

### 34 Performance Review, Economy and Prospects

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#### Performance review

The Bank recorded a profit before tax (PBT) of RM301.8 million for the financial period ended 30 September 2023, an increase of RM31.2 million year-on-year. The increase in PBT was mainly due to higher operating income by RM72.9 million which was primarily contributed by higher net financing income. This was partly offset by higher impairment provision (RM30.2 million).

Total balance sheet as at 30 September 2023 stood at RM21.8 billion, a decrease of RM0.4 billion compared to 31 December 2022 of RM22.2 billion. The Bank's capital and liquidity ratios remained strong and were well above the regulatory requirements.

#### Economy and Prospects

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

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

During the financial period, the Bank, together with its parent bank - HSBC Bank Malaysia Berhad, organised a few notable events for its customers, namely HSBC Asian Business Forum, Premier Investment Global Market Outlook, and Navigating the Startup Ecosystem in Malaysia. On the digital front, we also rolled-out Apple Pay and Google Wallet for HSBC cards and launched the Investment Account Opening service on the HSBC Malaysia mobile banking app allowing our Premier customers to open investment accounts from their mobile phones. We are the first bank in Malaysia to offer bond/ sukuk investment account opening via a mobile application. In the recent quarter, the Bank also developed and transacted its first Reverse Sell and Buy Back Agreement structure for a Shariah-compliant foreign-currency funding.

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

During the financial year, the Bank was awarded the "Best International Islamic Bank" at the Euromoney Islamic Finance Awards 2023. This world's best award by Euromoney recognises our strength in several categories including cross-border transactions, supply-side financing and capital markets, as well as its strong suite of Shariah-compliant hedging instruments and its role as a Value-Based Intermediation practitioner and sustainability leader.

The Bank also won several other awards including the "Islamic ESG Bank of the Year" for the fourth consecutive year and "Best Islamic Trade Finance Bank" for the sixth consecutive year by The Asset Triple A Islamic Finance Awards 2023, and the "Islamic Bank of the Year (International)" award from The Banker Islamic Banking Awards 2023.

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