

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

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

**Domiciled in Malaysia**  
**Registered Office:**  
**Level 21, Menara IQ**  
**Lingkar 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 JUNE 2023**

	<i>Note</i>	30 Jun 2023 RM'000	31 Dec 2022 RM'000
<b>Assets</b>			
Cash and short-term funds	11	4,047,078	4,930,875
Deposits and placements with banks and other financial institutions	12	200,000	933,429
Financial investments at fair value through other comprehensive income (FVOCI)	13	2,227,710	1,442,649
Financial investments at amortised cost	14	928,766	454,124
Financing and advances	15	13,642,011	13,843,011
Derivative financial assets	18	347,409	158,316
Other assets	19	169,437	163,624
Statutory deposits with Bank Negara Malaysia	20	223,361	198,860
Equipment		6,347	6,769
Tax recoverable		–	7,104
Deferred tax assets		54,265	31,275
<b>Total assets</b>		<b>21,846,384</b>	<b>22,170,036</b>
<b>Liabilities</b>			
Deposits from customers	21	14,064,309	13,957,652
Deposits and placements from banks and other financial institutions	22	1,531,488	2,043,447
Structured liabilities designated at fair value through profit or loss (FVTPL)	23	2,003,318	2,102,483
Bills payable		34,732	19,641
Derivative financial liabilities	18	382,242	292,572
Other liabilities	24	463,777	507,115
Provision for taxation		3,331	–
Multi-Currency Sukuk Programme	25	501,632	504,771
<b>Total liabilities</b>		<b>18,984,829</b>	<b>19,427,681</b>
<b>Equity</b>			
Share capital and other equity	26	1,161,063	1,161,063
Reserves		1,700,492	1,581,292
<b>Total equity attributable to owner of the Bank</b>		<b>2,861,555</b>	<b>2,742,355</b>
<b>Total liabilities and equity</b>		<b>21,846,384</b>	<b>22,170,036</b>
Restricted investment accounts <sup>[1]</sup>		2,542,191	2,177,223
Total Islamic Banking asset <sup>[1]</sup>		24,388,575	24,347,259
<b>Commitments and contingencies</b>	34	<b>33,766,259</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 21 July 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 JUNE 2023**

	Note	Second Quarter		Six Months Ended	
		30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	27	215,777	154,592	416,324	302,577
Income derived from investment of shareholder's funds	28	52,225	34,926	100,773	76,209
Impairment write-back/(provision)	29	1,469	30,275	(44,248)	(13,851)
Total distributable income		269,471	219,793	472,849	364,935
Income attributable to depositors	30	(90,439)	(44,254)	(175,354)	(85,371)
Total net income		179,032	175,539	297,495	279,564
Operating expenses	31	(64,576)	(62,319)	(123,202)	(120,233)
Profit before tax		114,456	113,220	174,293	159,331
Tax expense		(27,906)	(35,033)	(42,746)	(49,345)
<b>Profit for the financial period</b>		<b>86,550</b>	<b>78,187</b>	<b>131,547</b>	<b>109,986</b>
Profit attributable to the owner of the Bank		86,550	78,187	131,547	109,986
Basic earnings per RM0.50 ordinary share		86.6 sen	78.2 sen	131.5 sen	110.0 sen

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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 JUNE 2023**

	<b>Second Quarter</b>		<b>Six Months Ended</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit for the financial period</b>	<b>86,550</b>	78,187	<b>131,547</b>	109,986
<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>(5,242)</b>	6,006	<b>(6,171)</b>	(2,149)
Income tax effect	<b>1,258</b>	(1,441)	<b>1,481</b>	516
<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>(1,387)</b>	(13,830)	<b>6,433</b>	(13,900)
Impairment charges/(write-back)	<b>44</b>	(55)	<b>(9)</b>	(155)
Income tax effect	<b>333</b>	3,319	<b>(1,544)</b>	3,336
	<hr/>	<hr/>	<hr/>	<hr/>
Other comprehensive (expense)/income for the financial period, net of income tax	<b>(4,994)</b>	(6,001)	<b>190</b>	(12,352)
Total comprehensive income for the financial period	<b>81,556</b>	72,186	<b>131,737</b>	97,634
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income attributable to the owner of the Bank</b>	<b>81,556</b>	72,186	<b>131,737</b>	97,634
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**HSBC AMANAH MALAYSIA BERHAD**  
**(Company No. 200801006421 (807705-X))**  
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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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	-	-	-	-	-	-	131,547	131,547
<b>Other comprehensive income, net of tax</b>								
FVOCI reserve/Own Credit reserve								
Net change in fair value	-	-	4,889	(4,690)	-	-	-	199
Impairment write-back	-	-	(9)	-	-	-	-	(9)
<i>Total other comprehensive income/(expense)</i>	-	-	4,880	(4,690)	-	-	-	190
<b>Total comprehensive income/(expense) for the financial period</b>	-	-	4,880	(4,690)	-	-	131,547	131,737
Net change in regulatory reserves	-	-	-	-	-	(41,400)	41,400	-
<b>Transactions with the owner, recorded directly in equity</b>								
Share based payment transactions	-	-	-	-	(61)	-	7	(54)
Discretionary coupon on other equity instruments	-	-	-	-	-	-	(12,483)	(12,483)
<b>Balance at 30 June</b>	660,000	501,063	(4,949)	(9,821)	430	32,400	1,682,432	2,861,555

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

	Non-distributable					Distributable	
	<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>	<i>Total</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>	660,000	(2,851)	(2,193)	511	46,800	1,307,774	2,010,041
Profit for the financial period	–	–	–	–	–	109,986	109,986
<b>Other comprehensive income, net of tax</b>							
FVOCI reserve/Own Credit reserve							
Net change in fair value	–	(10,564)	(1,633)	–	–	–	(12,197)
Impairment write-back	–	(155)	–	–	–	–	(155)
<i>Total other comprehensive expense</i>	–	(10,719)	(1,633)	–	–	–	(12,352)
<b>Total comprehensive (expense)/income for the financial period</b>	–	(10,719)	(1,633)	–	–	109,986	97,634
Net change in regulatory reserves	–	–	–	–	45,300	(45,300)	–
<b>Transactions with the owner, recorded directly in equity</b>							
Share based payment transactions	–	–	–	(42)	–	29	(13)
<b>Balance at 30 June</b>	<b>660,000</b>	<b>(13,570)</b>	<b>(3,826)</b>	<b>469</b>	<b>92,100</b>	<b>1,372,489</b>	<b>2,107,662</b>

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

	<b>30 Jun 2023</b>	30 Jun 2022
	<b>RM'000</b>	RM'000
Profit for the financial period	<b>174,293</b>	159,331
Adjustments for non-operating and non-cash items	<b>30,848</b>	91,576
Operating profit before working capital changes	<b>205,141</b>	250,907
Changes in working capital:		
Net changes in operating assets	<b>745,248</b>	(837,935)
Net changes in operating liabilities	<b>(502,600)</b>	717,298
Income tax paid	<b>(55,403)</b>	(8,575)
<b>Net cash generated from operating activities</b>	<b>392,386</b>	121,695
<b>Net cash (used in)/generated from investing activities</b>	<b>(1,253,467)</b>	387,620
<b>Net cash used in financing activities</b>	<b>(22,716)</b>	(14,507)
	<b>(1,276,183)</b>	373,113
<b>Net changes in cash and cash equivalents</b>	<b>(883,797)</b>	494,808
<b>Cash and cash equivalents at 1 January</b>	<b>4,930,875</b>	4,075,349
<b>Cash and cash equivalents at 30 June</b>	<b>4,047,078</b>	4,570,157
<b>Analysis of cash and cash equivalents</b>		
Cash and short-term funds	<b>4,047,078</b>	4,570,157

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

**Changes in liabilities arising from financing activities**

	At 1 January RM'000	Cash outflow RM'000	Foreign exchange adjustment RM'000	Fair value movement RM'000	Profit accrual RM'000	At 30 June RM'000
<b>2023</b>						
Multi-Currency Sukuk Programme	504,771	–	–	(3,139)	–	501,632
Other Liabilities of which:						
Profit paid on Multi-Currency Sukuk Programme	5,301	(10,233)	–	–	10,174	5,242
	<b>510,072</b>	<b>(10,233)</b>	<b>–</b>	<b>(3,139)</b>	<b>10,174</b>	<b>506,874</b>
<b>2022</b>						
Multi-Currency Sukuk Programme	515,333	–	–	(7,558)	–	507,775
Subordinated Commodity Murabahah Financing	600,777	–	34,035	–	–	634,812
Other Liabilities of which:						
Profit paid on Multi-Currency Sukuk Programme	5,242	(6,176)	–	–	6,118	5,184
Profit paid on Subordinated Commodity Murabahah Financing	143	(8,331)	–	–	8,390	202
	<b>1,121,495</b>	<b>(14,507)</b>	<b>34,035</b>	<b>(7,558)</b>	<b>14,508</b>	<b>1,147,973</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 21 July 2023.

### 2 Basis of Preparation

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The unaudited condensed interim financial statements for the financial period ended 30 June 2023 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (MFRS) 134 'Interim Financial Reporting', 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'

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'

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

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

### 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 June 2023.

### 7 Changes in Estimates

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

### 9 Dividend

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

### 11 Cash and Short-Term Funds

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	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>158,876</b>	278,477
Money at call and interbank placements maturing within one month	<b>3,888,202</b>	4,652,398
	<b><u>4,047,078</u></b>	<u>4,930,875</u>

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 June 2023 (31 December 2022: RM11,000).

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

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

	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Licensed bank - parent company	200,000	300,000
Bank Negara Malaysia	–	633,429
	<u>200,000</u>	<u>933,429</u>

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

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

	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Money market instruments:		
Malaysian Government Islamic Sukuk	842,156	1,442,649
Bank Negara Malaysia Islamic bills	199,827	–
Malaysian Government Islamic treasury bills	1,185,727	–
	<u>2,227,710</u>	<u>1,442,649</u>

Financial investments at FVOCI are within Stage 1 allocation (12 -month ECL) with RM126,000 impairment allowance as at 30 June 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	1,756,143	972,579
More than one year to three years	471,567	470,070
	<u>2,227,710</u>	<u>1,442,649</u>

### 14 Financial Investments at Amortised Cost

	30 Jun 2023 RM'000	31 Dec 2022 RM'000
<b>Debt instruments</b>		
Money market instruments:		
Malaysian Government Islamic Sukuk	630,352	258,715
Malaysian Government Islamic treasury bills	198,587	195,409
Unquoted:		
Corporate Sukuk	99,827	–
	<u>928,766</u>	<u>454,124</u>

Financial investments at amortised cost are within Stage 1 allocation (12-month ECL) with RM226,000 impairment allowance for the Bank as at 30 June 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 Jun 2023	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	83,981	–	–	–	83,981
Term financing:					
House financing	–	–	3,620,217	–	3,620,217
Hire purchase receivables	–	230,763	–	–	230,763
Syndicated term financing	1,262,477	–	–	–	1,262,477
Other term financing	3,479,452	–	751,645	–	4,231,097
Trust receipts	426,799	–	–	–	426,799
Claims on customers under acceptance credits	225,511	–	–	–	225,511
Bills receivables	1,044,138	–	–	–	1,044,138
Staff financing-i	1,168	–	257	–	1,425
Credit cards-i	–	–	–	1,182,026	1,182,026
Revolving financing	1,783,533	–	–	–	1,783,533
Other financing	–	–	2,401	–	2,401
Gross financing and advances	<b>8,307,059</b>	<b>230,763</b>	<b>4,374,520</b>	<b>1,182,026</b>	<b>14,094,368</b>
Less: Impairment allowance					<b>(452,357)</b>
Total net financing and advances					<b>13,642,011</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>	14,345,333
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 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Domestic non-bank financial institutions	<b>140,343</b>	429,335
Domestic business enterprises:		
Small medium enterprises	<b>1,162,826</b>	1,168,499
Others	<b>4,913,244</b>	5,167,281
Individuals	<b>5,429,023</b>	5,532,839
Other domestic entities	<b>756</b>	769
Foreign entities/individuals	<b>2,448,176</b>	2,046,610
	<b><u>14,094,368</u></b>	<u>14,345,333</u>

**(iii) By profit rate sensitivity**

	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Fixed rate:		
Hire purchase receivables	<b>230,763</b>	234,388
Other financing	<b>3,513,360</b>	3,683,443
Variable rate:		
Base Rate/Base Financing Rate	<b>4,336,428</b>	4,541,872
Cost-plus	<b>6,013,817</b>	5,885,630
	<b><u>14,094,368</u></b>	<u>14,345,333</u>

**(iv) By residual contractual maturity**

	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Maturing within one year	<b>5,466,876</b>	5,113,770
More than one year to three years	<b>1,930,374</b>	2,321,922
More than three years to five years	<b>1,896,456</b>	1,904,623
Over five years	<b>4,800,662</b>	5,005,018
	<b><u>14,094,368</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 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry & fishing	<b>6,931</b>	7,922
Mining and quarrying	<b>47,799</b>	49,586
Manufacturing	<b>1,395,574</b>	1,613,701
Electricity, gas and water	<b>67,031</b>	67,904
Construction	<b>1,056,441</b>	976,846
Real estate	<b>1,311,657</b>	1,268,388
Wholesale & retail trade, restaurants & hotels	<b>991,807</b>	1,124,997
Transport, storage and communication	<b>250,056</b>	305,748
Finance, takaful and business services	<b>923,600</b>	1,177,927
Household - Retail	<b>5,876,162</b>	5,987,560
Others	<b>2,167,310</b>	1,764,754
	<b><u>14,094,368</u></b>	<b><u>14,345,333</u></b>

**(vi) By purpose**

	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Purchase of landed property:		
Residential	<b>3,620,472</b>	3,666,511
Non-residential	<b>608,939</b>	654,597
Purchase of transport vehicles	<b>922</b>	1,142
Purchase of fixed assets excluding land & building	<b>231,197</b>	234,846
Consumption credit	<b>2,093,028</b>	2,147,910
Construction	<b>826,548</b>	823,317
Working capital	<b>4,712,225</b>	5,225,121
Other purpose	<b>2,001,037</b>	1,591,889
	<b><u>14,094,368</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 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Northern Region	<b>1,424,186</b>	1,437,664
Southern Region	<b>1,531,786</b>	1,448,889
Central Region	<b>10,834,658</b>	11,152,118
Eastern Region	<b>303,738</b>	306,662
	<b><u>14,094,368</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 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Total gross financing and advances	<b>2,362,603</b>	2,189,511
Less: Impairment allowance	<b>(97,490)</b>	(240,817)
Total net financing and advances	<b><u>2,265,113</u></b>	<u>1,948,694</u>
<i>Maturity not exceeding one year</i>	<b>238,030</b>	144,981
<i>Maturity exceeding one year</i>	<b>39,048</b>	83,548
Total commitments and contingencies	<b><u>277,078</u></b>	<u>228,529</u>
Total restricted investment accounts	<b><u>2,542,191</u></b>	<u>2,177,223</u>
Risk weighted assets (RWA) of restricted investment accounts	<b><u>1,386,629</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 Jun 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>(55,638)</b>	30,833
Net changes in risk parameters - further financing/(repayment)	<b>(39,145)</b>	(150,777)
Written-off	<b>(128,192)</b>	(83,136)
Gross carrying amount as at 30 June/31 December	<b><u>748,956</u></b>	<u>971,931</u>

**(ii) By contract**

	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Ijarah Thumma Al-Bai (AITAB) (hire purchase)	<b>8,248</b>	172
Commodity Murabahah (cost-plus)	<b>386,114</b>	505,561
Diminishing Musharakah (profit and loss sharing)	<b>341,267</b>	447,234
Ujrah (fee-based)	<b>13,327</b>	18,964
	<b><u>748,956</u></b>	<u>971,931</u>

**(iii) By sector**

	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry & fishing	<b>452</b>	40
Manufacturing	<b>12,287</b>	14,029
Electricity, gas and water	<b>59,695</b>	57,826
Construction	<b>94,048</b>	116,070
Real estate	<b>3,448</b>	3,639
Wholesale & retail trade, restaurants & hotels	<b>13,169</b>	4,073
Transport, storage and communication	<b>3,413</b>	1,532
Finance, takaful and business services	<b>3,924</b>	53,876
Household - Retail	<b>558,520</b>	702,493
Others	<b>–</b>	18,353
	<b><u>748,956</u></b>	<u>971,931</u>

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

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

**(iv) By purpose**

	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Purchase of landed property:		
Residential	<b>318,471</b>	419,059
Non-residential	<b>6,509</b>	9,328
Purchase of fixed assets excluding land & building	<b>8,248</b>	172
Consumption credit	<b>238,818</b>	282,039
Construction	<b>94,041</b>	116,070
Working capital	<b>82,869</b>	127,652
Others	–	17,611
	<b>748,956</b>	971,931

**(v) By geographical distribution**

	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Northern Region	<b>46,258</b>	53,616
Southern Region	<b>61,388</b>	72,461
Central Region	<b>627,627</b>	827,089
Eastern Region	<b>13,683</b>	18,765
	<b>748,956</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:

	Stage 1 12- month ECL not credit impaired RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Balance at 1 January 2023	32,961	73,144	396,217	502,322
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	29,938	(11,857)	(18,081)	-
- Transferred to Stage 2	(5,362)	10,724	(5,362)	-
- Transferred to Stage 3	(251)	(4,655)	4,906	-
New financial assets originated or purchased	3,733	-	-	3,733
Net remeasurement due to changes in credit risk and assets derecognised	(22,650)	41,498	48,969	67,817
Asset written-off	-	-	(128,192)	(128,192)
Others	-	-	6,677	6,677
<b>Balance at 30 June 2023</b>	<b>38,369</b>	<b>108,854</b>	<b>305,134</b>	<b>452,357</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 RM50.0 million compared to the balance at the beginning of the year. This net decrease was contributed by asset written-off (RM128.2 million), and partly offset by net remeasurement due to changes in credit risk and assets derecognised (RM67.8 million).

- 12-months ECL not credit impaired (Stage 1) - increased by RM5.4 million primarily due to increase in migration of financings from/to Stage 1, Stage 2 and Stage 3, new financial assets originated or purchased, and partially offset by net remeasurement due to changes in credit risk and assets derecognised.
- Lifetime ECL not credit-impaired (Stage 2) - increased by RM35.7 million, primarily due to increase in net remeasurement due to changes in credit risk and assets derecognised, and partially offset by migration of financings from/to Stage 1, Stage 2 and Stage 3.
- Lifetime ECL credit-impaired (Stage 3) - decreased by RM91.1 million, primarily due to asset written-off and migration of financings from/to Stage 1, Stage 2 and Stage 3, and partially offset by net remeasurement due to changes in credit risk and assets derecognised.

**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:

	Stage 1 12- month ECL not credit impaired RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Balance at 1 January 2023	1,636	7,153	24,228	33,017
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	250	(250)	–	–
- Transferred to Stage 2	(23)	23	–	–
- Transferred to Stage 3	–	–	–	–
New financial assets originated or purchased	196	–	–	196
Net remeasurement due to changes in credit risk and assets derecognised	2,366	(629)	(140)	1,597
Others	372	–	–	372
<b>Balance at 30 June 2023</b>	<b>4,797</b>	<b>6,297</b>	<b>24,088</b>	<b>35,182</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 Jun 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	14,894,631	–	–	14,894,631	336,703	–	–	336,703	289,779	–	–	289,779
- Swaps	163,934	–	148,162	312,096	3,931	–	1,580	5,511	3,840	–	2,070	5,910
- Options	17,597	–	–	17,597	102	–	–	102	102	–	–	102
Profit rate related contracts												
- Swaps	1,094,797	1,028,723	–	2,123,520	770	2,746	–	3,516	2,926	6,155	–	9,081
- Options	–	428,221	–	428,221	–	–	–	–	–	28,705	–	28,705
Equity related contracts												
- Options purchased	763,657	900,916	–	1,664,573	1,577	–	–	1,577	27,165	21,500	–	48,665
<b>Total</b>	<b>16,934,616</b>	<b>2,357,860</b>	<b>148,162</b>	<b>19,440,638</b>	<b>343,083</b>	<b>2,746</b>	<b>1,580</b>	<b>347,409</b>	<b>323,812</b>	<b>56,360</b>	<b>2,070</b>	<b>382,242</b>

The Bank does not have any hedging instrument as at 30 June 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**

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	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Settlements	<b>23,075</b>	1,273
Income receivable	<b>6,462</b>	5,610
Profit receivable	<b>17,865</b>	15,992
Prepayments	<b>4,329</b>	–
Amount due from holding company	<b>90,712</b>	105,975
Rights of Use (ROU) assets	<b>20,038</b>	21,540
Other receivables	<b>6,956</b>	13,234
	<b>169,437</b>	163,624

**20 Statutory Deposits with Bank Negara Malaysia**

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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.

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

**21 Deposits From Customers**

**(i) By type of deposit**

	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
<b>At amortised cost</b>		
Non-Mudharabah Fund		
Demand deposits		
- Qard	<b>3,264,518</b>	3,381,215
Savings deposits		
- Qard	<b>2,986,080</b>	2,920,903
Term deposits		
- Commodity Murabahah	<b>7,341,478</b>	7,502,806
- Qard*	<b>472,233</b>	152,728
	<b><u>14,064,309</u></b>	<u>13,957,652</u>

\* 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:

	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Due within six months	<b>6,549,981</b>	6,306,058
More than six months to one year	<b>973,264</b>	1,016,754
More than one year to three years	<b>227,341</b>	280,211
More than three years to five years	<b>63,125</b>	52,511
	<b><u>7,813,711</u></b>	<u>7,655,534</u>

**(ii) By type of customer**

	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Government and statutory bodies	<b>11,020</b>	22,452
Business enterprises	<b>3,548,253</b>	3,732,877
Individuals	<b>5,760,367</b>	5,749,721
Foreign entities/individuals	<b>3,873,742</b>	3,646,709
Others	<b>870,927</b>	805,893
	<b><u>14,064,309</u></b>	<u>13,957,652</u>

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

	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Non-Mudharabah Fund		
Licensed bank - parent company	<b>1,516,675</b>	2,034,464
Bank Negara Malaysia	<b>14,802</b>	8,972
Other financial institutions	<b>11</b>	11
	<b><u>1,531,488</u></b>	<u>2,043,447</u>



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

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

<b>At fair value</b>	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Structured liabilities		
- Tawarruq	<b>2,003,318</b>	2,102,483

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.

**24 Other Liabilities**

	<b>30 Jun 2023</b>	31 Dec 2022
<b>At amortised cost</b>	<b>RM'000</b>	RM'000
Settlements	<b>477</b>	540
Amounts due to holding company	<b>315</b>	161,528
Profit payable	<b>78,192</b>	67,368
Deferred income	<b>19,635</b>	18,899
Marginal deposit	<b>28,645</b>	35,213
Accrued expenses	<b>112,342</b>	43,522
Lease liabilities	<b>22,070</b>	23,739
Other creditors	(a) <b>166,919</b>	123,289
Provision on financing and credit related commitments	(b) <b>35,182</b>	33,017
	<b>463,777</b>	507,115

(a) Other creditors

Included in other creditors is income from inadvertent Shariah non-compliant activities. The income is to be distributed to non-governmental organisations approved by the Shariah Committee. There is no Shariah Non-Compliant event identified during the financial period/year.

**Source and use of charity funds**

	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Balance at 1 January	<b>3</b>	1
Shariah non-compliant income for the financial period/year <sup>[1]</sup>	<b>125</b>	5
Contribution to non-profit organisations	-	(3)
Balance at 30 June/31 December	<b>128</b>	3

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

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

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

### 25 Multi-Currency Sukuk Programme

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

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

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

#### Movement in MCSP

	<u>4th series</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Balance at 1 January	<b>504,771</b>	515,333
Change in fair value other than from own credit risk	<b>(2,210)</b>	(14,521)
Change in fair value from own credit risk	<b>(929)</b>	3,959
Balance at 30 June/31 December	<b>501,632</b>	<b>504,771</b>

### 26 Share Capital and Other Equity

	<u>30 Jun 2023</u>		<u>31 Dec 2022</u>	
	Number of Shares ( '000)	RM'000	Number of Shares ( '000)	RM'000
<b>Share capital, issued and fully paid</b>				
<u>Ordinary shares of RM0.50 each</u>				
At 1 January / 30 June 2023 / 31 December 2022	<b>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>		<b>1,161,063</b>

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**

	Second Quarter		Six Months Ended	
	30 Jun 2023 RM'000	30 Jun 2022 RM'000	30 Jun 2023 RM'000	30 Jun 2022 RM'000
Income derived from investment of:				
(i) Term deposit	<b>136,984</b>	107,602	<b>255,133</b>	212,459
(ii) Other deposits	<b>78,793</b>	46,990	<b>161,191</b>	90,118
	<b>215,777</b>	154,592	<b>416,324</b>	302,577
(i) Income derived from investment of term deposits				
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	<b>106,960</b>	68,096	<b>210,945</b>	138,720
- Recoveries from impaired financing	<b>4,799</b>	8,806	<b>10,387</b>	12,002
Financial investments at FVOCI	<b>7,615</b>	6,176	<b>12,620</b>	13,748
Money at call and deposit with financial institutions	<b>21,755</b>	9,222	<b>44,849</b>	15,508
Financial investments at amortised cost	<b>4,612</b>	–	<b>8,213</b>	–
	<b>145,741</b>	92,300	<b>287,014</b>	179,978
<u>Other operating income</u>				
Realised (loss)/gain from dealing in foreign currency	<b>(18,289)</b>	4,821	<b>(30,333)</b>	11,734
Unrealised gain from dealing in foreign currency	<b>25,651</b>	1,617	<b>44,714</b>	764
Realised (loss)/gain from trading in derivatives	<b>(2,969)</b>	3,595	<b>(3,943)</b>	6,172
Unrealised (loss)/gain from trading in derivatives	<b>(56)</b>	(18,940)	<b>16,277</b>	(35,657)
Net (expense)/income from financial liabilities designated at FVTPL	<b>(13,094)</b>	24,209	<b>(58,596)</b>	49,468
	<b>(8,757)</b>	15,302	<b>(31,881)</b>	32,481
	<b>136,984</b>	107,602	<b>255,133</b>	212,459

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

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

	Second Quarter		Six Months Ended	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 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	56,025	38,434	108,382	76,699
- Recoveries from impaired financing	2,524	4,904	5,337	6,636
Financial investments at FVOCI	3,964	3,498	6,484	7,601
Money at call and deposit with financial institutions	11,415	5,169	23,043	8,575
Financial investments at amortised cost	2,407	–	4,220	–
	<b>76,335</b>	<b>52,005</b>	<b>147,466</b>	<b>99,511</b>
<u>Other operating income</u>				
Realised (loss)/gain from dealing in foreign currency	(9,521)	2,743	(15,585)	6,488
Unrealised gain from dealing in foreign currency	13,375	884	22,973	422
Realised (loss)/gain from trading in derivatives	(1,535)	2,016	(2,026)	3,412
Unrealised gain/(loss) from trading in derivatives	139	(10,658)	8,363	(19,715)
	<b>2,458</b>	<b>(5,015)</b>	<b>13,725</b>	<b>(9,393)</b>
	<b>78,793</b>	<b>46,990</b>	<b>161,191</b>	<b>90,118</b>

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

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

	Second Quarter		Six Months Ended	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	RM'000	RM'000	RM'000	RM'000
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	21,046	13,061	40,664	26,320
- Recoveries from impaired financing	948	1,677	2,002	2,277
Financial investments at FVOCI	1,489	1,186	2,433	2,608
Money at call and deposit with financial institutions	4,289	1,762	8,646	2,942
Financial investments at amortised cost	904	–	1,583	–
	<b>28,676</b>	17,686	<b>55,328</b>	34,147
<u>Other operating income</u>				
Fee commission <sup>[1]</sup>	22,323	18,222	39,785	44,645
Realised (loss)/gain from dealing in foreign currency	(3,575)	929	(5,847)	2,227
Unrealised gain from dealing in foreign currency	5,023	305	8,619	145
Realised (loss)/gain from trading in derivatives	(576)	688	(760)	1,171
Unrealised gain/(loss) from trading in derivatives	56	(3,626)	3,138	(6,765)
Shared-service fees from holding company	281	279	583	565
Other income/(expense)	17	443	(73)	74
	<b>23,549</b>	17,240	<b>45,445</b>	42,062
	<b>52,225</b>	34,926	<b>100,773</b>	76,209

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

Service charges and fees	3,880	5,335	8,568	15,629
Credit cards	6,711	5,533	12,739	11,004
Credit facilities	3,694	2,938	6,856	5,989
Agency fee	4,918	3,053	7,518	7,442

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

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

	Second Quarter		Six Months Ended	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	RM'000	RM'000	RM'000	RM'000
Net increase/(release) in allowance/provision	10,833	(13,372)	73,576	43,514
Recoveries	(12,490)	(16,760)	(29,518)	(29,520)
Written off	188	(143)	190	(143)
<b>Total (write-back from)/charge to statement of profit or loss</b>	<b>(1,469)</b>	<b>(30,275)</b>	<b>44,248</b>	<b>13,851</b>

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

**(i) Financing and advances**

Net increase/(release) in allowance	12,339	(11,627)	71,550	50,545
Recoveries	(12,490)	(16,760)	(29,518)	(29,520)
Written off	188	(143)	190	(143)
<b>Total charge to/(write-back from) statement of profit or loss</b>	<b>37</b>	<b>(28,530)</b>	<b>42,222</b>	<b>20,882</b>

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

Net increase in allowance/provision	18	1	16	–
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**(iii) Financing commitments**

Net (release)/increase in allowance/provision	(1,564)	(1,691)	1,793	(6,876)
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**(iv) Financial investment at FVOCI**

Net increase/(release) in allowance/provision	44	(55)	(9)	(155)
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**(v) Financial investments at amortised costs**

Net (release)/increase in allowance/provision	(4)	–	226	–
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**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**30 Income Attributable to Depositors**

	Second Quarter		Six Months Ended	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	RM'000	RM'000	RM'000	RM'000
Non-Mudharabah Fund				
Deposits from customers	<b>70,359</b>	32,596	<b>132,364</b>	63,096
Deposits and placements of banks and other financial institutions	<b>14,687</b>	3,409	<b>32,143</b>	7,118
Lease liabilities	<b>254</b>	253	<b>513</b>	509
Others	<b>5,139</b>	7,996	<b>10,334</b>	14,648
	<b>90,439</b>	44,254	<b>175,354</b>	85,371

**31 Operating Expenses**

	Second Quarter		Six Months Ended	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	<b>10,602</b>	9,897	<b>19,962</b>	17,645
Promotion and marketing related expenses	<b>1,596</b>	1,777	<b>2,544</b>	3,272
Establishment related expenses	<b>3,222</b>	2,996	<b>7,108</b>	5,902
General administrative expenses	<b>7,115</b>	8,648	<b>11,529</b>	15,302
Related company expenses	<b>42,041</b>	39,001	<b>82,059</b>	78,112
	<b>64,576</b>	62,319	<b>123,202</b>	120,233
Personnel expenses				
Salaries, allowances and bonuses	<b>8,205</b>	7,975	<b>15,559</b>	13,848
Employees Provident Fund contributions	<b>1,471</b>	1,419	<b>2,808</b>	2,642
Share based payment	<b>32</b>	(125)	<b>75</b>	(24)
Other staff related costs	<b>894</b>	628	<b>1,520</b>	1,179
	<b>10,602</b>	9,897	<b>19,962</b>	17,645
Establishment related expenses				
Depreciation of equipment	<b>474</b>	555	<b>952</b>	1,116
Depreciation of ROU assets	<b>1,445</b>	1,586	<b>2,898</b>	3,045
Information technology costs	<b>468</b>	156	<b>1,165</b>	640
Equipment written off	<b>5</b>	–	<b>5</b>	72
Utilities	<b>164</b>	256	<b>438</b>	474
Others	<b>666</b>	443	<b>1,650</b>	555
	<b>3,222</b>	2,996	<b>7,108</b>	5,902

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

**31 Operating Expenses (Cont'd)**

	Second Quarter		Six Months Ended	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	RM'000	RM'000	RM'000	RM'000
Related company charges	<b>42,041</b>	39,001	<b>82,059</b>	78,112
Of which by:				
(i) Type of service				
- Information technology related cost	<b>8,959</b>	8,039	<b>17,016</b>	15,464
- Non information technology related cost	<b>33,082</b>	30,962	<b>65,043</b>	62,648
(ii) Country/ territory				
- Malaysia	<b>41,814</b>	38,857	<b>81,535</b>	77,746
- Others	<b>227</b>	144	<b>524</b>	366

**32 Credit exposure to connected parties**

The credit exposures of the Bank to connected parties, as defined by Bank Negara Malaysia's Guidelines on Credit Transactions and Exposures with Connected Parties' are as follows:

	30 Jun 2023	31 Dec 2022
	RM'000	RM'000
Aggregate value of outstanding credit exposures to connected parties	<b>384,064</b>	365,559
As a percentage of total credit exposures	<b>1.5%</b>	1.4%
Aggregate value of outstanding credit exposures to connected parties which is non-performing or in default	-	-
As a percentage of total credit exposures	-	-



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

**33 Capital Adequacy**

	<b>30 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
<b>Common Equity Tier 1 (CET1) capital</b>		
Paid-up ordinary share capital	<b>660,000</b>	660,000
Retained profits	<b>1,682,431</b>	1,521,961
Other reserves	<b>17,934</b>	54,429
Regulatory adjustments	<b>(57,617)</b>	(95,253)
Total CET1 capital	<b>2,302,748</b>	2,141,137
<b>Tier 1 capital</b>		
Additional Tier 1 capital	<b>501,063</b>	501,063
Total Tier 1 capital	<b>2,803,811</b>	2,642,200
<b>Tier 2 capital</b>		
Impairment allowance (unimpaired portion) & regulatory reserves	<b>168,032</b>	169,287
Total Tier 2 capital	<b>168,032</b>	169,287
<b>Capital base</b>	<b>2,971,843</b>	2,811,487
<u>Before/After deducting proposed dividend</u>		
CET1 Capital Ratio	<b>15.649%</b>	14.465%
Tier 1 Capital Ratio	<b>19.054%</b>	17.849%
Total Capital Ratio	<b>20.196%</b>	18.993%

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.

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

### 33 Capital Adequacy (Cont'd)

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 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
CET1 Capital Ratio	<b>15.649%</b>	14.465%	<b>15.506%</b>	14.465%
Tier 1 Capital Ratio	<b>19.054%</b>	17.849%	<b>18.912%</b>	17.849%
Total Capital Ratio	<b>20.196%</b>	18.993%	<b>20.053%</b>	18.993%

Breakdown of RWA in the various categories of risk weights:

	30 Jun 2023	31 Dec 2022
	RM'000	RM'000
Total RWA for credit risk	<b>13,442,542</b>	13,542,956
Total RWA for market risk	<b>175,241</b>	208,767
Total RWA for operational risk	<b>1,097,530</b>	1,050,968
	<b>14,715,313</b>	14,802,691

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

**34 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 Jun 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Direct credit substitutes	<b>30,370</b>	128,998
Transaction-related contingent items	<b>1,874,726</b>	1,950,300
Short-term self-liquidating trade-related contingencies	<b>105,619</b>	126,579
Formal standby facilities and credit lines		
- Maturity not exceeding one year	<b>1,090,417</b>	1,670,824
- Maturity exceeding one year	<b>3,915,964</b>	3,847,754
Other unconditionally cancellable	<b>3,946,750</b>	2,938,881
Unutilised credit card lines	<b>3,361,775</b>	3,346,399
Equity related contracts		
- Less than one year	<b>763,657</b>	577,897
- One year to less than five years	<b>900,916</b>	1,198,067
Profit rate related contracts		
- Less than one year	<b>1,094,797</b>	1,233,160
- One year to less than five years	<b>1,456,944</b>	1,776,568
Foreign exchange related contracts		
- Less than one year	<b>15,076,162</b>	12,239,679
- One year to less than five years	-	155,272
- Over five years	<b>148,162</b>	158,202
	<b>33,766,259</b>	31,348,580

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

### 35 Performance Review, Economy and Prospects

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#### Performance review

The Bank recorded a profit before tax (PBT) of RM174.3 million for the financial period ended 30 June 2023, an increase of RM15.0 million year-on-year. The increase in PBT was mainly due to higher operating income by RM48.3 million which was primarily contributed by higher net financing income. This was partly offset by higher impairment provision (RM30.3 million).

Total balance sheet as at 30 June 2023 stood at RM21.9 billion, a decrease of RM0.3 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

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

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

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

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

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. We also launched Apple Pay and Google Wallet for HSBC credit cards offering customers enhanced convenience and greater security. Our parent Bank's CEO also 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. The Bank will continue to work with our Malaysian Government to attract and facilitate more foreign direct investments from China while also provide essential services for Malaysian companies, including our customers, looking to expand and invest in China.

In 2Q23, 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.

The Bank remains committed to serving our customers and will continue on our efforts of being the preferred international financial partner for our clients.