

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**31 MARCH 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 31 MARCH 2023**

	<i>Note</i>	<b>31 Mar 2023</b> RM'000	31 Dec 2022 RM'000
<b>Assets</b>			
Cash and short-term funds	11	4,767,147	4,930,875
Deposits and placements with banks and other financial institutions	12	300,000	933,429
Financial investments at fair value through other comprehensive income (FVOCI)	13	1,446,033	1,442,649
Financial investments at amortised cost	14	876,678	454,124
Financing and advances	15	13,391,034	13,843,011
Derivative financial assets	18	90,035	158,316
Other assets	19	74,578	163,624
Statutory deposits with Bank Negara Malaysia	20	224,361	198,860
Equipment		6,582	6,769
Tax recoverable		23,209	7,104
Deferred tax assets		29,621	31,275
<b>Total assets</b>		<b>21,229,278</b>	<b>22,170,036</b>
<b>Liabilities</b>			
Deposits from customers	21	13,597,157	13,957,652
Deposits and placements from banks and other financial institutions	22	1,654,811	2,043,447
Structured liabilities designated at fair value through profit or loss (FVTPL)	23	2,092,383	2,102,483
Bills payable		25,927	19,641
Derivative financial liabilities	18	165,142	292,572
Other liabilities	24	410,863	507,115
Multi-Currency Sukuk Programme	25	502,966	504,771
<b>Total liabilities</b>		<b>18,449,249</b>	<b>19,427,681</b>
<b>Equity</b>			
Share capital and other equity	26	1,161,063	1,161,063
Reserves		1,618,966	1,581,292
<b>Total equity attributable to owner of the Bank</b>		<b>2,780,029</b>	<b>2,742,355</b>
<b>Total liabilities and equity</b>		<b>21,229,278</b>	<b>22,170,036</b>
Restricted investment accounts <sup>[1]</sup>		2,370,351	2,177,223
Total Islamic Banking asset <sup>[1]</sup>		23,599,629	24,347,259
<b>Commitments and contingencies</b>	33	<b>32,813,025</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 34 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 26 April 2023.*

**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

	<i>Note</i>	<b>31 Mar 2023</b>	<b>31 Mar 2022</b>
		<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of depositors' funds and others	27	<b>200,547</b>	147,985
Income derived from investment of shareholder's funds	28	<b>48,548</b>	41,283
Impairment provision	29	<b>(45,717)</b>	(44,126)
Total distributable income		<b>203,378</b>	145,142
Income attributable to depositors	30	<b>(84,915)</b>	(41,117)
Total net income		<b>118,463</b>	104,025
Operating expenses	31	<b>(58,626)</b>	(57,914)
Profit before tax		<b>59,837</b>	46,111
Tax expense		<b>(14,840)</b>	(14,312)
<b>Profit for the financial period</b>		<b>44,997</b>	31,799
Profit attributable to the owner of the Bank		<b>44,997</b>	31,799
Basic earnings per RM0.50 ordinary share		<b>45.0 sen</b>	31.8 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 31 MARCH 2023**

	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000
<b>Profit for the financial period</b>	<b>44,997</b>	31,799
<b>Other comprehensive income/(expense)</b>		
<b><i>Items that will not be reclassified to profit or loss</i></b>		
Own credit reserves:		
Change in fair value	(929)	(8,155)
Income tax effect	223	1,957
<b><i>Items that will subsequently be reclassified to profit or loss when specific conditions are met:</i></b>		
Fair value through other comprehensive income reserve:		
Change in fair value	7,820	(70)
Impairment write-back	(53)	(100)
Income tax effect	(1,877)	17
	5,184	(6,351)
Other comprehensive income/(expense) for the financial period, net of income tax	5,184	(6,351)
Total comprehensive income for the financial period	50,181	25,448
<b>Total comprehensive income attributable to the owner of the Bank</b>	<b>50,181</b>	<b>25,448</b>

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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 31 MARCH 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	-	-	-	-	-	-	44,997	44,997
<b>Other comprehensive income, net of tax</b>								
FVOCI reserve/Own Credit reserve								
Net change in fair value	-	-	5,943	(706)	-	-	-	5,237
Impairment write-back	-	-	(53)	-	-	-	-	(53)
<i>Total other comprehensive income/(expense)</i>	-	-	5,890	(706)	-	-	-	5,184
<b>Total comprehensive income/(expense) for the financial period</b>	-	-	5,890	(706)	-	-	44,997	50,181
Net change in regulatory reserves	-	-	-	-	-	(45,500)	45,500	-
<b>Transactions with the owner, recorded directly in equity</b>								
Share based payment transactions	-	-	-	-	(31)	-	7	(24)
Discretionary coupon on other equity instruments	-	-	-	-	-	-	(12,483)	(12,483)
<b>Balance at 31 March</b>	<b>660,000</b>	<b>501,063</b>	<b>(3,939)</b>	<b>(5,837)</b>	<b>460</b>	<b>28,300</b>	<b>1,599,982</b>	<b>2,780,029</b>

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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	–	–	–	–	–	31,799	31,799
<b>Other comprehensive income, net of tax</b>							
FVOCI reserve/Own Credit reserve							
Net change in fair value	–	(53)	(6,198)	–	–	–	(6,251)
Impairment write-back	–	(100)	–	–	–	–	(100)
<i>Total other comprehensive expense</i>	–	(153)	(6,198)	–	–	–	(6,351)
<b>Total comprehensive (expense)/income for the financial period</b>	–	(153)	(6,198)	–	–	31,799	25,448
Net change in regulatory reserves	–	–	–	–	16,200	(16,200)	–
<b>Transactions with the owner, recorded directly in equity</b>							
Share based payment transactions	–	–	–	(21)	–	29	8
<b>Balance at 31 March</b>	<b>660,000</b>	<b>(3,004)</b>	<b>(8,391)</b>	<b>490</b>	<b>63,000</b>	<b>1,323,402</b>	<b>2,035,497</b>

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**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000
Profit for the financial period	<b>59,837</b>	46,111
Adjustments for non-operating and non-cash items	<b>49,645</b>	68,400
Operating profit before working capital changes	<b>109,482</b>	114,511
Changes in working capital:		
Net changes in operating assets	<b>1,220,294</b>	183,877
Net changes in operating liabilities	<b>(1,028,479)</b>	(246,324)
Income tax paid	<b>(30,966)</b>	–
<b>Net cash generated from operating activities</b>	<b>270,331</b>	52,064
<b>Net cash (used in)/generated from investing activities</b>	<b>(421,789)</b>	163,093
<b>Net cash used in financing activities</b>	<b>(12,270)</b>	(1,190)
	<b>(434,059)</b>	161,903
<b>Net changes in cash and cash equivalents</b>	<b>(163,728)</b>	213,967
<b>Cash and cash equivalents at 1 January</b>	<b>4,930,875</b>	4,075,349
<b>Cash and cash equivalents at 31 March</b>	<b>4,767,147</b>	4,289,316
<b>Analysis of cash and cash equivalents</b>		
Cash and short-term funds	<b>4,767,147</b>	4,289,316

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**UNAUDITED CONDENSED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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 31 March RM'000
<b>2023</b>						
Multi-Currency Sukuk Programme	504,771	–	–	(1,805)	–	502,966
Other Liabilities of which:						
Profit paid on Multi-Currency Sukuk Programme	5,301	213	–	–	5,089	10,603
	<b>510,072</b>	<b>213</b>	<b>–</b>	<b>(1,805)</b>	<b>5,089</b>	<b>513,569</b>
<b>2022</b>						
Multi-Currency Sukuk Programme	515,333	–	–	(2,310)	–	513,023
Subordinated Commodity Murabahah Financing	600,777	–	4,934	–	–	605,711
Other Liabilities of which:						
Profit paid on Multi-Currency Sukuk Programme	5,242	2,214	–	–	3,088	10,544
Profit paid on Subordinated Commodity Murabahah Financing	143	(3,404)	–	–	3,509	248
	<b>1,121,495</b>	<b>(1,190)</b>	<b>4,934</b>	<b>(2,310)</b>	<b>6,597</b>	<b>1,129,526</b>

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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 26 April 2023.

### 2 Basis of Preparation

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The unaudited condensed interim financial statements for the financial period ended 31 March 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**

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 31 March 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 31 March 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 31 March 2023.

### 9 Dividend

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No interim dividend was declared nor paid for the financial period ended 31 March 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>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>267,376</b>	278,477
Money at call and interbank placements maturing within one month	<b>4,499,771</b>	4,652,398
	<b>4,767,147</b>	4,930,875

Money at call and interbank placements maturing within one month is within Stage 1 allocation (12-months ECL) with RM9,000 impairment allowance as at 31 March 2023 (31 December 2022: RM11,000).

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

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

	31 Mar 2023 RM'000	31 Dec 2022 RM'000
Licensed banks	300,000	300,000
Bank Negara Malaysia	–	633,429
	<u>300,000</u>	<u>933,429</u>

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

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

	31 Mar 2023 RM'000	31 Dec 2022 RM'000
Money market instruments:		
Malaysian Government Islamic Sukuk	<u>1,446,033</u>	<u>1,442,649</u>

Financial investments at FVOCI are within Stage 1 allocation (12 -month ECL) with RM81,000 impairment allowance as at 31 March 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	972,580	972,579
More than one year to three years	<u>473,453</u>	<u>470,070</u>
	<u>1,446,033</u>	<u>1,442,649</u>

### 14 Financial Investments at Amortised Cost

	31 Mar 2023 RM'000	31 Dec 2022 RM'000
<b>Debt instruments</b>		
Money market instruments:		
Malaysian Government Islamic Sukuk	579,883	258,715
Malaysian Government Islamic Treasury Bills	196,981	195,409
Unquoted:		
Corporate Sukuk	<u>99,814</u>	–
	<u>876,678</u>	<u>454,124</u>

Financial investments at amortised cost are within Stage 1 allocation (12-month ECL) with RM231,000 impairment allowance for the Bank as at 31 March 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		
31 Mar 2023	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	91,729	–	–	–	91,729
Term financing:					
House financing	–	–	3,639,110	–	3,639,110
Hire purchase receivables	–	246,042	–	–	246,042
Syndicated term financing	1,229,879	–	–	–	1,229,879
Other term financing	3,474,314	–	769,558	–	4,243,872
Trust receipts	677,559	–	–	–	677,559
Claims on customers under acceptance credits	218,432	–	–	–	218,432
Bills receivables	983,274	–	–	–	983,274
Staff financing-i	1,260	–	261	–	1,521
Credit cards-i	–	–	–	1,174,885	1,174,885
Revolving financing	1,415,548	–	–	–	1,415,548
Other financing	–	–	2,386	–	2,386
Gross financing and advances	<b>8,091,995</b>	<b>246,042</b>	<b>4,411,315</b>	<b>1,174,885</b>	<b>13,924,237</b>
Less: Impairment allowance					<b>(533,203)</b>
Total net financing and advances					<b>13,391,034</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>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Domestic non-bank financial institutions	<b>70,030</b>	429,335
Domestic business enterprises:		
Small medium enterprises	<b>1,199,317</b>	1,168,499
Others	<b>5,217,169</b>	5,167,281
Individuals	<b>5,472,250</b>	5,532,839
Other domestic entities	<b>764</b>	769
Foreign entities/individuals	<b>1,964,707</b>	2,046,610
	<b><u>13,924,237</u></b>	<u>14,345,333</u>

**(iii) By profit rate sensitivity**

	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Fixed rate:		
Hire purchase receivables	<b>246,042</b>	234,388
Other financing	<b>3,515,343</b>	3,683,443
Variable rate:		
Base Rate/Base Financing Rate	<b>4,449,867</b>	4,541,872
Cost-plus	<b>5,712,985</b>	5,885,630
	<b><u>13,924,237</u></b>	<u>14,345,333</u>

**(iv) By residual contractual maturity**

	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Maturing within one year	<b>5,286,261</b>	5,113,770
More than one year to three years	<b>1,866,114</b>	2,321,922
More than three years to five years	<b>1,876,722</b>	1,904,623
Over five years	<b>4,895,140</b>	5,005,018
	<b><u>13,924,237</u></b>	<u>14,345,333</u>

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

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

**(v) By sector**

	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry & fishing	<b>7,294</b>	7,922
Mining and quarrying	<b>153,150</b>	49,586
Manufacturing	<b>1,619,727</b>	1,613,701
Electricity, gas and water	<b>65,302</b>	67,904
Construction	<b>946,008</b>	976,846
Real estate	<b>1,288,737</b>	1,268,388
Wholesale & retail trade, restaurants & hotels	<b>1,197,225</b>	1,124,997
Transport, storage and communication	<b>275,453</b>	305,748
Finance, takaful and business services	<b>767,359</b>	1,177,927
Household - Retail	<b>5,922,331</b>	5,987,560
Others	<b>1,681,651</b>	1,764,754
	<b><u>13,924,237</u></b>	<b><u>14,345,333</u></b>

**(vi) By purpose**

	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Purchase of landed property:		
Residential	<b>3,639,370</b>	3,666,511
Non-residential	<b>627,921</b>	654,597
Purchase of transport vehicles	<b>1,032</b>	1,142
Purchase of fixed assets excluding land & building	<b>246,481</b>	234,846
Consumption credit	<b>2,114,013</b>	2,147,910
Construction	<b>695,199</b>	823,317
Working capital	<b>5,085,595</b>	5,225,121
Other purpose	<b>1,514,626</b>	1,591,889
	<b><u>13,924,237</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>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Northern Region	<b>1,380,416</b>	1,437,664
Southern Region	<b>1,451,173</b>	1,448,889
Central Region	<b>10,787,098</b>	11,152,118
Eastern Region	<b>305,550</b>	306,662
	<b><u>13,924,237</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>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Total gross financing and advances	<b>2,306,381</b>	2,189,511
Less: Impairment allowance	<b>(240,966)</b>	(240,817)
Total net financing and advances	<b><u>2,065,415</u></b>	<u>1,948,694</u>
<i>Maturity not exceeding one year</i>	<b>268,388</b>	144,981
<i>Maturity exceeding one year</i>	<b>36,548</b>	83,548
Total commitments and contingencies	<b><u>304,936</u></b>	<u>228,529</u>
Total restricted investment accounts	<b><u>2,370,351</u></b>	<u>2,177,223</u>
Risk weighted assets (RWA) of restricted investment accounts	<b><u>1,215,448</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>31 Mar 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>(54,208)</b>	30,833
Net changes in risk parameters - further financing/(repayment)	<b>(7,561)</b>	(150,777)
Written-off	<b>(28,398)</b>	(83,136)
Gross carrying amount as at 31 March/31 December	<b><u>881,764</u></b>	<u>971,931</u>

**(ii) By contract**

	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Ijarah Thumma Al-Bai (AITAB) (hire purchase)	<b>8,959</b>	172
Commodity Murabahah (cost-plus)	<b>494,558</b>	505,561
Diminishing Musharakah (profit and loss sharing)	<b>362,094</b>	447,234
Ujrah (fee-based)	<b>16,153</b>	18,964
	<b><u>881,764</u></b>	<u>971,931</u>

**(iii) By sector**

	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry & fishing	<b>421</b>	40
Manufacturing	<b>12,926</b>	14,029
Electricity, gas and water	<b>56,408</b>	57,826
Construction	<b>119,094</b>	116,070
Real estate	<b>3,581</b>	3,639
Wholesale & retail trade, restaurants & hotels	<b>19,239</b>	4,073
Transport, storage and communication	<b>1,532</b>	1,532
Finance, takaful and business services	<b>53,763</b>	53,876
Household - Retail	<b>597,180</b>	702,493
Others	<b>17,620</b>	18,353
	<b><u>881,764</u></b>	<u>971,931</u>

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

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

**(iv) By purpose**

	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Purchase of landed property:		
Residential	<b>338,725</b>	419,059
Non-residential	<b>7,796</b>	9,328
Purchase of fixed assets excluding land & building	<b>8,959</b>	172
Consumption credit	<b>257,076</b>	282,039
Construction	<b>119,094</b>	116,070
Working capital	<b>132,494</b>	127,652
Others	<b>17,620</b>	17,611
	<b>881,764</b>	971,931

**(v) By geographical distribution**

	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Northern Region	<b>50,105</b>	53,616
Southern Region	<b>68,595</b>	72,461
Central Region	<b>747,775</b>	827,089
Eastern Region	<b>15,289</b>	18,765
	<b>881,764</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	24,615	(8,648)	(15,967)	-
- Transferred to Stage 2	(3,257)	6,810	(3,553)	-
- Transferred to Stage 3	(10)	(7,156)	7,166	-
New financial assets originated or purchased	3,141	-	-	3,141
Net remeasurement due to changes in credit risk	(7,808)	33,318	30,560	56,070
Asset written-off	-	-	(28,398)	(28,398)
Others	-	-	68	68
<b>Balance at 31 March 2023</b>	<b>49,642</b>	<b>97,468</b>	<b>386,093</b>	<b>533,203</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	(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 increased by RM30.9 million compared to the balance at the beginning of the year. This net increase was contributed by remeasurement driven by changes in credit risk (RM56.1 million), new financial assets originated or purchased (RM3.1million) and partly offset by asset written-off (RM28.4 million).

- 12-months ECL not credit impaired (Stage 1) - increased by RM16.7 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 remeasurement driven by changes in credit risk.
- Lifetime ECL not credit-impaired (Stage 2) - increased by RM24.3 million, primarily due to increase in remeasurement driven by changes in credit risk, and partially offset by migration of financings from/to Stage 1, Stage 2 and Stage 3.
- Lifetime ECL credit-impaired (Stage 3) - decreased by RM10.1 million, primarily due to asset written-off and migration of financings from/to Stage 1, Stage 2 and Stage 3, and partially offset by remeasurement driven by 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>276</b>	<b>(276)</b>	–	–
- Transferred to Stage 2	<b>(99)</b>	<b>99</b>	–	–
- Transferred to Stage 3	–	–	–	–
New financial assets originated or purchased	<b>57</b>	–	–	<b>57</b>
Net remeasurement due to changes in credit risk	<b>585</b>	<b>2,712</b>	<b>3</b>	<b>3,300</b>
Others	<b>62</b>	–	–	<b>62</b>
<b>Balance at 31 March 2023</b>	<b>2,517</b>	<b>9,688</b>	<b>24,231</b>	<b>36,436</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	(1,419)	835	24,153	23,569
Others	(40)	–	–	(40)
Balance at 31 December 2022	<b>1,636</b>	<b>7,153</b>	<b>24,228</b>	<b>33,017</b>

For retail portfolio, the split of ECL allowance for drawn amount and provision for undrawn commitments is not available. In accordance to MFRS 7 Financial Instruments disclosure, the provisions for the 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
31 Mar 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	13,610,160	–	–	13,610,160	79,301	–	–	79,301	76,425	–	–	76,425
- Swaps	–	–	150,895	150,895	–	–	3,170	3,170	–	–	3,274	3,274
- Options	33,458	–	–	33,458	239	–	–	239	239	–	–	239
Profit rate related contracts												
- Swaps	1,489,130	1,217,163	–	2,706,293	655	3,435	–	4,090	2,699	5,076	–	7,775
- Options	–	436,275	–	436,275	–	–	–	–	–	32,139	–	32,139
Equity related contracts												
- Options purchased	709,251	1,021,652	–	1,730,903	3,235	–	–	3,235	18,713	26,577	–	45,290
<b>Total</b>	<b>15,841,999</b>	<b>2,675,090</b>	<b>150,895</b>	<b>18,667,984</b>	<b>83,430</b>	<b>3,435</b>	<b>3,170</b>	<b>90,035</b>	<b>98,076</b>	<b>63,792</b>	<b>3,274</b>	<b>165,142</b>

The Bank does not have any hedging instrument as at 31 March 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>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Settlements	<b>4,669</b>	1,273
Income receivable	<b>6,971</b>	5,610
Profit receivable	<b>25,039</b>	15,992
Prepayments	<b>1,238</b>	–
Amount due from holding company	<b>1,747</b>	105,975
Rights of Use (ROU) assets	<b>20,107</b>	21,540
Other receivables	<b>14,807</b>	13,234
	<b><u>74,578</u></b>	<u>163,624</u>

### 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>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
<b>At amortised cost</b>		
Non-Mudharabah Fund		
Demand deposits		
- Qard	<b>3,041,870</b>	3,381,215
Savings deposits		
- Qard	<b>2,976,900</b>	2,920,903
Term deposits		
- Commodity Murabahah	<b>7,473,701</b>	7,502,806
- Qard*	<b>104,686</b>	152,728
	<b><u>13,597,157</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>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Due within six months	<b>6,231,619</b>	6,306,058
More than six months to one year	<b>1,041,983</b>	1,016,754
More than one year to three years	<b>248,362</b>	280,211
More than three years to five years	<b>56,423</b>	52,511
	<b><u>7,578,387</u></b>	<u>7,655,534</u>

**(ii) By type of customer**

	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Government and statutory bodies	<b>14,467</b>	22,452
Business enterprises	<b>3,478,624</b>	3,732,877
Individuals	<b>5,944,103</b>	5,749,721
Foreign entities/individuals	<b>3,562,196</b>	3,646,709
Others	<b>597,767</b>	805,893
	<b><u>13,597,157</u></b>	<u>13,957,652</u>

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

	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Non-Mudharabah Fund		
Licensed bank - parent company	<b>1,640,238</b>	2,034,464
Bank Negara Malaysia	<b>14,562</b>	8,972
Other financial institutions	<b>11</b>	11
	<b><u>1,654,811</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>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Structured liabilities		
- Tawarruq	<b>2,092,383</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>At amortised cost</b>	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Settlements	<b>774</b>	540
Amounts due to holding company	<b>23,901</b>	161,528
Profit payable	<b>79,651</b>	67,368
Deferred income	<b>20,019</b>	18,899
Marginal deposit	<b>27,300</b>	35,213
Accrued expenses	<b>72,931</b>	43,522
Lease liabilities	<b>22,231</b>	23,739
Other creditors	(a) <b>127,620</b>	123,289
Provision on financing and credit related commitments	(b) <b>36,436</b>	33,017
	<b>410,863</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.

#### Source and use of charity funds

	<b>31 Mar 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>65</b>	5
Contribution to non-profit organisations	<b>–</b>	(3)
Balance at 31 March/31 December	<b>68</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

	31 Mar 2023 RM'000	31 Dec 2022 RM'000
Multi-Currency Sukuk Programme (MCSP)	<b>502,966</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	
				31 Mar 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>502,966</b>	<b>504,771</b>
<u>Movement in MCSP</u>					
				<b>4th series</b>	
				<b>31 Mar 2023</b>	31 Dec 2022
				RM'000	RM'000
Balance at 1 January				<b>504,771</b>	515,333
Change in fair value other than from own credit risk				<b>(1,106)</b>	(14,521)
Change in fair value from own credit risk				<b>(699)</b>	3,959
Balance at 31 March/31 December				<b>502,966</b>	<b>504,771</b>

### 26 Share Capital and Other Equity

	31 Mar 2023		31 Dec 2022	
	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 / 31 March 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 (HBM). 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**

	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000
Income derived from investment of:		
(i) Term deposit	<b>118,149</b>	104,857
(ii) Other deposits	<b>82,398</b>	43,128
	<b>200,547</b>	147,985
(i) Income derived from investment of term deposits		
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	<b>103,985</b>	70,624
- Recoveries from impaired financing	<b>5,588</b>	3,196
Financial investments at FVOCI	<b>5,005</b>	7,572
Money at call and deposit with financial institutions	<b>23,094</b>	6,286
Financial investments at amortised cost	<b>3,601</b>	-
	<b>141,273</b>	87,678
<u>Other operating income</u>		
Realised (loss)/gain from dealing in foreign currency	<b>(12,044)</b>	6,913
Unrealised gain/(loss) from dealing in foreign currency	<b>19,063</b>	(853)
Realised (loss)/gain from trading in derivatives	<b>(974)</b>	2,577
Unrealised gain/(loss) from trading in derivatives	<b>16,333</b>	(16,717)
Net (expense)/income from financial liabilities designated at FVTPL	<b>(45,502)</b>	25,259
	<b>(23,124)</b>	17,179
	<b>118,149</b>	104,857

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

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

	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000
(ii) Income derived from investment of other deposits		
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	<b>52,357</b>	38,265
- Recoveries from impaired financing	<b>2,813</b>	1,732
Financial investments at FVOCI	<b>2,520</b>	4,103
Money at call and deposit with financial institutions	<b>11,628</b>	3,406
Financial investments at amortised cost	<b>1,813</b>	–
	<b>71,131</b>	47,506
<u>Other operating income</u>		
Realised (loss)/gain from dealing in foreign currency	<b>(6,064)</b>	3,745
Unrealised gain/(loss) from dealing in foreign currency	<b>9,598</b>	(462)
Realised (loss)/gain from trading in derivatives	<b>(491)</b>	1,396
Unrealised gain/(loss) from trading in derivatives	<b>8,224</b>	(9,057)
	<b>11,267</b>	(4,378)
	<b>82,398</b>	43,128

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

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

	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	<b>19,618</b>	13,259
- Recoveries from impaired financing	<b>1,054</b>	600
Financial investments at FVOCI	<b>944</b>	1,422
Money at call and deposit with financial institutions	<b>4,357</b>	1,180
Financial investments at amortised cost	<b>679</b>	-
	<b>26,652</b>	16,461
<u>Other operating income</u>		
Fee commission <sup>[1]</sup>	<b>17,462</b>	26,423
Realised (loss)/gain from dealing in foreign currency	<b>(2,272)</b>	1,298
Unrealised gain/(loss) from dealing in foreign currency	<b>3,596</b>	(160)
Realised (loss)/gain from trading in derivatives	<b>(184)</b>	483
Unrealised gain/(loss) from trading in derivatives	<b>3,082</b>	(3,139)
Shared-service fees from holding company	<b>302</b>	286
Other expense	<b>(90)</b>	(369)
	<b>21,896</b>	24,822
	<b>48,548</b>	41,283

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

Service charges and fees	<b>4,688</b>	10,294
Credit cards	<b>6,028</b>	5,471
Credit facilities	<b>3,162</b>	3,051
Agency fee	<b>2,600</b>	4,389

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

**29 Impairment provision**

	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000
Net increase in allowance/provision	<b>62,743</b>	56,886
Recoveries	<b>(17,028)</b>	(12,760)
Written off	<b>2</b>	–
<b>Total charge to statement of profit or loss</b>	<b>45,717</b>	44,126

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

**(i) Financing and advances**

Net increase in allowance	<b>59,211</b>	62,172
Recoveries	<b>(17,028)</b>	(12,760)
Written off	<b>2</b>	–
<b>Total charge to statement of profit or loss</b>	<b>42,185</b>	49,412

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

Net release in allowance/provision	<b>(2)</b>	(1)
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**(iii) Financing commitments**

Net increase/(release) in allowance/provision	<b>3,357</b>	(5,185)
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**(iv) Financial investment at FVOCI**

Net release in allowance/provision	<b>(53)</b>	(100)
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**(v) Financial investments at amortised costs**

Net increase in allowance/provision	<b>230</b>	–
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**30 Income Attributable to Depositors**

	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000
<u>Non-Mudharabah Fund</u>		
- Deposits from customers	<b>62,005</b>	30,500
- Deposits and placements of banks and other financial institutions	<b>17,456</b>	3,709
- Lease liabilities	<b>259</b>	256
- Others	<b>5,195</b>	6,652
	<b>84,915</b>	41,117

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

**31 Operating Expenses**

	<b>31 Mar 2023</b>	31 Mar 2022
	<b>RM'000</b>	RM'000
Personnel expenses	<b>9,360</b>	7,748
Promotion and marketing related expenses	<b>948</b>	1,495
Establishment related expenses	<b>3,886</b>	2,906
General administrative expenses	<b>4,414</b>	6,654
Related company expenses	<b>40,018</b>	39,111
	<b>58,626</b>	57,914
Personnel expenses		
Salaries, allowances and bonuses	<b>7,354</b>	5,873
Employees Provident Fund contributions	<b>1,337</b>	1,223
Share based payment	<b>43</b>	101
Other staff related costs	<b>626</b>	551
	<b>9,360</b>	7,748
Establishment related expenses		
Depreciation of equipment	<b>478</b>	561
Depreciation of ROU assets	<b>1,453</b>	1,459
Information technology costs	<b>697</b>	484
Equipment written off	<b>–</b>	72
Utilities	<b>274</b>	218
Others	<b>984</b>	112
	<b>3,886</b>	2,906
Related company charges	<b>40,018</b>	39,111
Of which by:		
(i) Type of service		
- Information technology related cost	<b>8,057</b>	7,425
- Non information technology related cost	<b>31,961</b>	31,686
(ii) Country/ territory		
- Malaysia	<b>39,721</b>	38,889
- Others	<b>297</b>	222

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

**32 Capital Adequacy**

	<b>31 Mar 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>1,554,984</b>	1,521,961
Other reserves	<b>15,789</b>	54,429
Regulatory adjustments	<b>(27,455)</b>	(95,253)
Total CET1 capital	<b>2,203,318</b>	2,141,137
<b>Tier 1 capital</b>		
Additional Tier 1 capital	<b>501,063</b>	501,063
Total Tier 1 capital	<b>2,704,381</b>	2,642,200
<b>Tier 2 capital</b>		
Impairment allowance (unimpaired portion) & regulatory reserves	<b>163,758</b>	169,287
Total Tier 2 capital	<b>163,758</b>	169,287
<b>Capital base</b>	<b>2,868,139</b>	2,811,487
<u>Before/After deducting proposed dividend</u>		
CET1 Capital Ratio	<b>15.347%</b>	14.465%
Tier 1 Capital Ratio	<b>18.838%</b>	17.849%
Total Capital Ratio	<b>19.978%</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)**

**32 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

	<b>With Transitional Arrangement (%)</b>		<b>Without Transitional Arrangement (%)</b>	
	<b>31 Mar 2023</b>	31 Dec 2022	<b>31 Mar 2023</b>	31 Dec 2022
CET1 Capital Ratio	<b>15.347%</b>	14.465%	<b>15.198%</b>	14.465%
Tier 1 Capital Ratio	<b>18.838%</b>	17.849%	<b>18.689%</b>	17.849%
Total Capital Ratio	<b>19.978%</b>	18.993%	<b>19.829%</b>	18.993%

Breakdown of RWA in the various categories of risk weights:

	<b>31 Mar 2023</b>	31 Dec 2022
	<b>RM'000</b>	RM'000
Total RWA for credit risk	<b>13,100,652</b>	13,542,956
Total RWA for market risk	<b>193,031</b>	208,767
Total RWA for operational risk	<b>1,062,521</b>	1,050,968
	<b>14,356,204</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, positive fair value of derivative contracts, credit equivalent amounts and risk weighted amounts of unmatured off-balance sheet transactions at the statement of financial position date. The underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

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

	<b>31 Mar 2023</b>	31 Dec 2022
<b>Principal amount</b>	<b>RM'000</b>	RM'000
Direct credit substitutes	<b>56,054</b>	128,998
Transaction-related contingent items	<b>2,023,499</b>	1,950,300
Short-term self-liquidating trade-related contingencies	<b>172,463</b>	126,579
Formal standby facilities and credit lines		
- Maturity not exceeding one year	<b>1,585,556</b>	1,670,824
- Maturity exceeding one year	<b>3,859,339</b>	3,847,754
Other unconditionally cancellable	<b>3,072,403</b>	2,938,881
Unutilised credit card lines	<b>3,375,727</b>	3,346,399
Equity related contracts		
- Less than one year	<b>709,251</b>	577,897
- One year to less than five years	<b>1,021,652</b>	1,198,067
Profit rate related contracts		
- Less than one year	<b>1,489,130</b>	1,233,160
- One year to less than five years	<b>1,653,438</b>	1,776,568
Foreign exchange related contracts		
- Less than one year	<b>13,643,618</b>	12,239,679
- One year to less than five years	–	155,272
- Over five years	<b>150,895</b>	158,202
	<b>32,813,025</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 RM59.8 million for the financial period ended 31 March 2023, an increase of RM13.7 million year-on-year. The increase in PBT was mainly due to higher operating income by RM16.0 million which was primarily contributed by higher net financing income. This was partly offset by higher impairment provision (RM1.6 million).

Total balance sheet as at 31 March 2023 stood at RM21.2 billion, a decrease of RM1.0 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 Malaysian economy expanded strongly by 8.7% in 2022, the highest growth recorded since 2000 and became one of the fastest growing economies in Asia.

The growth is expected to moderate in 2023 with Bank Negara Malaysia (BNM) projecting GDP to grow at the range of 4.0% to 5.0% amid an escalation of geopolitical tensions, slower global economy growth and tightening in financial market conditions. Domestic demand is expected to provide upside risks to the domestic growth outlook. Further improvement in labour market conditions, implementation of projects from recently re-tabled Budget 2023 and uplifting of tourism-related activities are expected to support private consumption and investment growth.

Inflation is also expected to moderate over the course of 2023 but to remain at elevated levels, driven by lingering demand and cost pressures. This is on the back of BNM maintaining the Overnight Policy Rate (OPR) at 2.75% as of 1Q 2023, after a 100bps increase in 2022. Meanwhile, the US Federal Reserve continued to raise its interest rate by 50bps in 1Q 2023 after implemented seven interest rate hikes with a total of 425 bps in 2022. Such volatile fiscal condition has led to the recent banking stress in some advanced economies. Nevertheless, Malaysian banking system remains orderly and resilient.

To support our Government initiatives for the country's economic growth, the Bank and its parent company, HSBC Bank Malaysia Berhad, collectively referred to as "HSBC Malaysia", continue to work closely with our customers to facilitate and enable opportunities.

Recently, the CEO of HSBC Bank Malaysia Berhad had the honour of joining the Malaysian Government delegation at the Malaysia-China Business Forum in Beijing, in conjunction with the Malaysian's Prime Minister's visit to China. As one of the leading international banks, HSBC has played a key role in facilitating cross border investments between Malaysia and China across a range of sectors over the years. We will continue to work with our Malaysian Government to attract and facilitate more foreign direct investments from China while also provide essential services for Malaysian companies, including our customers, looking to expand and invest in China.

In addition, notable events organised in 1Q2023 includes: HSBC Asian Business Forum – in support of efforts and initiatives to achieve Malaysia's growth targets; Premier Investment Global Market Outlook – providing insights on building resilient investment portfolio; as well as Navigating the Startup Ecosystem in Malaysia – in support of start-ups and innovative small and medium sized enterprise.

HSBC Malaysia was awarded the "Digital Bank of the Year in Malaysia" by The Asset for the 3rd consecutive year, and the "Best Digital Wealth Management Experience". These are testaments of our effort and commitment in delivering the best experience for our customers. We also recently launched Apple Pay and Google Wallet for HSBC credit cards offering customers enhanced convenience and greater security.

We will continue on our efforts of being the preferred international financial partner for our clients.