

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**31 MARCH 2024**

**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 2024**

	<i>Note</i>	31 Mar 2024 RM'000	31 Dec 2023 RM'000
<b>Assets</b>			
Cash and short-term funds	11	2,109,729	3,552,662
Reverse sell and buy back agreement		119,267	117,102
Deposits and placements with banks and other financial institutions	12	200,000	200,000
Financial assets at fair value through profit and loss (FVTPL)	13	97,280	–
Financial investments at fair value through other comprehensive income (FVOCI)	14	2,476,251	1,857,289
Financial investments at amortised cost	15	1,576,161	989,916
Financing and advances	16	14,583,188	14,021,211
Derivative financial assets	19	82,313	100,435
Other assets	20	102,298	126,176
Statutory deposits with Bank Negara Malaysia	21	261,990	242,261
Equipment		4,505	4,740
Deferred tax assets		40,113	39,848
<b>Total assets</b>		<b>21,653,095</b>	<b>21,251,640</b>
<b>Liabilities</b>			
Deposits from customers	22	13,869,011	13,943,576
Deposits and placements from banks and other financial institutions	23	1,935,418	1,474,999
Structured liabilities designated at fair value through profit or loss (FVTPL)	24	1,841,973	1,939,498
Bills payable		17,323	10,288
Derivative financial liabilities	19	118,539	158,083
Other liabilities	25	656,070	625,593
Provision for taxation		48,337	20,473
<b>Total liabilities</b>		<b>18,486,671</b>	<b>18,172,510</b>
<b>Equity</b>			
Share capital and other equity	26	1,161,063	1,161,063
Reserves		2,005,361	1,918,067
<b>Total equity attributable to owner of the Bank</b>		<b>3,166,424</b>	<b>3,079,130</b>
<b>Total liabilities and equity</b>		<b>21,653,095</b>	<b>21,251,640</b>
Restricted investment accounts <sup>[1]</sup>		2,279,514	2,415,224
Total Islamic Banking asset <sup>[1]</sup>		23,932,609	23,666,864
<b>Commitments and contingencies</b>	33	<b>33,114,052</b>	<b>32,551,244</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 2023 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 23 April 2024.*

**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 31 MARCH 2024**

	<i>Note</i>	<b>31 Mar 2024</b>	31 Mar 2023
		<b>RM'000</b>	RM'000
Income derived from investment of depositors' funds and others	27	<b>227,197</b>	200,547
Income derived from investment of shareholder's funds	28	<b>59,619</b>	48,548
Impairment write-back/(provision)	29	<b>19,141</b>	(45,717)
Total distributable income		<b>305,957</b>	203,378
Income attributable to depositors	30	<b>(96,036)</b>	(84,915)
Total net income		<b>209,921</b>	118,463
Operating expenses	31	<b>(68,204)</b>	(58,626)
Profit before tax		<b>141,717</b>	59,837
Tax expense		<b>(35,145)</b>	(14,840)
<b>Profit for the financial period</b>		<b>106,572</b>	44,997
Profit attributable to the owner of the Bank		<b>106,572</b>	44,997
Basic earnings per RM0.50 ordinary share		<b>106.6 sen</b>	45.0 sen

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**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024**

	<b>31 Mar 2024</b>	<b>31 Mar 2023</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Profit for the financial period</b>	<b>106,572</b>	<b>44,997</b>
<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	(1,979)	(929)
Income tax effect	475	223
<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	875	7,820
Impairment write-back	(20)	(53)
Income tax effect	(210)	(1,877)
Other comprehensive (expense)/income for the financial period, net of income tax	(859)	5,184
Total comprehensive income for the financial period	<u>105,713</u>	<u>50,181</u>
<b>Total comprehensive income attributable to the owner of the Bank</b>	<u><b>105,713</b></u>	<u><b>50,181</b></u>

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**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024**

	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>2024</b>								
<b>Balance at 1 January</b>	660,000	501,063	(2,315)	(4,507)	377	35,800	1,888,712	3,079,130
Profit for the financial period	-	-	-	-	-	-	106,572	106,572
<b>Other comprehensive income, net of tax</b>								
FVOCI reserve/Own Credit reserve								
Net change in fair value	-	-	665	(1,504)	-	-	-	(839)
Impairment write-back	-	-	(20)	-	-	-	-	(20)
<i>Total other comprehensive income/(expense)</i>	-	-	645	(1,504)	-	-	-	(859)
<b>Total comprehensive income/(expense) for the financial period</b>	-	-	645	(1,504)	-	-	106,572	105,713
Net change in regulatory reserves	-	-	-	-	-	29,900	(29,900)	-
<b>Transactions with the owner, recorded directly in equity</b>								
Share based payment transactions	-	-	-	-	71	-	(55)	16
Discretionary coupon on other equity instruments	-	-	-	-	-	-	(18,435)	(18,435)
<b>Balance at 31 March</b>	<b>660,000</b>	<b>501,063</b>	<b>(1,670)</b>	<b>(6,011)</b>	<b>448</b>	<b>65,700</b>	<b>1,946,894</b>	<b>3,166,424</b>

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024 (Cont'd)**

	Non-distributable					Distributable		Total
	<i>Share capital</i>	<i>Other equity instrument</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>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>	660,000	501,063	(3,939)	(5,837)	460	28,300	1,599,982	2,780,029

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**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024**

	<b>31 Mar 2024</b>	31 Mar 2023
	<b>RM'000</b>	RM'000
Profit for the financial period	<b>141,717</b>	59,837
Adjustments for non-operating and non-cash items	<b>(4,729)</b>	49,645
Operating profit before working capital changes	<b>136,988</b>	109,482
Changes in working capital:		
Net changes in operating assets	<b>(624,567)</b>	1,220,294
Net changes in operating liabilities	<b>263,369</b>	(1,028,479)
Income tax paid	<b>(7,346)</b>	(30,966)
<b>Net cash (used in)/generated from operating activities</b>	<b>(231,556)</b>	270,331
<b>Net cash used in investing activities</b>	<b>(1,192,942)</b>	(421,789)
<b>Net cash used in financing activities</b>	<b>(18,435)</b>	(12,270)
	<b>(1,211,377)</b>	(434,059)
<b>Net changes in cash and cash equivalents</b>	<b>(1,442,933)</b>	(163,728)
<b>Cash and cash equivalents at 1 January</b>	<b>3,552,662</b>	4,930,875
<b>Cash and cash equivalents at 31 March</b>	<b>2,109,729</b>	4,767,147
<b>Analysis of cash and cash equivalents</b>		
Cash and short-term funds	<b>2,109,729</b>	4,767,147

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**UNAUDITED CONDENSED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024 (Cont'd)**

**Changes in liabilities arising from financing activities**

**2024**

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

	<b>At 1 January RM'000</b>	<b>Cash outflow RM'000</b>	<b>Fair value movement RM'000</b>	<b>Profit accrual RM'000</b>	<b>At 31 March RM'000</b>
<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>(1,805)</b>	<b>5,089</b>	<b>513,569</b>

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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 23 April 2024.

### 2 Basis of Preparation

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The unaudited condensed interim financial statements for the financial period ended 31 March 2024 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 2023. 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 2023.

#### **(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 2023, except for the adoption of the following Amendments to MFRSs which are effective during the current financial period:

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

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

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

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

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

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

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

Effective for annual periods commencing on or after 1 January 2025

- Amendments to MFRS 121 on 'Lack of Exchangeability'

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

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

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

### 3 Functional and Presentation of Currency

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

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

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The audit report on the audited financial statements for the financial year ended 31 December 2023 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 2024.

### 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 2024.

### 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 2024.

### 9 Dividend

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No interim dividend was declared nor paid for the financial period ended 31 March 2024.

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

### 10 Significant and Subsequent Events

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

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>236,830</b>	197,382
Money at call and interbank placements maturing within one month	<b>1,872,899</b>	3,355,280
	<b><u>2,109,729</u></b>	<u>3,552,662</u>

Money at call and interbank placements maturing within one month is within stage 1 allocation (12-month ECL) with RM2,000 impairment allowance as at 31 March 2024 (31 December 2023: RM9,000).

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

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Licensed bank - parent company	<b><u>200,000</u></b>	<u>200,000</u>

The balance is within stage 1 allocation (12-month ECL) with no impairment allowance required for the Bank as at 31 March 2024 and 31 December 2023.

### 13 Financial Assets at Fair Value through Profit and Loss (FVTPL)

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Money market instruments:		
Malaysian Government Islamic treasury bills	<b><u>97,280</u></b>	<u>–</u>

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

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

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Money market instruments:		
Malaysian Government Islamic Sukuk	<b>851,369</b>	471,182
Malaysian Government Islamic treasury bills	<b>1,624,882</b>	1,386,107
	<b><u>2,476,251</u></b>	<u>1,857,289</u>

Financial investments at FVOCI are within stage 1 allocation (12-month ECL) with RM90,000 impairment allowance as at 31 March 2024 (31 December 2023: RM110,000). The carrying amount of financial investments at FVOCI is equivalent to their fair value. The impairment allowance is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

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

Maturing within one year	<b>2,366,317</b>	1,857,289
More than three years to five years	<b>109,934</b>	–
	<b><u>2,476,251</u></b>	<u>1,857,289</u>

**15 Financial Investments at Amortised Cost**

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
<b>Debt instruments</b>		
Money market instruments:		
Malaysian Government Islamic Sukuk	<b>1,196,323</b>	710,070
Unquoted:		
Corporate Sukuk	<b>379,838</b>	279,846
	<b><u>1,576,161</u></b>	<u>989,916</u>

Financial investments at amortised cost are within stage 1 allocation (12-month ECL) with RM282,000 impairment allowance for the Bank as at 31 March 2024 (31 December 2023: RM 233,000).

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

**16 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 2024	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	87,601	–	–	–	87,601
Term financing:					
House financing	–	–	3,617,741	–	3,617,741
Hire purchase receivables	–	179,186	–	–	179,186
Syndicated term financing	1,389,876	–	–	–	1,389,876
Other term financing	3,402,038	–	682,740	–	4,084,778
Trust receipts	819,426	–	–	–	819,426
Claims on customers under acceptance credits	193,434	–	–	–	193,434
Bills receivables	1,284,852	–	–	–	1,284,852
Staff financing-i	938	–	246	–	1,184
Credit cards-i	–	–	–	1,222,744	1,222,744
Revolving financing	2,015,049	–	–	–	2,015,049
Other financing	–	–	2,696	–	2,696
Gross financing and advances	<b>9,193,214</b>	<b>179,186</b>	<b>4,303,423</b>	<b>1,222,744</b>	<b>14,898,567</b>
Less: Impairment allowance					<b>(315,379)</b>
Total net financing and advances					<b>14,583,188</b>

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

**16 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 2023					
Cash line-i	83,208	-	-	-	83,208
Term financing:					
House financing	-	-	3,657,159	-	3,657,159
Hire purchase receivables	-	198,575	-	-	198,575
Syndicated term financing	1,379,208	-	-	-	1,379,208
Other term financing	3,272,971	-	701,531	-	3,974,502
Trust receipts	633,003	-	-	-	633,003
Claims on customers under acceptance credits	206,166	-	-	-	206,166
Bills receivables	1,081,897	-	-	-	1,081,897
Staff financing-i	1,008	-	249	-	1,257
Credit cards-i	-	-	-	1,252,514	1,252,514
Revolving financing	1,899,955	-	-	-	1,899,955
Other financing	-	-	2,633	-	2,633
Gross financing and advances	<u>8,557,416</u>	<u>198,575</u>	<u>4,361,572</u>	<u>1,252,514</u>	<u>14,370,077</u>
Less: Impairment allowance					<u>(348,866)</u>
Total net financing and advances					<u>14,021,211</u>

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

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

**(ii) By type of customer**

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Domestic non-bank financial institutions	<b>219,265</b>	140,377
Domestic business enterprises:		
Small medium enterprises	<b>1,071,570</b>	1,098,650
Others	<b>5,694,616</b>	5,349,108
Individuals	<b>5,378,770</b>	5,462,830
Other domestic entities	<b>614</b>	654
Foreign entities/individuals	<b>2,533,732</b>	2,318,458
	<b><u>14,898,567</u></b>	<u>14,370,077</u>

**(iii) By profit rate sensitivity**

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Fixed rate:		
Hire purchase receivables	<b>179,186</b>	198,575
Other financing	<b>4,114,920</b>	3,770,673
Variable rate:		
Base Rate/Base Financing Rate	<b>4,042,874</b>	4,143,480
Cost-plus	<b>6,561,587</b>	6,257,349
	<b><u>14,898,567</u></b>	<u>14,370,077</u>

**(iv) By residual contractual maturity**

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Maturing within one year	<b>6,117,114</b>	6,145,648
More than one year to three years	<b>1,836,444</b>	1,608,064
More than three years to five years	<b>2,172,071</b>	1,698,173
Over five years	<b>4,772,938</b>	4,918,192
	<b><u>14,898,567</u></b>	<u>14,370,077</u>

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

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

**(v) By sector**

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry & fishing	<b>5,141</b>	5,538
Mining and quarrying	<b>29,009</b>	62,621
Manufacturing	<b>1,727,610</b>	1,552,366
Electricity, gas and water	<b>64,263</b>	62,613
Construction	<b>1,042,343</b>	1,038,082
Real estate	<b>1,265,642</b>	1,268,220
Wholesale & retail trade, restaurants & hotels	<b>1,269,632</b>	1,111,478
Transport, storage and communication	<b>282,522</b>	263,050
Finance, takaful and business services	<b>1,038,425</b>	951,818
Household - Retail	<b>5,830,063</b>	5,922,928
Others	<b>2,343,917</b>	2,131,363
	<b><u>14,898,567</u></b>	<b><u>14,370,077</u></b>

**(vi) By purpose**

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Purchase of landed property:		
Residential	<b>3,617,988</b>	3,657,409
Non-residential	<b>547,142</b>	563,720
Purchase of transport vehicles	<b>715</b>	778
Purchase of fixed assets excluding land & building	<b>179,556</b>	198,979
Consumption credit	<b>2,067,442</b>	2,117,428
Construction	<b>644,288</b>	631,793
Working capital	<b>5,758,997</b>	5,341,610
Other purpose	<b>2,082,439</b>	1,858,360
	<b><u>14,898,567</u></b>	<b><u>14,370,077</u></b>

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

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

**(vii) By geographical distribution**

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Northern Region	<b>1,342,046</b>	1,349,011
Southern Region	<b>1,798,107</b>	1,763,999
Central Region	<b>11,479,292</b>	10,972,261
Eastern Region	<b>279,122</b>	284,806
	<b><u>14,898,567</u></b>	<u>14,370,077</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, Melaka 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 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Total gross financing and advances	<b>1,861,160</b>	2,357,883
Less: Impairment allowance	<b>(96,435)</b>	(96,799)
Total net financing and advances	<b><u>1,764,725</u></b>	<u>2,261,084</u>
<i>Maturity not exceeding one year</i>	<b>368,241</b>	10,092
<i>Maturity exceeding one year</i>	<b>146,548</b>	144,048
Total commitments and contingencies	<b><u>514,789</u></b>	<u>154,140</u>
Total restricted investment accounts	<b><u>2,279,514</u></b>	<u>2,415,224</u>
Risk weighted assets (RWA) of restricted investment accounts	<b><u>1,136,184</u></b>	<u>1,285,909</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 2023.

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

**17 Impaired Financing**

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

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Gross carrying amount as at 1 January	<b>613,449</b>	971,931
Transfer within stages	<b>13,748</b>	(54,563)
Net changes in risk parameters - further financing/(repayment)	<b>(15,186)</b>	(115,291)
Written-off	<b>(29,090)</b>	(188,628)
Gross carrying amount as at 31 March/31 December	<b><u>582,921</u></b>	<u>613,449</u>

**(ii) By contract**

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Ijarah Thumma Al-Bai (AITAB) (hire purchase)	<b>5,651</b>	6,246
Commodity Murabahah (cost-plus)	<b>265,768</b>	277,370
Diminishing Musharakah (profit and loss sharing)	<b>301,752</b>	318,097
Ujrah (fee-based)	<b>9,750</b>	11,736
	<b><u>582,921</u></b>	<u>613,449</u>

**(iii) By sector**

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry & fishing	<b>452</b>	452
Manufacturing	<b>6,881</b>	9,552
Electricity, gas and water	<b>60,230</b>	58,509
Construction	<b>4,242</b>	10,267
Real estate	<b>3,081</b>	3,246
Wholesale & retail trade, restaurants & hotels	<b>11,983</b>	9,413
Transport, storage and communication	<b>2,996</b>	3,181
Finance, takaful and business services	<b>3,964</b>	4,041
Household - Retail	<b>489,092</b>	514,788
	<b><u>582,921</u></b>	<u>613,449</u>

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

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

**(iv) By purpose**

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Purchase of landed property:		
Residential	<b>280,595</b>	297,566
Non-residential	<b>7,979</b>	7,494
Purchase of fixed assets excluding land & building	<b>5,651</b>	6,245
Consumption credit	<b>205,425</b>	215,095
Construction	<b>4,242</b>	4,845
Working capital	<b>79,029</b>	82,204
	<b>582,921</b>	613,449

**(v) By geographical distribution**

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Northern Region	<b>37,513</b>	39,980
Southern Region	<b>49,242</b>	51,815
Central Region	<b>485,703</b>	510,916
Eastern Region	<b>10,463</b>	10,738
	<b>582,921</b>	613,449

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

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

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

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

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	12- month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Balance at 1 January 2024	<b>33,776</b>	<b>117,217</b>	<b>197,873</b>	<b>348,866</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	<b>29,925</b>	<b>(28,618)</b>	<b>(1,307)</b>	–
- Transferred to stage 2	<b>(3,151)</b>	<b>4,694</b>	<b>(1,543)</b>	–
- Transferred to stage 3	<b>(18)</b>	<b>(7,578)</b>	<b>7,596</b>	–
New financial assets originated or purchased	<b>3,091</b>	–	–	<b>3,091</b>
Net remeasurement due to changes in credit risk and assets derecognised	<b>(27,952)</b>	<b>7,299</b>	<b>12,196</b>	<b>(8,457)</b>
Asset written-off	–	–	<b>(29,090)</b>	<b>(29,090)</b>
Others	–	–	<b>969</b>	<b>969</b>
<b>Balance at 31 March 2024</b>	<b>35,671</b>	<b>93,014</b>	<b>186,694</b>	<b>315,379</b>
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	31,039	(16,992)	(14,047)	–
- Transferred to stage 2	(3,935)	10,377	(6,442)	–
- Transferred to stage 3	(379)	(2,698)	3,077	–
New financial assets originated or purchased	7,710	–	–	7,710
Net remeasurement due to changes in credit risk and assets derecognised	(33,620)	53,386	6,874	26,640
Asset written-off	–	–	(188,628)	(188,628)
Others	–	–	822	822
Balance at 31 December 2023	33,776	117,217	197,873	348,866

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 RM33.5 million compared to the balance at the beginning of the year. This net decrease was mainly contributed by asset written-off (RM29.1 million) and net remeasurement due to changes in credit risk and assets derecognised (RM8.5 million), and partly offset by new financial assets originated or purchased (RM3.1 million).

- 12-month ECL not credit impaired (stage 1) - increased by RM1.9 million primarily due to migration of financing and advances from stage 2 and 3, new financial assets originated or purchased and partially offset by net remeasurement due to changes in credit risk and assets derecognised.
- Lifetime ECL not credit-impaired (stage 2) - decreased by RM24.2 million, primarily due to migration of financing and advances to stage 1 and 3, and partially offset by net remeasurement due to changes in credit risk and assets derecognised.
- Lifetime ECL credit-impaired (stage 3) - decreased by RM11.2 million, primarily due to asset written-off, and partially offset by net remeasurement due to changes in credit risk and assets derecognised and migration of financing and advances from stage 1 and 2.

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

**18 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 2024	<b>2,733</b>	<b>2,003</b>	<b>27,749</b>	<b>32,485</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	<b>74</b>	<b>(74)</b>	–	–
- Transferred to stage 2	<b>(19)</b>	<b>19</b>	–	–
- Transferred to stage 3	–	–	–	–
New financial assets originated or purchased	<b>52</b>	–	–	<b>52</b>
Net remeasurement due to changes in credit risk and assets derecognised	<b>(1,072)</b>	<b>(228)</b>	<b>130</b>	<b>(1,170)</b>
Others	<b>95</b>	–	–	<b>95</b>
<b>Balance at 31 March 2024</b>	<b>1,863</b>	<b>1,720</b>	<b>27,879</b>	<b>31,462</b>
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	1,117	(1,117)	–	–
- Transferred to stage 2	(15)	15	–	–
- Transferred to stage 3	(68)	(9)	77	–
New financial assets originated or purchased	268	–	–	268
Net remeasurement due to changes in credit risk and assets derecognised	(526)	(4,039)	3,444	(1,121)
Others	321	–	–	321
Balance at 31 December 2023	<b>2,733</b>	<b>2,003</b>	<b>27,749</b>	<b>32,485</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)**

**19 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 2024	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	16,155,960	–	–	16,155,960	74,784	–	–	74,784	68,418	–	–	68,418
- Swaps	160,752	128,400	–	289,152	844	1,753	–	2,597	801	1,618	–	2,419
- Options	9,060	–	–	9,060	–	–	–	–	–	–	–	–
Profit rate related contracts												
- Swaps	863,681	653,344	–	1,517,025	853	2,356	–	3,209	3,210	1,809	–	5,019
- Options	28,143	382,200	–	410,343	–	–	–	–	359	15,884	–	16,243
Equity related contracts												
- Options purchased	727,547	710,747	–	1,438,294	1,359	364	–	1,723	11,588	14,852	–	26,440
<b>Total</b>	<b>17,945,143</b>	<b>1,874,691</b>	<b>–</b>	<b>19,819,834</b>	<b>77,840</b>	<b>4,473</b>	<b>–</b>	<b>82,313</b>	<b>84,376</b>	<b>34,163</b>	<b>–</b>	<b>118,539</b>

The Bank does not have any hedging instrument as at 31 March 2024.

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

**19 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 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	15,096,261	–	–	15,096,261	90,188	–	–	90,188	87,963	–	–	87,963
- Swaps	158,444	–	136,252	294,696	1,573	–	2,400	3,973	1,466	–	2,205	3,671
- Options	28,936	–	–	28,936	8	–	–	8	8	–	–	8
Profit rate related contracts												
- Swaps	1,068,453	733,520	–	1,801,973	321	4,276	–	4,597	3,679	1,918	–	5,597
- Options	–	417,938	–	417,938	–	–	–	–	–	17,558	–	17,558
Equity related contracts												
- Options purchased	857,171	704,367	–	1,561,538	1,615	54	–	1,669	27,833	15,453	–	43,286
<b>Total</b>	<b>17,209,265</b>	<b>1,855,825</b>	<b>136,252</b>	<b>19,201,342</b>	<b>93,705</b>	<b>4,330</b>	<b>2,400</b>	<b>100,435</b>	<b>120,949</b>	<b>34,929</b>	<b>2,205</b>	<b>158,083</b>

The Bank does not have any hedging instrument as at 31 December 2023.

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

### 20 Other Assets

	31 Mar 2024 RM'000	31 Dec 2023 RM'000
Settlements	–	6,925
Income receivable	10,975	7,726
Profit receivable	24,080	19,852
Prepayments	–	28
Amount due from holding company	20,531	55,793
Rights of Use (ROU) assets	20,935	19,776
Other receivables	25,777	16,076
	<b>102,298</b>	<b>126,176</b>

### 21 Statutory Deposits with Bank Negara Malaysia

The non-profit bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) and 26(3) of the Central Bank of Malaysia Act 2009, the amounts of which are determined at set percentages of total eligible liabilities.

### 22 Deposits From Customers

#### (i) By type of deposit

	31 Mar 2024 RM'000	31 Dec 2023 RM'000
<b>At amortised cost</b>		
Non-Mudharabah Fund		
Demand deposits		
- Qard	3,386,386	3,335,107
Savings deposits		
- Qard	2,975,768	2,881,014
Term deposits		
- Commodity Murabahah	7,287,534	7,529,222
- Qard*	219,323	198,233
	<b>13,869,011</b>	<b>13,943,576</b>

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

The maturity structure of term deposits is as follows:

	31 Mar 2024 RM'000	31 Dec 2023 RM'000
Due within six months	6,115,942	6,337,261
More than six months to one year	1,121,628	1,118,275
More than one year to three years	192,162	208,620
More than three years to five years	77,125	63,299
	<b>7,506,857</b>	<b>7,727,455</b>

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

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

**(ii) By type of customer**

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Government and statutory bodies	<b>15,340</b>	12,200
Business enterprises	<b>3,637,238</b>	3,420,378
Individuals	<b>5,653,782</b>	5,535,547
Foreign entities/individuals	<b>3,820,205</b>	4,028,488
Others	<b>742,446</b>	946,963
	<b><u>13,869,011</u></b>	<u>13,943,576</u>

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

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Non-Mudharabah Fund		
Licensed bank	<b>1,921,459</b>	1,459,202
Bank Negara Malaysia	<b>8,247</b>	15,786
Other financial institutions	<b>5,712</b>	11
	<b><u>1,935,418</u></b>	<u>1,474,999</u>

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

	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
<b>At fair value</b>		
Structured liabilities		
- Tawarruq	<b>1,841,973</b>	1,939,498
	<b><u>1,841,973</u></b>	<u>1,939,498</u>

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

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

**25 Other Liabilities**

	Note	31 Mar 2024 RM'000	31 Dec 2023 RM'000
<b>At amortised cost</b>			
Settlements		3,656	4,515
Amounts due to holding company		36,811	99,014
Profit payable		94,359	83,307
Deferred income		19,199	22,621
Marginal deposit		23,260	22,528
Accrued expenses		109,442	66,380
Lease liabilities		22,854	21,736
Other creditors	(a)	315,027	273,007
Provision on financing and credit related commitments	(b)	31,462	32,485
		<b>656,070</b>	<b>625,593</b>

(a) Other creditors

Included in other creditors is income from Shariah non-compliant activities. The income is to be distributed to charity organisations approved by the Shariah Committee. There is no Shariah Non-Compliant event identified during the financial period (2023: Two events).

**Source and use of charity funds**

	31 Mar 2024 RM'000	31 Dec 2023 RM'000
Balance at 1 January	117	3
Shariah non-compliant income for the financial period/year <sup>[1]</sup>	209	231
Contribution to non-profit organisations	–	(117)
Balance at 31 March/31 December	<b>326</b>	<b>117</b>

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

(b) Refer to Note 18(ii) for movement in provision.

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

**26 Share Capital and Other Equity**

	31 Mar 2024		31 Dec 2023	
	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 2024 /				
31 December 2023	<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>

The Additional Tier 1 USD Wakalah Financing Facility (the Facility) was issued by the Bank to its immediate holding company, HSBC Bank Malaysia Berhad (HBMY), on 19 August 2022. 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 2024</b>	31 Mar 2023
	<b>RM'000</b>	RM'000
Income derived from investment of:		
(i) Term deposit	<b>138,148</b>	118,149
(ii) Other deposits	<b>89,049</b>	82,398
	<b>227,197</b>	200,547
(i) Income derived from investment of term deposits		
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	<b>114,240</b>	103,985
- Recoveries from impaired financing	<b>3,328</b>	5,588
Financial investments at FVOCI	<b>9,768</b>	5,005
Money at call and deposit with financial institutions	<b>15,331</b>	23,094
Financial investments at amortised cost	<b>6,069</b>	3,601
	<b>148,736</b>	141,273
<u>Other operating income:</u>		
Realised gain/(loss) from dealing in foreign currency	<b>6,208</b>	(12,044)
Unrealised gain from dealing in foreign currency	<b>2,320</b>	19,063
Unrealised loss from revaluation of financial assets at FVTPL	<b>(31)</b>	-
Realised loss from trading in derivatives	<b>(7,141)</b>	(974)
Unrealised gain from trading in derivatives	<b>9,889</b>	16,333
Net financing income from financial assets at FVTPL	<b>301</b>	-
Net expense from financial liabilities designated at FVTPL	<b>(22,134)</b>	(45,502)
	<b>(10,588)</b>	(23,124)
	<b>138,148</b>	118,149
(ii) Income derived from investment of other deposits		
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	<b>63,469</b>	52,357
- Recoveries from impaired financing	<b>1,849</b>	2,813
Financial investments at FVOCI	<b>5,427</b>	2,520
Money at call and deposit with financial institutions	<b>8,518</b>	11,628
Financial investments at amortised cost	<b>3,372</b>	1,813
	<b>82,635</b>	71,131

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

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

	31 Mar 2024 RM'000	31 Mar 2023 RM'000
(ii) Income derived from investment of other deposits (Cont'd)		
<u>Other operating income:</u>		
Realised gain/(loss) from dealing in foreign currency	3,449	(6,064)
Unrealised gain from dealing in foreign currency	1,289	9,598
Unrealised loss from revaluation of financial assets at FVTPL	(17)	–
Realised loss from trading in derivatives	(3,968)	(491)
Unrealised gain from trading in derivatives	5,494	8,224
Net financing income from financial assets at FVTPL	167	–
	<u>6,414</u>	<u>11,267</u>
	<u>89,049</u>	<u>82,398</u>

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

	31 Mar 2024 RM'000	31 Mar 2023 RM'000
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	26,436	19,618
- Recoveries from impaired financing	770	1,054
Financial investments at FVOCI	2,260	944
Money at call and deposit with financial institutions	3,548	4,357
Financial investments at amortised cost	1,404	679
	<u>34,418</u>	<u>26,652</u>
<u>Other operating income:</u>		
Fee commission <sup>[1]</sup>	22,148	17,462
Realised gain/(loss) from dealing in foreign currency	1,437	(2,272)
Unrealised gain from dealing in foreign currency	537	3,596
Unrealised loss from revaluation of financial assets at FVTPL	(7)	–
Realised loss from trading in derivatives	(1,652)	(184)
Unrealised gain from trading in derivatives	2,288	3,082
Net financing income from financial assets at FVTPL	70	–
Shared-service fees from holding company	275	302
Other income/(expense)	105	(90)
	<u>25,201</u>	<u>21,896</u>
	<u>59,619</u>	<u>48,548</u>

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

Service charges and fees	3,854	4,688
Credit cards	6,624	6,028
Credit facilities	2,736	3,162
Agency fee	7,883	2,600

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

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

	<b>31 Mar 2024</b>	31 Mar 2023
	<b>RM'000</b>	RM'000
(Net release)/increase in allowance/provision	<b>(6,487)</b>	62,743
Recoveries	<b>(12,692)</b>	(17,028)
Written off	<b>38</b>	2
<b>Total (write-back from)/charge to statement of profit or loss</b>	<b>(19,141)</b>	45,717

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

**(i) Financing and advances**

Net (release)/increase in allowance	<b>(5,366)</b>	59,211
Recoveries	<b>(12,692)</b>	(17,028)
Written off	<b>38</b>	2
<b>Total (write-back from)/charge to statement of profit or loss</b>	<b>(18,020)</b>	42,185

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

Net release in allowance/provision	<b>(32)</b>	(2)
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**(iii) Financing commitments**

Net (release)/increase in allowance/provision	<b>(1,118)</b>	3,357
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**(iv) Financial investment at FVOCI**

Net release in allowance/provision	<b>(20)</b>	(53)
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**(v) Financial investments at amortised costs**

Net increase in allowance/provision	<b>49</b>	230
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**30 Income Attributable to Depositors**

	<b>31 Mar 2024</b>	31 Mar 2023
	<b>RM'000</b>	RM'000
Non-Mudharabah Fund		
Deposits from customers	<b>79,450</b>	62,005
Deposits and placements of banks and other financial institutions	<b>16,100</b>	17,456
Lease liabilities	<b>252</b>	259
Others	<b>234</b>	5,195
	<b>96,036</b>	84,915

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

**31 Operating Expenses**

	<b>31 Mar 2024</b>	31 Mar 2023
	<b>RM'000</b>	RM'000
Personnel expenses	<b>8,762</b>	9,360
Promotion and marketing related expenses	<b>2,408</b>	948
Establishment related expenses	<b>3,980</b>	3,886
General administrative expenses	<b>4,824</b>	4,414
Related company expenses	<b>48,230</b>	40,018
	<b>68,204</b>	58,626
Personnel expenses		
Salaries, allowances and bonuses	<b>6,802</b>	7,354
Employees Provident Fund contributions	<b>1,215</b>	1,337
Share based payment	<b>14</b>	43
Other staff related costs	<b>731</b>	626
	<b>8,762</b>	9,360
Establishment related expenses		
Depreciation of equipment	<b>532</b>	478
Depreciation of ROU assets	<b>1,482</b>	1,453
Information technology costs	<b>1,120</b>	697
General repairs and maintenance	<b>480</b>	868
Utilities	<b>245</b>	274
Others	<b>121</b>	116
	<b>3,980</b>	3,886
Related company charges	<b>48,230</b>	40,018
Of which by:		
(i) Type of service		
- Information technology related cost	<b>9,742</b>	8,057
- Non information technology related cost	<b>38,488</b>	31,961
(ii) Country/ territory		
- Malaysia	<b>48,179</b>	39,721
- Others	<b>51</b>	297

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

**32 Capital Adequacy**

	<b>31 Mar 2024</b>	31 Dec 2023
	<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>1,840,322</b>	1,888,712
Other reserves	<b>58,467</b>	29,355
Regulatory adjustments	<b>(101,506)</b>	(53,229)
Total CET1 capital	<b>2,457,283</b>	2,524,838
<b>Tier 1 capital</b>		
Additional Tier 1 capital	<b>501,063</b>	501,063
Total Tier 1 capital	<b>2,958,346</b>	3,025,901
<b>Tier 2 capital</b>		
Impairment allowance (unimpaired portion) & regulatory reserves	<b>173,258</b>	168,645
Total Tier 2 capital	<b>173,258</b>	168,645
<b>Capital base</b>	<b>3,131,604</b>	3,194,546
<u>Before deducting proposed dividend</u>		
CET1 Capital Ratio	<b>16.161 %</b>	17.041 %
Tier 1 Capital Ratio	<b>19.456 %</b>	20.423 %
Total Capital Ratio	<b>20.595 %</b>	21.561 %
<u>After deducting proposed dividend</u>		
CET1 Capital Ratio	<b>15.808 %</b>	16.679 %
Tier 1 Capital Ratio	<b>19.103 %</b>	20.061 %
Total Capital Ratio	<b>20.242 %</b>	21.199 %

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. The transitional arrangement has ended with effect from 1 January 2024.

**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 as at 31 December 2023 with comparison of:

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

	31 Dec 2023	
	With Transitional Arrangement (%)	Without Transitional Arrangement (%)
<u>Before deducting proposed dividend</u>		
CET1 Capital Ratio	17.041 %	16.909 %
Tier 1 Capital Ratio	20.423 %	20.290 %
Total Capital Ratio	<u>21.561 %</u>	<u>21.429 %</u>
<u>After deducting proposed dividend</u>		
CET1 Capital Ratio	16.679 %	16.546 %
Tier 1 Capital Ratio	20.061 %	19.928 %
Total Capital Ratio	<u>21.199 %</u>	<u>21.066 %</u>

Breakdown of RWA in the various categories of risk weights:

	31 Mar 2024	31 Dec 2023
	RM'000	RM'000
Total RWA for credit risk	<b>13,860,613</b>	13,491,613
Total RWA for market risk	<b>146,427</b>	158,723
Total RWA for operational risk	<b>1,198,416</b>	1,165,851
	<u><b>15,205,456</b></u>	<u>14,816,187</u>

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

### 33 Commitments and Contingencies

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

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

<b>Principal amount</b>	<b>31 Mar 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
Direct credit substitutes	<b>23,579</b>	33,709
Transaction-related contingent items	<b>1,907,094</b>	2,226,484
Short-term self-liquidating trade-related contingencies	<b>157,280</b>	163,655
Formal standby facilities and credit lines		
- Maturity not exceeding one year	<b>1,347,769</b>	1,084,116
- Maturity exceeding one year	<b>3,196,008</b>	3,287,101
Other unconditionally cancellable	<b>3,348,807</b>	3,250,120
Unutilised credit card lines	<b>3,313,681</b>	3,304,717
Equity related contracts		
- Less than one year	<b>727,547</b>	857,171
- One year to less than five years	<b>710,747</b>	704,367
Profit rate related contracts		
- Less than one year	<b>891,824</b>	1,068,453
- One year to less than five years	<b>1,035,544</b>	1,151,458
Foreign exchange related contracts		
- Less than one year	<b>16,325,772</b>	15,283,641
- One year to less than five years	<b>128,400</b>	–
- Over five years	–	136,252
	<b>33,114,052</b>	<b>32,551,244</b>

### 34 Performance Review, Economy and Prospects

#### Performance review

The Bank recorded a profit before tax (PBT) of RM141.7 million for the financial period ended 31 March 2024, an increase of RM81.9 million year-on-year. The increase in PBT was mainly due to impairment write-back of RM19.1 million compared to a net charge of RM45.7 million last year, coupled with higher operating income by RM26.6 million, mainly from higher net financing income. This was partly offset by higher operating expenses by RM9.6 million.

Total balance sheet as at 31 March 2024 stood at RM21.7 billion, an increase of RM0.4 billion compared to 31 December 2023 of RM21.3 billion. The Bank's capital and liquidity ratios remained strong and were well above the regulatory requirements.

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

### 34 Performance Review, Economy and Prospects (Cont'd)

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#### Economy and Prospects

Despite the challenging external environment in 2023, Malaysia's Gross Domestic Product (GDP) expanded by 3.7% in 2023 (2022: 8.7%), supported by resilient domestic demand and further recovery in tourism activities, albeit at a slower pace due to lower export.

The growth is expected to continue in 2024 with Bank Negara Malaysia (BNM) projecting GDP to grow between 4.0% to 5.0% in 2024. The growth projection is estimated to be anchored by resilient domestic expenditure, rebound in trade activity and higher inbound tourism. Investments supported by new and ongoing multi-year projects as well as implementation of national master plans will also contribute to growth. Nevertheless, the growth outlook remains subject to downside risks arising from both global and domestic factors, such as weaker-than-expected external demand, further escalation of geopolitical conflicts and declines in commodity production.

In 2023, BNM raised the Overnight Policy Rate (OPR) to pre-pandemic level of 3.00%, and with that, fully withdrawing the policy stimulus provided during the COVID-19 crisis. However, greater policy rate increases in other countries have affected the strength of ringgit against other currencies. Going forward, the monetary policy is expected to remain conducive to sustainable economic growth while managing potential risk to inflation.

With the economic landscape, the Bank and its parent company, HSBC Bank Malaysia Berhad, collectively referred to as "HSBC Malaysia", continue to be a key player in Malaysia's development narrative, supporting several generations of stakeholders in the country since its establishment. 2024 marks HSBC's 140th year anniversary in Malaysia and is a milestone celebration of our longstanding commitment to supporting the country and community. Since the opening of HSBC's first office in Malaysia, in Penang in 1884, we have supported and will continue to support our customers and communities, growing and prospering together.

In the first quarter of 2024, HSBC announced a USD1 billion ASEAN Growth Fund in six of the fastest growing countries in ASEAN, including Malaysia, to help scale up platform players in the region's booming digital economy. It supports new economy names, more established corporates, and non-bank financial institutions by assessing operating metrics tied to their cashflow-generative asset portfolio, rather than relying solely on traditional financial metrics. Our Wealth and Personal Banking (WPB) business has also successfully launched Premier Elite, an elevated service designed to meet the needs of high-net-worth individuals. Premier Elite synergizes HSBC's core competencies of international and wealth management services with lifestyle solutions that go beyond traditional banking offerings.

On the sustainability front, the Bank acted as the joint principal adviser, joint lead arranger and joint lead manager of a sukuk programme as well as sole sustainability structuring coordinator and sole Shariah adviser for the first social sukuk issued by a real estate developer in Malaysia. The sukuk proceeds will be allocated to affordable housing.

For the fourth consecutive year, HSBC Malaysia is accorded "Digital Bank of the Year" by The Asset Triple A Digital Awards 2024. We are also awarded the "Best Bank for Sustainable Finance – International" as part of The Asset Triple A Sustainable Finance Awards 2024. This reinforces the strength of our capabilities in both the areas of digital and sustainability.

The Bank also won several other awards including the "Best Sustainability Sukuk" by The Asset Triple A Sustainable Finance Awards 2024, and the "IFN Wakalah Deal of the Year" from the IFN Deals of the Year 2023 Awards.

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