

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(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 BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2024

	Note	Group		Bank	
		31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
		RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	12	8,784,706	10,643,890	7,540,556	7,973,830
Securities purchased under resale agreements		9,385,954	10,743,446	9,266,687	10,626,344
Deposits and placements with banks and other financial institutions	13	–	–	1,055,266	575,986
Financial assets at fair value through profit and loss (FVTPL)	14	7,423,008	3,679,907	7,325,728	3,679,907
Financial investments at fair value through other comprehensive income (FVOCI)	15	15,259,321	13,857,738	12,783,070	12,000,449
Financial investments at amortised cost	16	9,332,870	7,512,842	7,756,709	6,522,926
Loans, advances and financing	17	45,811,423	46,378,326	31,228,235	32,357,115
Derivative financial assets	38	1,053,733	1,543,039	1,092,398	1,605,290
Other assets	20	1,807,170	1,160,266	1,867,636	1,244,535
Statutory deposits with Bank Negara Malaysia	21	659,495	608,437	397,505	366,176
Investments in subsidiary companies	22	–	–	1,161,084	1,161,084
Property and equipment		994,739	1,010,903	990,234	1,006,163
Intangible assets		13,617	14,581	13,617	14,581
Tax recoverable		20,850	20,850	20,850	20,850
Deferred tax assets		204,858	203,023	164,745	163,175
Property held for sale	23	15,551	8,377	15,551	8,377
Total assets		100,767,295	97,385,625	82,679,871	79,326,788
Liabilities					
Deposits from customers	24	73,594,367	71,932,699	59,725,377	57,989,144
Deposits and placements from banks and other financial institutions	25	3,286,198	3,157,796	3,471,625	3,341,385
Bills payable		181,848	278,595	164,525	268,307
Derivative financial liabilities	38	974,121	1,575,994	976,560	1,580,597
Structured liabilities designated at fair value through profit and loss	26	4,675,376	4,589,420	2,833,403	2,649,922
Other liabilities	27	5,103,514	3,403,661	4,610,208	2,988,513
Provision for taxation		202,976	132,569	154,639	112,096
Total liabilities		88,018,400	85,070,734	71,936,337	68,929,964
Equity					
Share capital and other equity	28	2,545,875	2,545,875	2,545,875	2,545,875
Reserves		10,203,020	9,769,016	8,197,659	7,850,949
Total equity attributable to owner of the Group and the Bank		12,748,895	12,314,891	10,743,534	10,396,824
Total liabilities and equity		100,767,295	97,385,625	82,679,871	79,326,788
Commitments and contingencies	37	209,879,836	213,211,422	199,673,304	203,522,560

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2023 and the accompanying explanatory notes on pages 10 to 43 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 26 April 2024.

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

	<i>Note</i>	<i>Group</i>		<i>Bank</i>	
		31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
		RM'000	RM'000	RM'000	RM'000
Interest income	29	758,710	654,469	774,805	671,922
Interest expense	29	(278,910)	(200,722)	(280,771)	(203,427)
Net interest income	29	479,800	453,747	494,034	468,495
Fee and commission income	30	151,403	113,323	150,986	113,179
Fee and commission expense	30	(26,190)	(25,853)	(26,190)	(25,853)
Net fee and commission income	30	125,213	87,470	124,796	87,326
Net trading income	31	112,832	97,593	189,262	215,817
Net income/(expense) from financial liabilities designated at fair value		3,964	(22,810)	3,964	(22,810)
Income from Islamic banking operations	32	280,752	296,706	–	–
Other operating income	33	19,742	18,709	84,492	68,339
Operating income before impairment losses		1,022,303	931,415	896,548	817,167
Impairment write-back/(provision)	34	17,193	(76,389)	(1,948)	(30,672)
Net operating income		1,039,496	855,026	894,600	786,495
Other operating expenses	35	(454,852)	(413,745)	(433,238)	(392,568)
Profit before tax		584,644	441,281	461,362	393,927
Tax expense		(144,962)	(109,177)	(109,817)	(94,337)
Profit for the financial period		439,682	332,104	351,545	299,590
Profit attributable to the owner of the Group and the Bank		439,682	332,104	351,545	299,590
Basic earnings per RM0.50 ordinary share		192.0 sen	145.0 sen	153.5 sen	130.8 sen

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2023 and the accompanying explanatory notes on pages 10 to 43 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 26 April 2024.

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	439,682	332,104	351,545	299,590
Other comprehensive (expense)/income				
<i>Items that will not be reclassified to profit or loss</i>				
Revaluation reserve:				
Deficit on revaluation properties	(875)	–	(875)	–
Income tax effect	–	1,268	–	1,268
Own credit reserve:				
Change in fair value	(2,787)	46	(808)	975
Income tax effect	669	(11)	194	(234)
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i>				
Fair value through other comprehensive income reserve (debt instruments):				
Change in fair value	(2,916)	47,543	(3,791)	39,724
Amount transferred to profit or loss	(1,492)	(9,201)	(1,492)	(9,201)
Impairment write-back	(60)	(93)	(40)	(40)
Income tax effect	1,058	(9,202)	1,268	(7,326)
Other comprehensive (expense)/income for the financial period, net of income tax	(6,403)	30,350	(5,544)	25,166
Total comprehensive income for the financial period	433,279	362,454	346,001	324,756
Total comprehensive income attributable to the owner of the Group and the Bank	433,279	362,454	346,001	324,756

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2023 and the accompanying explanatory notes on pages 10 to 43 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 26 April 2024.

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

Group (RM'000)	Non-distributable						Distributable		Total equity
	Share capital		Revaluation reserve	FVOCI reserve	Own credit reserve	Capital contribution reserve	Regulatory reserve	Retained profits	
	Ordinary shares	Preference shares							
2024									
Balance at 1 January	1,045,875	1,500,000	131,503	163,985	(8,588)	92,689	367,100	9,022,327	12,314,891
Profit for the financial period	-	-	-	-	-	-	-	439,682	439,682
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(345)	-	-	-	-	345	-
Deficit on revaluation of properties	-	-	(875)	-	-	-	-	-	(875)
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	(2,216)	(2,118)	-	-	-	(4,334)
Net amount transferred to profit or loss	-	-	-	(1,134)	-	-	-	-	(1,134)
Impairment write-back	-	-	-	(60)	-	-	-	-	(60)
<i>Total other comprehensive (expense)/income</i>	-	-	(1,220)	(3,410)	(2,118)	-	-	345	(6,403)
Total comprehensive (expense)/income for the financial year	-	-	(1,220)	(3,410)	(2,118)	-	-	440,027	433,279
Net change in regulatory reserves	-	-	-	-	-	-	39,000	(39,000)	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	4,425	-	(3,700)	725
Balance at 31 March	1,045,875	1,500,000	130,283	160,575	(10,706)	97,114	406,100	9,419,654	12,748,895

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

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

Group (RM'000)	Non-distributable						Distributable		Total equity
	Share capital		Revaluation reserve	FVOCI reserve	Own credit reserve	Capital contribution reserve	Regulatory reserve	Retained profits	
	Ordinary shares	Preference shares							
2023									
Balance at 1 January	1,045,875	1,500,000	159,542	130,260	(6,241)	98,247	434,500	8,295,717	11,657,900
Profit for the financial period	–	–	–	–	–	–	–	332,104	332,104
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	–	–	(330)	–	–	–	–	330	–
Deferred tax adjustment on revaluation reserve	–	–	1,268	–	–	–	–	–	–
FVOCI reserve/Own credit reserve									
Net change in fair value	–	–	–	36,133	35	–	–	–	36,168
Net amount transferred to profit or loss	–	–	–	(6,993)	–	–	–	–	(6,993)
Impairment write-back	–	–	–	(93)	–	–	–	–	(93)
<i>Total other comprehensive income</i>	–	–	938	29,047	35	–	–	330	30,350
Total comprehensive (expense)/income for the financial period	–	–	938	29,047	35	–	–	332,434	362,454
Net change in regulatory reserves	–	–	–	–	–	–	(92,300)	92,300	–
Transactions with the owner, recorded directly in equity									
Share based payment transactions	–	–	–	–	–	(924)	–	(120)	(1,044)
Balance at 31 March	1,045,875	1,500,000	160,480	159,307	(6,206)	97,323	342,200	8,720,331	12,019,310

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

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

Bank (RM'000)	<i>Non-distributable</i>						<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>		<i>Revaluation reserve</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
	<i>Ordinary shares</i>	<i>Preference shares</i>							
2024									
Balance at 1 January	1,045,875	1,500,000	131,503	166,300	(4,081)	92,312	331,300	7,133,615	10,396,824
Profit for the financial period	-	-	-	-	-	-	-	351,545	351,545
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(345)	-	-	-	-	345	-
Deficit on revaluation of properties	-	-	(875)	-	-	-	-	-	(875)
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	(2,881)	(614)	-	-	-	(3,495)
Net amount transferred to profit or loss	-	-	-	(1,134)	-	-	-	-	(1,134)
Impairment write-back	-	-	-	(40)	-	-	-	-	(40)
<i>Total other comprehensive (expense)/income</i>	-	-	(1,220)	(4,055)	(614)	-	-	345	(5,544)
Total comprehensive (expense)/income for the financial year	-	-	(1,220)	(4,055)	(614)	-	-	351,890	346,001
Net change in regulatory reserves	-	-	-	-	-	-	9,100	(9,100)	-
Transactions with the owner, recorded directly in equity									
Share based payment transactions	-	-	-	-	-	4,354	-	(3,645)	709
Balance at 31 March	<u>1,045,875</u>	<u>1,500,000</u>	<u>130,283</u>	<u>162,245</u>	<u>(4,695)</u>	<u>96,666</u>	<u>340,400</u>	<u>7,472,760</u>	<u>10,743,534</u>

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

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

Bank (RM'000)	<i>Non-distributable</i>						<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>		<i>Revaluation reserve</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
	<i>Ordinary shares</i>	<i>Preference shares</i>							
2023									
Balance at 1 January	1,045,875	1,500,000	159,542	140,089	(1,110)	97,756	360,700	6,773,756	10,076,608
Profit for the financial period	–	–	–	–	–	–	–	299,590	299,590
Other comprehensive income, net of income tax									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	–	–	(330)	–	–	–	–	330	–
Deferred tax adjustment on revaluation reserve	–	–	1,268	–	–	–	–	–	–
FVOCI reserve/Own credit reserve									
Net change in fair value	–	–	–	30,190	741	–	–	–	30,931
Net amount transferred to profit or loss	–	–	–	(6,993)	–	–	–	–	(6,993)
Impairment write-back	–	–	–	(40)	–	–	–	–	(40)
<i>Total other comprehensive income</i>	–	–	938	23,157	741	–	–	330	25,166
Total comprehensive income for the financial year	–	–	938	23,157	741	–	–	299,920	324,756
Net change in regulatory reserves	–	–	–	–	–	–	(46,800)	46,800	–
Transactions with the owner, recorded directly in equity									
Share based payment transactions	–	–	–	–	–	(893)	–	(127)	(1,020)
Balance at 31 March	1,045,875	1,500,000	160,480	163,246	(369)	96,863	313,900	7,120,349	10,400,344

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2023 and the accompanying explanatory notes on pages 10 to 43 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 26 April 2024.

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
	RM'000	RM'000	RM'000	RM'000
Profit before tax	584,644	441,281	461,362	393,927
Adjustments for non-operating and non-cash items	(44,410)	582,938	(144,693)	344,964
Operating profit before working capital changes	540,234	1,024,219	316,669	738,891
Changes in working capital:				
Net changes in operating assets	(2,043,315)	2,944,596	(1,722,062)	2,687,207
Net changes in operating liabilities	2,856,322	(34,563)	2,965,821	293,768
Income tax paid	(74,729)	(129,256)	(67,383)	(98,290)
Net cash generated from operations	1,278,512	3,804,996	1,493,045	3,621,576
Net cash used in investing activities	(3,137,696)	(3,465,285)	(1,926,319)	(3,031,013)
Net cash generated from financing activities	–	213	–	–
	(3,137,696)	(3,465,072)	(1,926,319)	(3,031,013)
Net changes in cash and cash equivalents	(1,859,184)	339,924	(433,274)	590,563
Cash and cash equivalents at 1 January	10,643,890	17,585,339	7,973,830	13,067,553
Cash and cash equivalents at 31 March	8,784,706	17,925,263	7,540,556	13,658,116
Analysis of cash and cash equivalents				
Cash and short-term funds	8,784,706	17,925,263	7,540,556	13,658,116

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2023 and the accompanying explanatory notes on pages 10 to 43 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 26 April 2024.

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2024 (Cont'd)

Change in liabilities arising from financing activities

Group (RM'000)

2024

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

	At 1 Jan	Cash outflow	Fair value movement	Interest/ Profit accrual	At 31 Mar
<u>2023</u>					
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
	510,072	213	(1,805)	5,089	513,569

Bank (RM'000)

There are no movements in the change in liabilities arising from financing activities for the financial period ended 31 March 2024 and 31 March 2023.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2023 and the accompanying explanatory notes on pages 10 to 43 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 26 April 2024.

HSBC BANK MALAYSIA BERHAD
(Company No. 198401015221 (127776-V))
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

HSBC Bank Malaysia Berhad (the Bank) is principally engaged in the provision of banking and other related financial services. The subsidiaries of the Bank are principally engaged in the businesses of Islamic Banking and nominee services. Islamic Banking operations refer generally to the acceptance of deposits and granting of financing under the principles of Shariah. The Bank and its subsidiaries are collectively known as 'the Group'.

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 the ultimate holding company during the financial period are The Hongkong and Shanghai Banking Corporation Limited (HBAP) 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 2024.

2 Basis of Preparation

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' and International Accounting Standard 34 'Interim Financial Reporting'. The unaudited condensed interim financial statements incorporate those activities relating to Islamic Banking which have been undertaken by the Bank's Islamic subsidiary.

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 Group and 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 Group and Bank since the financial year ended 31 December 2023.

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

The accounting policies, presentation, significant estimates and judgements adopted by the Group and 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 Group and the Bank.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2 Basis of Preparation (Cont'd)

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

A new amendment to standards and interpretations that is applicable to the Group and the Bank but is not yet effective has been issued.

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.

The above is not expected to have a significant effect on the financial statements of the Group and the Bank.

3 Functional and Presentation Currency

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

The audit report on the audited annual financial statements for the financial year ended 31 December 2023 was not subject to any qualification.

5 Seasonal or Cyclical Factors

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

6 Unusual Items due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and Bank for the financial period ended 31 March 2024.

7 Changes in Estimates

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 Group and Bank for the financial period ended 31 March 2024.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

8 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 31 March 2024.

9 Dividend

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

10 Carrying Amount of Revalued Assets

Property and equipment are stated at cost/valuation less accumulated depreciation and impairment losses (if any) except for freehold land which is stated at professional valuation. There was no change in the valuation of property and equipment that was brought forward from the previous audited financial statements for the financial year ended 31 December 2023 .

11 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.

12 Cash and Short-Term Funds

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	1,057,692	1,010,905	820,862	813,523
Money at call and interbank placements maturing within one month	7,727,014	9,632,985	6,719,694	7,160,307
	8,784,706	10,643,890	7,540,556	7,973,830

Included in Cash and Short-Term Funds of the Bank are placements with the Bank's wholly owned subsidiary, HSBC Amanah Malaysia Berhad (HBMS) of RM865.6 million (31 December 2023: RM882.6 million).

Money at call and interbank placements maturing within one month are within stage 1 allocation (12-month ECL) with impairment allowance of RM22,000 for the Group and RM20,000 for the Bank as at 31 March 2024 (31 December 2023: RM52,000 for the Group and RM43,000 for the Bank).

13 Deposits and Placements with Banks and Other Financial Institutions

Deposits and Placements with Banks and Other Financial Institutions of the Bank are in respect of placements with the Bank's wholly owned subsidiary, HSBC Amanah Malaysia Berhad (HBMS) of RM1,055.3 million (31 December 2023: RM576.0 million).

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government treasury bills	862,868	507,266	862,868	507,266
Malaysian Government Islamic treasury bills	1,429,784	570,649	1,332,504	570,649
Malaysian Government securities	4,151,099	1,656,897	4,151,099	1,656,897
Malaysian Government Islamic Sukuk	403,102	407,278	403,102	407,278
Cagamas bonds and notes	569,626	530,150	569,626	530,150
	7,416,479	3,672,240	7,319,199	3,672,240
Unquoted:				
Corporate bonds and Sukuk	6,529	7,667	6,529	7,667
	7,423,008	3,679,907	7,325,728	3,679,907

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Debt instruments				
Money market instruments:				
Bank Negara Malaysia bills	2,511,482	5,739,389	2,511,482	5,739,389
Bank Negara Malaysia Islamic bills	3,255,247	985,050	3,255,247	985,050
Malaysian Government Islamic treasury bills	2,374,732	2,888,122	749,850	1,502,015
Malaysian Government securities	4,325,244	2,673,148	4,325,244	2,673,148
Malaysian Government Islamic Sukuk	1,814,086	882,213	962,717	411,031
US treasury bond	742,554	453,840	742,554	453,840
	15,023,345	13,621,762	12,547,094	11,764,473
Equity instruments designated as FVOCI				
Unquoted Shares, of which:	235,976	235,976	235,976	235,976
<i>Cagamas Holdings Berhad</i>	193,633	193,633	193,633	193,633
<i>Credit Guarantee Corporation Malaysia Berhad</i>	35,464	35,464	35,464	35,464
<i>Others</i>	6,879	6,879	6,879	6,879
	15,259,321	13,857,738	12,783,070	12,000,449

The Group and the Bank have elected to designate these equity instruments at fair value through other comprehensive income as these instruments are held for business facilitation and not to generate a capital return. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Financial Investments at Fair Value through Other Comprehensive Income (FVOCI) (Cont'd)

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	12,784,676	12,659,679	10,418,359	10,802,390
More than one year to three years	553,765	734,957	553,765	734,957
More than three years to five years	1,179,904	227,126	1,069,970	227,126
Over five years	505,000	–	505,000	–
	15,023,345	13,621,762	12,547,094	11,764,473

There are no FVOCI balances that are pledged against Repurchase Agreement as at 31 March 2024 and 31 December 2023.

Financial investments at FVOCI are within stage 1 allocation (12-month ECL) with RM451,000 impairment allowance for the Group and RM361,000 for the Bank as at 31 March 2024 (31 December 2023: RM511,000 for the Group and RM401,000 for the Bank). 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 statements of financial position.

16 Financial Investments at Amortised Cost

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Debt instruments				
Money market instruments:				
Malaysian Government Islamic Sukuk	4,569,483	3,452,075	3,373,160	2,742,005
Malaysian Government securities	3,913,716	3,311,054	3,913,716	3,311,054
Unquoted:				
Corporate Sukuk	849,671	749,713	469,833	469,867
	9,332,870	7,512,842	7,756,709	6,522,926

Included in the financial investments at amortised cost of the Group and the Bank as at 31 March 2024 is Malaysian Government securities set aside as Deferred Net Settlement (DNS) collateral for Retail Payment Settlement in RENTAS amounting to RM60.0 million (31 December 2023: RM60.0 million). Withdrawal and substitution of DNS Collateral is subject to approval by Bank Negara Malaysia (BNM) and Payments Network Malaysia Sdn Bhd (PayNet).

Financial investments at amortised cost are within stage 1 allocation (12-month ECL) with RM1,312,000 impairment allowance for the Group and RM1,030,000 for the Bank as at 31 March 2024 (31 December 2023: RM1,012,000 for the Group and RM779,000 for the Bank).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Loans, Advances and Financing

(i) By type

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts/cash line	535,730	480,104	448,129	396,896
Term loans/financing:				
Housing loans/financing	14,035,314	14,319,956	10,417,573	10,662,797
Syndicated term loans/financing	2,529,975	2,515,606	1,140,099	1,136,398
Factoring receivables	2,474,344	2,237,652	2,474,344	2,237,652
Hire purchase receivables	179,186	198,575	–	–
Other term loans/financing	7,781,712	7,998,870	3,696,934	4,024,368
Bills receivable	3,605,661	5,049,206	2,320,809	3,967,309
Trust receipts	3,901,908	3,344,953	3,082,482	2,711,950
Claims on customers under acceptance credits	795,277	911,452	601,843	705,286
Staff loans/financing	41,470	43,066	40,286	41,809
Credit/charge cards	4,032,115	4,085,036	2,809,371	2,832,522
Revolving financing	6,660,417	6,000,696	4,645,368	4,100,741
Other loans/financing	10,030	10,187	7,334	7,554
Gross loans, advances and financing ^[1]	46,583,139	47,195,359	31,684,572	32,825,282
Less: - Impairment allowances	(771,716)	(817,033)	(456,337)	(468,167)
Total net loans, advances and financing	45,811,423	46,378,326	31,228,235	32,357,115

(i) By type (Cont'd)

^[1] Included in gross loans, advances and financing of the Bank are Syndicated Investment Account for Financing/Investment Agency Account (SIAF/IAA) financing which are disclosed as 'Asset Under Management' in the financial statements of HBMS. SIAF/IAA arrangement is with the Bank's wholly owned subsidiary, HBMS, and the contract is based on the Wakalah principle where the Bank, solely or together with other financial institutions provide the funds, whilst the assets are managed by HBMS (as the Wakeel or agent). However, in the arrangement, the profits of the underlying assets are recognised by the Bank proportionately in relation to the funding it provides in the syndication arrangement. At the same time, risks on the financing are also proportionately borne by the Bank. Hence, the underlying assets and allowances for impairment arising thereon, if any, are proportionately recognised and accounted for by the Bank. These comprise of the following types of financing:

	<i>Bank</i>	
	31 Mar 2024	31 Dec 2023
	RM'000	RM'000
Syndicated term financing	424,364	513,482
Other term financing	650,265	708,645
Revolving financing	770,472	770,403
Trade financing	16,059	19,908
Gross loans, advances and financing	1,861,160	2,012,438
Less: - Impairment allowances	(96,435)	(96,432)
Total net loans, advances and financing	1,764,725	1,916,006

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Loans, Advances and Financing (Cont'd)

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	825,778	673,327	606,513	532,950
Domestic business enterprises:				
Small medium enterprises	2,963,040	2,993,488	1,891,470	1,894,838
Others	18,298,234	17,214,467	12,603,618	11,865,359
Individuals	17,382,194	17,733,765	12,003,424	12,270,935
Other domestic entities	910	965	296	311
Foreign entities/individuals	7,112,983	8,579,347	4,579,251	6,260,889
	46,583,139	47,195,359	31,684,572	32,825,282

(iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	23,120,894	24,568,425	17,003,780	18,422,777
More than one year to three years	3,794,272	3,412,773	1,957,828	1,804,709
More than three years to five years	3,309,367	2,434,908	1,137,296	736,735
More than five years	16,358,606	16,779,253	11,585,668	11,861,061
	46,583,139	47,195,359	31,684,572	32,825,282

(iv) By interest/profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Hire purchase receivables	179,186	198,575	–	–
Other fixed rate loans/financing	13,003,533	14,396,455	8,888,613	10,625,782
Variable rate:				
Base Rate/Base Lending/Financing Rate	15,385,950	15,753,603	11,343,076	11,610,123
Cost-plus	18,014,470	16,846,726	11,452,883	10,589,377
	46,583,139	47,195,359	31,684,572	32,825,282

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Loans, Advances and Financing (Cont'd)

(v) By sector

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	31,186	30,771	26,045	25,233
Mining and quarrying	243,445	275,485	214,436	212,864
Manufacturing	8,225,431	7,607,033	6,497,821	6,054,667
Electricity, gas and water	297,765	286,538	233,502	223,925
Construction	2,338,116	2,390,637	1,295,773	1,352,555
Real estate	2,153,417	2,193,557	887,775	925,337
Wholesale & retail trade and restaurants & hotels	4,175,820	3,790,455	2,906,188	2,678,977
Transport, storage and communication	635,486	661,965	352,964	398,915
Finance, insurance and business services	3,445,411	3,199,267	2,406,986	2,247,449
Household-retail	19,945,752	20,348,184	14,115,689	14,425,256
Others	5,091,310	6,411,467	2,747,393	4,280,104
	46,583,139	47,195,359	31,684,572	32,825,282

(vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Purchase of property:				
Residential	14,055,851	14,341,726	10,437,863	10,684,317
Non residential	1,061,100	1,090,122	513,958	526,402
Purchase of securities	2,213	2,284	2,213	2,284
Purchase of transport vehicles	15,624	16,019	14,909	15,241
Purchase of fixed assets excluding land & building	179,556	198,979	–	–
Consumption credit	5,656,358	5,766,471	3,588,916	3,649,043
Construction	1,783,194	1,843,209	1,138,906	1,211,416
Working capital	19,229,051	17,921,155	13,470,054	12,579,545
Other purpose	4,600,192	6,015,394	2,517,753	4,157,034
	46,583,139	47,195,359	31,684,572	32,825,282

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17 Loans, Advances and Financing (Cont'd)

(vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Northern Region	6,141,582	6,076,304	4,799,536	4,727,293
Southern Region	6,180,576	6,169,065	4,382,469	4,405,066
Central Region	32,957,348	33,620,232	21,478,056	22,647,971
Eastern Region	1,303,633	1,329,758	1,024,511	1,044,952
	46,583,139	47,195,359	31,684,572	32,825,282

Concentration by location for loans, advances and financing is based on the location of branches where facilities were captured.

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 state of Selangor, the Federal Territory of Kuala Lumpur and the Federal Territory of Putrajaya.

The Eastern region consists of the states of Sabah, Sarawak and the Federal Territory of Labuan.

18 Impaired Loans, Advances and Financing

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount as at 1 January	1,805,575	2,769,319	1,192,126	1,797,388
Transfer within stages	27,831	(281,489)	14,083	(226,926)
Net changes in risk parameters - further repayments	(43,838)	(248,391)	(28,652)	(133,100)
Written-off	(53,588)	(433,864)	(24,498)	(245,236)
Gross carrying amount as at 31 March	1,735,980	1,805,575	1,153,059	1,192,126

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18 Impaired Loans, Advances and Financing (Cont'd)

(ii) By sector

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	6,554	6,707	6,102	6,255
Manufacturing	19,854	22,502	12,973	12,950
Electricity, gas and water	60,230	58,509	–	–
Construction	63,885	70,493	59,643	60,226
Real estate	75,134	80,488	72,053	77,242
Wholesale & retail trade, restaurants & hotels	24,991	22,734	13,008	13,321
Transport, storage and communication	3,406	3,706	410	525
Finance, insurance and business services	106,770	106,805	102,806	102,764
Household-retail	1,375,156	1,433,631	886,064	918,843
	1,735,980	1,805,575	1,153,059	1,192,126

(iii) By purpose

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Purchase of property:				
Residential	949,769	994,204	669,174	696,638
Non residential	21,262	21,214	13,283	13,720
Purchase of fixed assets excluding land & building	5,651	6,245	–	–
Consumption credit	420,982	435,932	215,557	220,837
Construction	39,213	40,121	34,971	35,276
Working capital	299,103	307,859	220,074	225,655
	1,735,980	1,805,575	1,153,059	1,192,126

(iv) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Northern Region	188,889	199,380	151,376	159,400
Southern Region	250,382	264,263	201,140	212,448
Central Region	1,247,768	1,289,809	762,065	778,893
Eastern Region	48,941	52,123	38,478	41,385
	1,735,980	1,805,575	1,153,059	1,192,126

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances

(i) Movements in ECL allowances for loans, advances and financing

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

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL not	ECL not	ECL	
	credit	credit	credit	
	impaired	impaired	impaired	Total
Group	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2024	78,954	220,552	517,527	817,033
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	48,373	(44,797)	(3,576)	–
- Transferred to stage 2	(6,359)	10,418	(4,059)	–
- Transferred to stage 3	(20)	(14,367)	14,387	–
New financial assets originated or purchased	6,102	–	–	6,102
Net remeasurement due to changes in credit risk and assets derecognised	(48,165)	19,833	30,247	1,915
Asset written-off	–	–	(53,588)	(53,588)
Others	–	–	254	254
Balance at 31 March 2024	78,885	191,639	501,192	771,716
Balance at 1 January 2023	68,437	155,477	883,670	1,107,584
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	89,662	(45,886)	(43,776)	–
- Transferred to stage 2	(7,162)	22,559	(15,397)	–
- Transferred to stage 3	(546)	(5,244)	5,790	–
New financial assets originated or purchased	18,704	–	–	18,704
Net remeasurement due to changes in credit risk and assets derecognised	(90,141)	93,646	124,496	128,001
Asset written-off	–	–	(433,864)	(433,864)
Others	–	–	(3,392)	(3,392)
Balance at 31 December 2023	78,954	220,552	517,527	817,033

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

Total ECL allowances decreased by RM45.3 million for the Group compared to the balance at the beginning of the year. This net decrease was mainly contributed by asset written off (RM53.6 million) partially offset by new financial assets originated or purchased (RM6.1 million) and remeasurement due to changes in credit risk and assets derecognised (RM1.9 million).

- 12-month ECL not credit impaired (stage 1) – decreased by RM69,000 for the Group, mainly from remeasurement due to changes in credit risk based on HSBC Group's model and assets derecognised, partially offset by net migration of loans, advances and financing from stages 2 and 3 due to improved credit quality and new financial assets originated or purchased.
- Lifetime ECL not credit-impaired (stage 2) – decreased by RM28.9 million for the Group, mainly from net migration of loans, advances and financing to stages 1 and 3, partially offset by remeasurement due to changes in credit risk and assets derecognised.
- Lifetime ECL credit-impaired (stage 3) – decreased by RM16.3 million for the Group, primarily from asset written-off, partially offset by net migration of loans, advances and financing from stages 1 and 2 and remeasurement due to changes in credit risk and assets derecognised.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances (Cont'd)

(i) Movements in ECL allowances for loans, advances and financing (Cont'd)

	Stage 1	Stage 2	Stage 3	
	12-month ECL not credit impaired	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
Bank				
Balance at 1 January 2024	45,178	103,335	319,654	468,167
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	18,448	(16,179)	(2,269)	–
- Transferred to stage 2	(3,208)	5,724	(2,516)	–
- Transferred to stage 3	(2)	(6,789)	6,791	–
New financial assets originated or purchased	3,011	–	–	3,011
Net remeasurement due to changes in credit risk and assets derecognised	(20,213)	12,534	18,051	10,372
Asset written-off	–	–	(24,498)	(24,498)
Others	–	–	(715)	(715)
Balance at 31 March 2024	43,214	98,625	314,498	456,337
Balance at 1 January 2023	35,476	82,333	487,453	605,262
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	58,623	(28,894)	(29,729)	–
- Transferred to stage 2	(3,227)	12,182	(8,955)	–
- Transferred to stage 3	(167)	(2,546)	2,713	–
New financial assets originated or purchased	10,994	–	–	10,994
Net remeasurement due to changes in credit risk and assets derecognised	(56,521)	40,260	117,622	101,361
Asset written-off	–	–	(245,236)	(245,236)
Others	–	–	(4,214)	(4,214)
Balance at 31 December 2023	45,178	103,335	319,654	468,167

The total ECL allowances decreased by RM11.8 million for the Bank compared to the balance at the beginning of the year. This net decrease was mainly contributed by asset written-off (RM24.5 million) partially offset by remeasurement due to changes in credit risk and assets derecognised (RM10.4 million) and new financial assets originated or purchased (RM3.0 million).

- 12-month ECL not credit impaired (stage 1) – decreased by RM2.0 million for the Bank mainly contributed by remeasurement due to changes in credit risk based on HSBC Group's model and assets derecognised, partially offset by net migration of loans and advances from stages 2 and 3 due to improved credit quality and new financial assets originated or purchased.
- Lifetime ECL not credit-impaired (stage 2) – decreased by RM4.7 million for the Bank, mainly due to net migration of loans and advances to stages 1 and 3, partially offset by remeasurement due to changes in credit risk and assets derecognised.
- Lifetime ECL credit-impaired (stage 3) – decreased by RM5.2 million, primarily from asset written-off, partially offset by net migration of loans and advances from stages 1 and 2 and remeasurement due to changes in credit risk and assets derecognised.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances movement (Cont'd)

(ii) Movements in ECL allowances for loan commitments

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Group				
Balance at 1 January 2024	9,569	7,228	72,844	89,641
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	627	(627)	-	-
- Transferred to stage 2	(74)	74	-	-
- Transferred to stage 3	-	-	-	-
New financial assets originated or purchased	286	-	-	286
Net remeasurement due to changes in credit risk and assets derecognised	(2,152)	(2,382)	2,795	(1,739)
Others	722	-	-	722
Balance at 31 March 2024	8,978	4,293	75,639	88,910
Balance at 1 January 2023	3,856	13,728	27,019	44,603
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	1,775	(1,775)	-	-
- Transferred to stage 2	(88)	88	-	-
- Transferred to stage 3	(151)	(16)	167	-
New financial assets originated or purchased	630	-	-	630
Net remeasurement due to changes in credit risk and assets derecognised	2,777	(4,797)	45,658	43,638
Others	770	-	-	770
Balance at 31 December 2023	9,569	7,228	72,844	89,641

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 ECL allowances movement (Cont'd)

(ii) Movements in ECL allowances for loan commitments (Cont'd)

	Stage 1	Stage 2	Stage 3	
	12-month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Bank				
Balance at 1 January 2024	6,836	5,225	45,095	57,156
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	553	(553)	–	–
- Transferred to stage 2	(55)	55	–	–
- Transferred to stage 3	–	–	–	–
New financial assets originated or purchased	234	–	–	234
Net remeasurement due to changes in credit risk and assets derecognised	(1,080)	(2,154)	2,665	(569)
Others	627	–	–	627
Balance at 31 March 2024	7,115	2,573	47,760	57,448
Balance at 1 January 2023	2,220	6,575	2,791	11,586
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	658	(658)	–	–
- Transferred to stage 2	(73)	73	–	–
- Transferred to stage 3	(83)	(7)	90	–
New financial assets originated or purchased	362	–	–	362
Net remeasurement due to changes in credit risk and assets derecognised	3,303	(758)	42,214	44,759
Others	449	–	–	449
Balance at 31 December 2023	6,836	5,225	45,095	57,156

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20 Other Assets

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Settlements	580,635	260,245	580,635	253,320
Interest/profit receivable	220,110	188,523	209,485	177,807
Income receivable	62,096	45,305	95,994	50,743
Deposits and prepayments	3,318	6,692	3,318	6,664
Amount due from subsidiary company	–	–	36,811	99,014
Rights of Use (ROU) assets	51,287	50,719	30,352	30,943
Cash collateral	275,783	255,205	275,783	255,205
Other receivables	613,941	353,577	635,258	370,839
	1,807,170	1,160,266	1,867,636	1,244,535

21 Statutory Deposits with Bank Negara Malaysia

The non-interest 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 Investments in Subsidiary Companies

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Investments in Subsidiary Companies				
Unquoted shares, at cost - in Malaysia	–	–	660,021	660,021
Additional Tier 1 USD Wakalah Financing Facility	–	–	501,063	501,063
	–	–	1,161,084	1,161,084

Unquoted shares, at cost - in Malaysia

The subsidiary companies of the Bank are as follows:

<i>Name</i>	<i>Principal activities</i>	<i>Percentage of equity held</i>	
		31 Mar 2024	31 Dec 2023
HSBC Amanah Malaysia Berhad (HBMS)	Islamic banking and related financial services	100%	100%
HSBC (Kuala Lumpur) Nominees Sdn Bhd	Nominees, trustees or agents to receive securities for safe custody and management	100%	100%
HSBC Nominees (Tempatan) Sdn Bhd		100%	100%
HSBC Nominees (Asing) Sdn Bhd		100%	100%

All income and expenditure arising from the activities of subsidiaries which are nominee companies were recognised in the Bank's results, in respect of which the right of recovery has been waived. None of the subsidiaries hold shares in holding company and other related corporations.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22 Investments in Subsidiary Companies (Cont'd)

Additional Tier 1 USD Wakalah Financing Facility

The Bank subscribed to a USD Wakalah Financing Facility (the Facility) equivalent to RM501 million issued by its subsidiary, HSBC Amanah Malaysia Berhad (HBMS) in August 2022. The Facility qualifies as Additional Tier 1 capital of HBMS as per the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by BNM.

The Facility will be perpetual with no fixed maturity and may be callable at the option of HBMS only 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 HBMS at all times) at the rate of compounded Secured Overnight Funding 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 in HBMS as per MFRS 132 'Financial instruments: Presentation'.

23 Property Held for Sale

Properties where the Bank has decided to dispose were reclassified from 'Property and Equipment' to 'Property Held for Sale'.

During the current year, the Bank has separately reclassified three other properties to 'Property Held for Sale'. The disposal of the properties is expected to be completed within a year of reclassification. These properties were measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification, resulting in the recognition of a property revaluation deficit of RM875,000 in the statement of comprehensive income. Depreciation ceases when the property is classified as property held for sale.

24 Deposits from Customers

(i) By type of deposit	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Demand deposits	27,344,656	26,534,021	23,958,291	23,198,935
Savings deposits	16,073,341	15,457,954	13,097,573	12,576,940
Fixed deposits	30,176,370	29,940,724	22,669,513	22,213,269
	73,594,367	71,932,699	59,725,377	57,989,144

The maturity structure of fixed deposits is as follows:

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Due within six months	24,049,462	23,767,823	17,933,520	17,430,562
More than six months to one year	5,233,157	5,252,505	4,111,529	4,134,230
More than one year to three years	623,198	694,873	431,036	486,253
More than three years to five years	270,503	225,500	193,378	162,201
Over five years	50	23	50	23
	30,176,370	29,940,724	22,669,513	22,213,269

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24 Deposits from Customers (Cont'd)

(ii) By type of customer	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	17,211	19,058	1,871	6,858
Business enterprises	29,315,844	29,351,258	25,678,627	25,930,901
Individuals	26,896,256	25,887,033	21,242,474	20,351,486
Foreign entities/individuals	15,363,834	14,922,587	11,543,629	10,894,099
Others	2,001,222	1,752,763	1,258,776	805,800
	73,594,367	71,932,699	59,725,377	57,989,144

25 Deposits and Placements from Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Licensed banks	34,835	48,945	234,221	248,331
Bank Negara Malaysia	182,994	181,674	174,747	165,888
Other financial institutions	3,068,369	2,927,177	3,062,657	2,927,166
	3,286,198	3,157,796	3,471,625	3,341,385

26 Structured Liabilities Designated at Fair Value through Profit or Loss

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Structured liabilities	4,675,376	4,589,420	2,833,403	2,649,922

Structured liabilities are measured at fair value over the life of the instruments. Structured liabilities are customer placements with embedded derivatives, of which both interest/profit paid and fair valuation on the structured liabilities are recorded in net income/(expense) from financial investments designated at fair value.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
	RM'000	RM'000	RM'000	RM'000
Settlements	1,523,272	256,083	1,519,616	251,568
Interest/profit payable	314,176	288,698	233,272	214,527
Deferred income	180,686	188,879	161,487	166,258
Marginal deposit	159,792	209,029	136,532	186,501
Amount due to subsidiary company	–	–	20,531	55,793
Accrued expenses	937,353	859,368	919,497	839,112
Lease liabilities	55,493	54,958	32,639	33,222
Cash collateral	248,305	200,860	248,305	200,860
Other creditors	1,595,527	1,256,145	1,280,881	983,516
Provisions on loan and credit related commitments; and financial guarantees ^[1]	88,910	89,641	57,448	57,156
	5,103,514	3,403,661	4,610,208	2,988,513

^[1] Refer to Note 19(ii) for movement in provision.

28 Share Capital and Other Equity

	<i>Group and Bank</i>			
	31 Mar 2024		31 Dec 2023	
	Number of Shares ('000)	RM'000	Number of Shares ('000)	RM'000
Share capital, issued and fully paid				
<u>Ordinary shares of RM0.50 each</u>				
At 1 January / 31 March 2024 / 31 December 2023	229,000	1,045,875	229,000	1,045,875
<u>Preference shares of RM1.00 each</u>				
At 1 January / 31 March 2024 / 31 December 2023	1,500,000	1,500,000	1,500,000	1,500,000
Total share capital and other equity	1,729,000	2,545,875	1,729,000	2,545,875

On 27 June 2022, the Group and the Bank issued non-cumulative and non-convertible redeemable perpetual preference shares amounting to RM1.5 billion. The preference shares qualify as Additional Tier 1 capital of the Group and the Bank as per the Capital Adequacy Framework (Capital Components) issued by Bank Negara Malaysia (BNM). The dividend rate of the preference shares is 3-month KLIBOR plus 36 basis points per annum. Dividend payments are non-cumulative and may be cancelled at the sole discretion of the Group and the Bank. On the occurrence of a trigger event as defined by BNM, the capital instruments will be written down at the point of non-viability. They rank higher than ordinary shares in the event of a wind-up. The capital instrument meets the requirements of equity classification as per MFRS 132.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

29 Net Interest Income

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans and advances				
- Interest income other than from impaired loans	395,837	361,969	395,837	361,969
- Interest income recognised from impaired loans	6,736	7,687	6,736	7,687
Money at call and deposit placements with financial institutions	163,218	150,653	179,313	168,106
Financial investments at FVOCI	128,497	93,256	128,497	93,256
Financial investments at amortised cost	64,422	40,904	64,422	40,904
	758,710	654,469	774,805	671,922
Interest expense				
Deposits and placements of banks and other financial institutions	(23,215)	(10,515)	(25,076)	(13,220)
Deposits from customers	(254,791)	(189,555)	(254,791)	(189,555)
Lease liabilities	(421)	(438)	(421)	(438)
Others	(483)	(214)	(483)	(214)
	(278,910)	(200,722)	(280,771)	(203,427)
Net interest income	479,800	453,747	494,034	468,495

30 Net Fee and Commission Income

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Credit cards	37,350	32,442	37,350	32,442
Service charges	36,156	30,332	36,156	30,332
Credit facilities	16,806	15,860	16,806	15,860
Agency	51,170	27,813	51,170	27,813
Others	9,921	6,876	9,504	6,732
	151,403	113,323	150,986	113,179
Fee and commission expense				
Debit/ credit cards	(20,103)	(19,535)	(20,103)	(19,535)
Interbank and clearing	(537)	(322)	(537)	(322)
Brokerage	(686)	(944)	(686)	(944)
Cash management	(401)	(303)	(401)	(303)
Others	(4,463)	(4,749)	(4,463)	(4,749)
	(26,190)	(25,853)	(26,190)	(25,853)
Net fee and commission income	125,213	87,470	124,796	87,326

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Net Trading Income

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
	RM'000	RM'000	RM'000	RM'000
Realised gains on financial assets/ liabilities at FVTPL and other financial instruments	3,654	4,562	3,654	4,562
Net interest income from financial assets at FVTPL	43,831	25,524	43,831	25,524
Net unrealised (losses)/gains on revaluation of financial assets at FVTPL	(9,007)	8,346	(9,007)	8,346
Net realised gains arising from dealing in foreign currency	94,263	449,526	93,832	449,988
Net unrealised (losses)/gains from dealing in foreign currency	(1,997)	(422,509)	80,768	(279,839)
Net realised (losses)/gains arising from dealing in derivatives	(117,862)	10,613	(105,816)	12,425
Net unrealised gains/(losses) on revaluation of derivatives	100,208	20,858	82,258	(5,862)
(Losses)/Gains arising from fair value hedges	(258)	673	(258)	673
	112,832	97,593	189,262	215,817

Net trading income for the Group is presented in both Note 31 and Note 32. A reconciliation of the net trading income for the Group is as follows:

	<i>Group</i>	
	31 Mar 2024	31 Mar 2023
	RM'000	RM'000
Total net trading income (net of elimination with subsidiary)	209,356	253,684
of which:		
- is disclosed in Note 31	112,832	97,593
- is included under Income from Islamic Banking operations of the Group (Note 32)	96,524	156,091

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Income from Islamic Banking operations

For consolidation with the conventional banking operations, the income from Islamic Banking operations as shown in the face of the consolidated statements of profit or loss and other comprehensive income, consists of the following items:

	<i>Group</i>	
	31 Mar 2024	31 Mar 2023
	RM'000	RM'000
Income derived from investment of:		
- depositor funds and others ^[1]	227,197	200,547
- shareholders funds	59,619	48,548
Total income before allowance for impairment losses on financing and advances	286,816	249,095
Income attributable to the depositors	(96,036)	(84,915)
Income from Islamic Banking operations before elimination	190,780	164,180
Elimination of intercompany income and expenses	89,972	132,526
Income from Islamic Banking operations reported in statement of profit or loss of the Group ^[2]	280,752	296,706
^[1] Included in the income derived from investment of depositors' funds and others are net expense on financial instruments designated at fair value through profit or loss for the period ended 31 March	(22,134)	(45,502)
^[2] Included in income from Islamic Banking operations reported in statement of profit or loss of the Group is net trading income for the period ended 31 March	96,524	156,091

33 Other Operating Income

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
	RM'000	RM'000	RM'000	RM'000
Loss on disposal of financial investments at FVOCI	(95)	–	(95)	–
Dividend income from financial investments at FVOCI				
- Unquoted in Malaysia	–	1,050	–	1,050
Dividend income from subsidiary	–	–	–	12,483
Discretionary coupon income on other equity instrument issued by subsidiary	–	–	18,435	–
Rental income	2,496	1,292	2,496	1,292
Income recharges from subsidiary	–	–	46,315	37,147
Other operating income	17,341	16,367	17,341	16,367
	19,742	18,709	84,492	68,339

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Impairment Provision/(Write-Back)

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	6,705	105,576	13,192	42,833
Recoveries	(23,943)	(29,838)	(11,251)	(12,810)
Written off	45	651	7	649
Total (write-back from)/charge to statement of profit or loss	(17,193)	76,389	1,948	30,672

Breakdown of the expected credit losses allowance by financial instruments type:

(i) Loan, advances and financing

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
	RM'000	RM'000	RM'000	RM'000
New and increased allowance (net of releases)	8,017	101,203	13,383	41,992
Recoveries	(23,943)	(29,838)	(11,251)	(12,810)
Written off	45	651	7	649
Total (write-back from)/charge to statement of profit or loss	(15,881)	72,016	2,139	29,831

(ii) Deposits and placements with banks and other financial institutions

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
	RM'000	RM'000	RM'000	RM'000
(Net release)/increase in allowance/provision	(95)	263	(63)	265

(iii) Debt securities - FVOCI

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
	RM'000	RM'000	RM'000	RM'000
Net release in allowance/provision	(63)	(93)	(43)	(40)

(iv) Financial investments at amortised costs

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
	RM'000	RM'000	RM'000	RM'000
Net increase in allowance/provision	299	434	250	204

(v) Loan commitments and contingencies

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
	RM'000	RM'000	RM'000	RM'000
Net (release)/increase in allowance/provision	(1,453)	3,769	(335)	412

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Other Operating Expenses

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	155,527	150,239	146,765	140,879
Promotion and marketing related expenses	12,447	8,504	10,039	7,556
Establishment related expenses	39,296	36,587	35,316	32,701
General administrative expenses	42,623	33,849	37,799	29,435
Related company charges	204,959	184,566	203,319	181,997
	454,852	413,745	433,238	392,568
Personnel expenses				
Salaries, allowances and bonuses	122,352	116,161	115,550	108,807
Employees Provident Fund contributions	20,544	20,038	19,329	18,701
Share based payment	2,223	3,063	2,209	3,020
Others	10,408	10,977	9,677	10,351
	155,527	150,239	146,765	140,879
Establishment related expenses				
Depreciation of property and equipment	13,669	8,895	13,137	8,417
Depreciation of ROU assets	3,448	3,174	1,966	1,721
Amortisation of intangible assets	1,242	1,692	1,242	1,692
Information technology costs	4,865	3,914	3,745	3,217
General repairs and maintenance	5,963	11,422	5,483	10,554
Utilities	1,294	1,580	1,049	1,306
Others	8,815	5,910	8,694	5,794
	39,296	36,587	35,316	32,701
Related company charges	204,959	184,566	203,319	181,997
Of which by:				
(i) Type of service				
- Information technology related cost	120,528	82,379	120,564	82,332
- Non information technology related cost	84,431	102,187	82,755	99,665
(ii) Countries/territories				
- Hong Kong	154,449	117,981	154,401	117,971
- United Kingdom	35,968	34,336	36,079	34,279
- Malaysia	17,229	20,236	15,640	17,964
- India	(9,710)	9,427	(9,821)	9,205
- Others	7,023	2,586	7,020	2,578

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Capital Adequacy

	<i>Group</i>	
	31 Mar 2024	31 Dec 2023
	RM'000	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	8,979,971	9,022,327
Other reserves	783,366	746,690
Regulatory adjustments	(912,914)	(833,065)
Total CET1 capital	9,896,298	9,981,827
Tier 1 capital		
Additional Tier 1 preference shares	1,500,000	1,500,000
Total Tier 1 capital	11,396,298	11,481,827
Tier 2 capital		
Impairment allowance (unimpaired portion) & regulatory reserves	633,694	612,218
Regulatory adjustments	58,627	59,176
Total Tier 2 capital	692,321	671,394
Capital base	12,088,619	12,153,221
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	16.838%	17.452%
Tier 1 Capital ratio	19.390%	20.075%
Total Capital ratio	20.568%	21.249%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	16.303%	16.903%
Tier 1 Capital ratio	18.855%	19.525%
Total Capital ratio	20.033%	20.699%

The total capital and capital adequacy ratios of the Group and the Bank have been computed based on Standardised Approach in accordance with the Bank Negara Malaysia (BNM)'s Guidelines on Capital Adequacy Framework (Capital Components).

For HBMS, a wholly owned subsidiary of the Bank, the total capital and capital adequacy ratios have been computed in accordance with the BNM's Guidelines on Capital Adequacy Framework for Islamic Banks (CAFIB). HBMS has adopted Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Capital Adequacy (Cont'd)

Breakdown of risk-weighted assets (RWA) in the various risk categories:

	<i>Group</i>	
	31 Mar 2024	31 Dec 2023
	RM'000	RM'000
Total RWA for credit risk ^[1]	50,695,486	48,977,450
Total RWA for market risk	1,856,539	2,212,482
Total RWA for operational risk	6,221,824	6,004,624
	58,773,849	57,194,556

^[1] The risk weighted amount for credit risk relating to the SIAF/IAA (refer to Note17(i) for more details) are as follows:

	<i>Group</i>	
	31 Mar 2024	31 Dec 2023
	RM'000	RM'000
Under SIAF/IAA arrangement	781,884	940,464

	<i>Bank</i>	
	31 Mar 2024	31 Dec 2023
	RM'000	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	7,121,214	7,133,615
Other reserves	724,899	717,335
Regulatory adjustments	(1,471,429)	(1,439,857)
Total CET1 capital	7,420,559	7,456,968
Tier 1 capital		
Additional Tier 1 preference shares	1,500,000	1,500,000
Regulatory adjustments	(501,063)	(501,063)
Total Tier 1 capital	8,419,496	8,455,905
Tier 2 capital		
Impairment allowance (unimpaired portion) & regulatory reserves	467,780	448,989
Regulatory adjustments	58,627	59,176
Total Tier 2 capital	526,407	508,165
Capital base	8,945,903	8,964,070

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	31 Mar 2024	31 Dec 2023
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	16.650%	17.261%
Tier 1 Capital ratio	18.892%	19.573%
Total Capital ratio	20.073%	20.749%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	15.945%	16.533%
Tier 1 Capital ratio	18.186%	18.845%
Total Capital ratio	19.367%	20.021%

The total capital and capital adequacy ratios have been computed based on Standardised Approach in accordance with the BNM's Guidelines on Capital Adequacy Framework (Capital Components).

Breakdown of RWA in the various risk categories:

	<i>Bank</i>	
	31 Mar 2024	31 Dec 2023
	RM'000	RM'000
Total RWA for credit risk ^[1]	37,422,409	35,919,082
Total RWA for market risk	1,710,112	2,053,759
Total RWA for operational risk	5,434,695	5,229,007
	44,567,216	43,201,848

^[1] The risk weighted amount for credit risk relating to the SIAF/IAA (refer to Note17(i) for more details) are as follows:

	<i>Bank</i>	
	31 Mar 2024	31 Dec 2023
	RM'000	RM'000
Under SIAF/IAA arrangement	781,884	940,464

Pursuant to BNM's Guidelines on Capital Adequacy Framework (Capital Component) issued on 9 December 2020 (the Guidelines), the Group and 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 CET1, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Capital Adequacy (Cont'd)

Group	With	Without
	Transitional Arrangement (%)	Transitional Arrangement (%)
	31 Dec 2023	31 Dec 2023
<u>Before deducting proposed dividend</u>		
CET1 Capital Ratio	17.452%	17.375%
Tier 1 Capital Ratio	20.075%	19.998%
Total Capital Ratio	21.249%	21.172%
<u>After deducting proposed dividend</u>		
CET1 Capital Ratio	16.903%	16.826%
Tier 1 Capital Ratio	19.525%	19.448%
Total Capital Ratio	20.699%	20.622%
Bank		
	With	Without
	Transitional Arrangement (%)	Transitional Arrangement (%)
	31 Dec 2023	31 Dec 2023
<u>Before deducting proposed dividend</u>		
CET1 Capital Ratio	17.261%	17.204%
Tier 1 Capital Ratio	19.573%	19.517%
Total Capital Ratio	20.749%	20.693%
<u>After deducting proposed dividend</u>		
CET1 Capital Ratio	16.533%	16.476%
Tier 1 Capital Ratio	18.845%	18.789%
Total Capital Ratio	20.021%	19.965%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 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 Group and of the Bank.

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
Principal amount	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	508,199	530,256	484,619	496,547
Transaction-related contingent items	11,573,164	11,582,381	9,686,406	9,332,307
Short-term self-liquidating trade-related contingencies	428,049	659,875	290,249	500,020
Formal standby facilities and credit lines				
- Maturity not exceeding one year	8,532,792	7,439,408	7,185,022	6,355,292
- Maturity exceeding one year	14,164,272	13,982,358	10,968,264	10,695,256
Other unconditionally cancellable	20,781,176	20,510,762	17,432,369	17,260,641
Unutilised credit card lines	13,587,291	13,366,131	10,273,610	10,061,414
Foreign exchange related contracts:				
- Less than one year	91,503,837	92,291,213	91,429,924	92,457,674
- Over one year to less than five years	6,224,349	5,277,349	6,224,349	5,277,349
- Over five years	209,175	334,593	209,175	334,593
Interest/profit rate related contracts:				
- Less than one year	15,838,796	24,728,621	16,700,041	25,854,970
- Over one year to less than five years	22,565,324	18,684,881	23,380,868	19,497,384
- Over five years	730,620	665,332	730,620	665,332
Gold and other precious metals contracts:				
- Less than one year	11,356	13,252	11,356	13,252
Equity related contracts:				
- Less than one year	1,408,998	1,220,865	2,143,478	2,091,734
- Over one year to less than five years	1,812,438	1,924,145	2,522,954	2,628,795
	209,879,836	213,211,422	199,673,304	203,522,560

of which the amount related to SIAF/IAA arrangement (refer to Note17(i) for more details) are as below:

	<i>Bank</i>	
	31 Mar 2024	31 Dec 2023
	RM'000	RM'000
<i>Formal standby facilities and credit lines:</i>		
- Maturity not exceeding one year	13,941	10,092
- Maturity exceeding one year	146,548	144,048
	160,489	154,140

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 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:

Group	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
At 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
Trading derivatives:												
Foreign exchange contracts												
- Forwards	89,207,869	1,239,850	5,033	90,452,752	466,197	6,735	8	472,940	362,209	3,376	-	365,585
- Swaps	1,956,547	4,977,389	204,142	7,138,078	62,180	254,640	10,677	327,497	112,527	168,590	28,180	309,297
- Options	339,421	7,110	-	346,531	2,049	85	-	2,134	1,061	-	-	1,061
Interest/profit rate related contracts												
- Options	333,679	594,901	-	928,580	-	394	-	394	1,514	189	-	1,703
- Swaps	14,005,117	21,970,423	730,620	36,706,160	56,980	142,948	7,379	207,307	61,282	142,492	11,705	215,479
Equity related contracts												
- Options	1,408,998	1,812,438	-	3,221,436	16,677	26,118	-	42,795	53,018	27,326	-	80,344
Precious metal contracts												
- Options	11,356	-	-	11,356	602	-	-	602	625	-	-	625
Sub- total	107,262,987	30,602,111	939,795	138,804,893	604,685	430,920	18,064	1,053,669	592,236	341,973	39,885	974,094
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	1,500,000	-	-	1,500,000	64	-	-	64	27	-	-	27
Sub- total	1,500,000	-	-	1,500,000	64	-	-	64	27	-	-	27
Total	108,762,987	30,602,111	939,795	140,304,893	604,749	430,920	18,064	1,053,733	592,263	341,973	39,885	974,121

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 Derivative Financial Instruments (Cont'd)

Details of derivative financial instruments outstanding are as follows (Cont'd):

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (Cont'd):

Group	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
At 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	89,052,940	866,386	–	89,919,326	747,621	18,975	–	766,596	738,391	4,362	–	742,753
- Swaps	2,991,785	4,410,963	334,593	7,737,341	62,134	269,588	8,247	339,969	126,217	163,900	31,882	321,999
- Options	246,488	–	–	246,488	1,077	–	–	1,077	1,407	–	–	1,407
Interest/profit rate related contracts												
- Options	771,054	583,972	–	1,355,026	372	859	–	1,231	7,883	93	–	7,976
- Swaps	22,457,567	18,100,909	665,332	41,223,808	93,728	138,098	11,690	243,516	90,534	140,127	17,506	248,167
Equity related contracts												
- Options	1,220,865	1,924,145	–	3,145,010	161,084	27,646	–	188,730	214,166	39,238	–	253,404
Precious metal contracts												
- Options	13,252	–	–	13,252	269	–	–	269	288	–	–	288
Sub- total	116,753,951	25,886,375	999,925	143,640,251	1,066,285	455,166	19,937	1,541,388	1,178,886	347,720	49,388	1,575,994
Hedging Derivatives:												
Fair Value Hedge												
Interest/profit rate related contracts												
- Swaps	1,500,000	–	–	1,500,000	1,651	–	–	1,651	–	–	–	–
Sub- total	1,500,000	–	–	1,500,000	1,651	–	–	1,651	–	–	–	–
Total	118,253,951	25,886,375	999,925	145,140,251	1,067,936	455,166	19,937	1,543,039	1,178,886	347,720	49,388	1,575,994

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 Derivative Financial Instruments (Cont'd)

Details of derivative financial instruments outstanding are as follows (Cont'd):

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (Cont'd):

Bank	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
At 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
Trading derivatives:												
Foreign exchange contracts												
- Forwards	89,133,956	1,239,850	5,033	90,378,839	457,865	6,735	8	464,608	360,243	3,376	-	363,619
- Swaps	1,956,547	4,977,389	204,142	7,138,078	62,180	254,664	10,677	327,521	112,570	168,749	28,180	309,499
- Options	339,421	7,110	-	346,531	2,049	85	-	2,134	1,061	-	-	1,061
Interest rate related contracts												
- Options	361,822	977,101	-	1,338,923	359	16,278	-	16,637	1,514	189	-	1,703
- Swaps	14,838,219	22,403,767	730,620	37,972,606	60,037	144,181	7,379	211,597	61,982	144,272	11,705	217,959
Equity related contracts												
- Options	2,143,478	2,522,954	-	4,666,432	28,265	40,970	-	69,235	54,377	27,690	-	82,067
Precious metal contracts												
- Options	11,356	-	-	11,356	602	-	-	602	625	-	-	625
Sub- total	108,784,799	32,128,171	939,795	141,852,765	611,357	462,913	18,064	1,092,334	592,372	344,276	39,885	976,533
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	1,500,000	-	-	1,500,000	64	-	-	64	27	-	-	27
Sub- total	1,500,000	-	-	1,500,000	64	-	-	64	27	-	-	27
Total	110,284,799	32,128,171	939,795	143,352,765	611,421	462,913	18,064	1,092,398	592,399	344,276	39,885	976,560

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 Derivative Financial Instruments (Cont'd)

Details of derivative financial instruments outstanding are as follows (Cont'd):

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (Cont'd):

Bank	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
At 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	89,219,401	866,386	–	90,085,787	744,614	18,975	–	763,589	737,609	4,362	–	741,971
- Swaps	2,991,785	4,410,963	334,593	7,737,341	62,028	269,588	8,228	339,844	126,218	163,900	32,058	322,176
- Options	246,488	–	–	246,488	1,077	–	–	1,077	1,407	–	–	1,407
Interest rate related contracts												
- Options	850,108	922,956	–	1,773,064	372	18,417	–	18,789	7,883	93	–	7,976
- Swaps	23,504,862	18,574,428	665,332	42,744,622	97,403	138,962	11,690	248,055	90,851	143,349	17,506	251,706
Equity related contracts												
- Options	2,091,734	2,628,795	–	4,720,529	188,917	43,099	–	232,016	215,781	39,292	–	255,073
Precious metal contracts												
- Options	13,252	–	–	13,252	269	–	–	269	288	–	–	288
Sub- total	118,917,630	27,403,528	999,925	147,321,083	1,094,680	489,041	19,918	1,603,639	1,180,037	350,996	49,564	1,580,597
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	1,500,000	–	–	1,500,000	1,651	–	–	1,651	–	–	–	–
Sub- total	1,500,000	–	–	1,500,000	1,651	–	–	1,651	–	–	–	–
Total	120,417,630	27,403,528	999,925	148,821,083	1,096,331	489,041	19,918	1,605,290	1,180,037	350,996	49,564	1,580,597

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39 Performance Review, Economy and Prospects

Performance Review

The Group recorded profit before tax (PBT) of RM584.6 million for the financial period ended 31 March 2024, marking an increase of RM143.4 million or 32.5% year-on-year. The increase in PBT is attributed to higher operating income, which amounted to RM1,022.3 million, reflecting a growth of RM90.9 million. This increase in operating income is primarily due to a RM26.1 million increase in net interest income, RM37.7 million increase in net fee and commission income, and RM26.8 million increase in net income from financial liabilities designated at fair value.

Total assets as at 31 March 2024 has increased by RM3.4 billion or 3.5% to RM100.8 billion (31 December 2023: RM97.4 billion). The Group's capital and liquidity coverage ratios continue to remain strong and well above regulatory requirements.

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, HSBC Malaysia continues 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, our Islamic subsidiary, HSBC Amanah Malaysia Berhad, 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39 Performance Review, Economy and Prospects (Cont'd)

Economy and Prospects (Cont'd)

For the fourth consecutive year, HSBC Malaysia is accorded “Digital Bank of the Year” by The Asset Triple A Digital Awards 2024. The Bank is also awarded “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.

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