

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**31 MARCH 2022**

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

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

**UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2022**

	Note	<i>Group</i>		<i>Bank</i>	
		31 Mar 2022 RM'000	31 Dec 2021 RM'000	31 Mar 2022 RM'000	31 Dec 2021 RM'000
<b>Assets</b>					
Cash and short-term funds	12	15,908,376	12,351,813	11,666,822	8,638,234
Securities purchased under resale agreements		6,246,432	6,047,670	6,246,432	6,047,670
Deposits and placements with banks and other financial institutions	13	-	150,000	1,469,312	1,425,508
Financial assets at fair value through profit and loss (FVTPL)	14	2,762,844	1,759,108	2,762,844	1,759,108
Financial investments at fair value through other comprehensive income (FVOCI)	15	15,473,985	15,712,400	13,387,026	13,459,449
Financial investments at amortised cost	16	199,783	199,174	199,783	199,174
Loans, advances and financing	17	48,732,424	50,008,904	36,160,637	37,152,838
Derivative financial assets	37	894,716	924,507	939,468	938,382
Other assets	20	1,779,234	1,000,939	1,928,446	1,131,323
Statutory deposits with Bank Negara Malaysia	21	40,609	48,659	11,749	28,798
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		1,023,551	999,804	1,016,868	992,899
Intangible assets		24,356	26,353	24,356	26,353
Tax recoverable		24,077	102,224	24,077	88,964
Deferred tax assets		274,147	270,801	222,827	221,455
<b>Total assets</b>		<b>93,384,534</b>	89,602,356	<b>76,720,668</b>	72,770,176
<b>Liabilities</b>					
Deposits from customers	22	69,914,629	67,975,693	57,408,194	55,184,012
Deposits and placements from banks and other financial institutions	23	3,155,012	2,815,266	2,595,665	2,066,904
Bills payable		152,224	100,527	144,020	87,660
Derivative financial liabilities	37	1,068,989	947,581	1,096,757	986,699
Structured liabilities designated at fair value through profit and loss	24	3,112,563	2,909,026	1,644,594	1,720,927
Other liabilities	25	3,772,208	2,814,291	3,512,101	2,549,376
Multi-Currency Sukuk Programme	26	513,023	515,333	-	-
Subordinated liabilities	27	500,000	500,000	500,000	500,000
<b>Total liabilities</b>		<b>82,189,700</b>	78,577,717	<b>66,901,331</b>	63,095,578
<b>Equity</b>					
Share capital		1,045,875	1,045,875	1,045,875	1,045,875
Other equity and reserves		10,148,959	9,978,764	8,773,462	8,628,723
<b>Total equity attributable to owner of the Bank</b>		<b>11,194,834</b>	11,024,639	<b>9,819,337</b>	9,674,598
<b>Total liabilities and equity</b>		<b>93,384,534</b>	89,602,356	<b>76,720,668</b>	72,770,176
<b>Commitments and contingencies</b>	36	<b>196,534,385</b>	175,099,018	<b>186,977,521</b>	165,754,192

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**HSBC BANK MALAYSIA BERHAD**  
**(Company No. 198401015221 (127776-V))**  
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**UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

	<i>Note</i>	<i>Group</i>		<i>Bank</i>	
		<b>31 Mar 2022</b>	31 Mar 2021	<b>31 Mar 2022</b>	31 Mar 2021
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Interest income	28	<b>415,976</b>	411,358	<b>421,442</b>	416,146
Interest expense	28	<b>(103,427)</b>	(105,862)	<b>(103,427)</b>	(105,862)
Net interest income	28	<b>312,549</b>	305,496	<b>318,015</b>	310,284
Fee and commission income	29	<b>101,514</b>	112,723	<b>101,246</b>	112,608
Fee and commission expense	29	<b>(19,955)</b>	(14,369)	<b>(19,955)</b>	(14,369)
Net fee and commission income	29	<b>81,559</b>	98,354	<b>81,291</b>	98,239
Net trading income	30	<b>35,259</b>	(85,404)	<b>85,552</b>	124,643
Income from Islamic banking operations	31	<b>203,356</b>	353,307	-	-
Net income/(expenses) from financial liabilities designated at fair value		<b>62,903</b>	(4,775)	<b>62,903</b>	(4,775)
Other operating income	32	<b>10,336</b>	30,491	<b>47,208</b>	68,504
Operating income before impairment losses		<b>705,962</b>	697,469	<b>594,969</b>	596,895
Impairment (provision)/ write-back	33	<b>(20,779)</b>	12,842	<b>23,347</b>	(18,785)
Net operating income		<b>685,183</b>	710,311	<b>618,316</b>	578,110
Other operating expenses	34	<b>(418,677)</b>	(398,907)	<b>(397,921)</b>	(374,498)
Profit before tax		<b>266,506</b>	311,404	<b>220,395</b>	203,612
Tax expense		<b>(85,846)</b>	(80,993)	<b>(71,534)</b>	(54,164)
<b>Profit for the financial period</b>		<b>180,660</b>	230,411	<b>148,861</b>	149,448
Profit attributable to the owner of the Bank		<b>180,660</b>	230,411	<b>148,861</b>	149,448
Basic earnings per RM0.50 ordinary share		<b>78.9 sen</b>	100.6 sen	<b>65.0 sen</b>	65.3 sen

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**HSBC BANK MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Mar 2021	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Profit for the financial period</b>	<b>180,660</b>	230,411	<b>148,861</b>	149,448
<b>Other comprehensive income/(expense)</b>				
<b><i>Items that will not be reclassified to profit or loss</i></b>				
Own credit reserve:				
Change in fair value	<b>(9,049)</b>	1,336	<b>(893)</b>	3,434
Income tax effect	<b>2,172</b>	(321)	<b>214</b>	(824)
<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 (debt instruments):				
Change in fair value	<b>(10,787)</b>	(31,399)	<b>(10,717)</b>	(25,101)
Amount transferred to profit or loss	<b>6,583</b>	(13,896)	<b>6,583</b>	(13,896)
Impairment charges	<b>(410)</b>	(40)	<b>(310)</b>	(54)
Income tax effect	<b>1,011</b>	10,871	<b>994</b>	9,359
Other comprehensive expenses for the financial period, net of income tax	<b>(10,480)</b>	(33,449)	<b>(4,129)</b>	(27,082)
Total comprehensive income attributable to the owner of the Bank	<b>170,180</b>	196,962	<b>144,732</b>	122,366

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**HSBC BANK MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

<b>Group (RM'000)</b>	<i>Non-distributable</i>						<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Other equity instrument</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>	
<b>2022</b>									
Balance at 1 January	1,045,875	500,000	176,430	155,378	(5,617)	100,073	386,400	8,666,100	11,024,639
Profit for the financial period	-	-	-	-	-	-	-	180,660	180,660
<b>Other comprehensive income, net of income tax</b>									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(526)	-	-	-	-	526	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	(8,196)	(6,877)	-	-	-	(15,073)
Net amount transferred to profit or loss	-	-	-	5,003	-	-	-	-	5,003
Impairment charges	-	-	-	(410)	-	-	-	-	(410)
<i>Total other comprehensive (expense)/income</i>	-	-	(526)	(3,603)	(6,877)	-	-	526	(10,480)
<b>Total comprehensive income for the financial period</b>	-	-	(526)	(3,603)	(6,877)	-	-	181,186	170,180
Net change in regulatory reserves	-	-	-	-	-	-	55,400	(55,400)	-
Others	-	-	-	-	-	-	-	92	92
<b>Transactions with the owner, recorded directly in equity</b>									
Share based payment transactions	-	-	-	-	-	(1,342)	-	1,265	(77)
Balance at 31 March	<b>1,045,875</b>	<b>500,000</b>	<b>175,904</b>	<b>151,775</b>	<b>(12,494)</b>	<b>98,731</b>	<b>441,800</b>	<b>8,793,243</b>	<b>11,194,834</b>

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**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022 (Cont'd)**

Group (RM'000)	Non-distributable						Distributable		Total equity
	Share capital	Other equity instrument	Revaluation reserve	FVOCI reserve	Own credit reserve	Capital contribution reserve	Regulatory reserve	Retained profits	
2021									
Balance at 1 January	1,045,875	500,000	190,751	215,792	(5,685)	103,790	298,100	8,550,171	10,898,794
Profit for the financial period	-	-	-	-	-	-	-	230,411	230,411
<b>Other comprehensive income, net of income tax</b>									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(566)	-	-	-	-	566	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	(23,863)	1,015	-	-	-	(22,848)
Net amount transferred to profit or loss	-	-	-	(10,561)	-	-	-	-	(10,561)
Impairment charges	-	-	-	(40)	-	-	-	-	(40)
<i>Total other comprehensive (expense)/income</i>	-	-	(566)	(34,464)	1,015	-	-	566	(33,449)
<b>Total comprehensive income for the financial period</b>	-	-	(566)	(34,464)	1,015	-	-	230,977	196,962
Net change in regulatory reserves	-	-	-	-	-	-	162,400	(162,400)	-
<b>Transactions with the owner, recorded directly in equity</b>									
Share based payment transactions	-	-	-	-	-	(4,222)	-	3,058	(1,164)
Balance at 31 March	1,045,875	500,000	190,185	181,328	(4,670)	99,568	460,500	8,621,806	11,094,592

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**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022 (Cont'd)**

<b>Bank (RM'000)</b>	<i>Non-distributable</i>							<i>Distributable</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Other equity instrument</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>	
<b>2022</b>									
Balance at 1 January	1,045,875	500,000	176,430	158,229	(3,424)	99,562	339,600	7,358,326	9,674,598
Profit for the financial period	-	-	-	-	-	-	-	148,861	148,861
<b>Other comprehensive income, net of income tax</b>									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(526)	-	-	-	-	526	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	(8,143)	(679)	-	-	-	(8,822)
Net amount transferred to profit or loss	-	-	-	5,003	-	-	-	-	5,003
Impairment charges	-	-	-	(310)	-	-	-	-	(310)
<i>Total other comprehensive (expense)/income</i>	-	-	(526)	(3,450)	(679)	-	-	526	(4,129)
<b>Total comprehensive income for the financial period</b>	-	-	(526)	(3,450)	(679)	-	-	149,387	144,732
Net change in regulatory reserves	-	-	-	-	-	-	39,200	(39,200)	-
Others	-	-	-	-	-	-	-	92	92
<b>Transactions with the owner, recorded directly in equity</b>									
Share based payment transactions	-	-	-	-	-	(1,321)	-	1,236	(85)
Balance at 31 March	<b>1,045,875</b>	<b>500,000</b>	<b>175,904</b>	<b>154,779</b>	<b>(4,103)</b>	<b>98,241</b>	<b>378,800</b>	<b>7,469,841</b>	<b>9,819,337</b>

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**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022 (Cont'd)**

<b>Bank (RM'000)</b>	<i>Non-distributable</i>						<i>Distributable</i>		<i>Total equity</i>
	<i>Share capital</i>	<i>Other equity instrument</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>	
2021									
Balance at 1 January	1,045,875	500,000	190,751	203,924	(4,562)	103,013	292,000	7,200,136	9,531,137
Profit for the financial period	-	-	-	-	-	-	-	149,448	149,448
<b>Other comprehensive income, net of income tax</b>									
Revaluation reserve:									
Transfer to retained profits upon realisation of depreciation	-	-	(566)	-	-	-	-	566	-
FVOCI reserve/Own credit reserve									
Net change in fair value	-	-	-	(19,077)	2,610	-	-	-	(16,467)
Net amount transferred to profit or loss	-	-	-	(10,561)	-	-	-	-	(10,561)
Impairment charges	-	-	-	(54)	-	-	-	-	(54)
<i>Total other comprehensive (expense)/income</i>	-	-	(566)	(29,692)	2,610	-	-	566	(27,082)
<b>Total comprehensive income for the financial period</b>	-	-	(566)	(29,692)	2,610	-	-	150,014	122,366
Net change in regulatory reserves	-	-	-	-	-	-	67,200	(67,200)	-
<b>Transactions with the owner, recorded directly in equity</b>									
Share based payment transactions	-	-	-	-	-	(4,207)	-	2,989	(1,218)
Balance at 31 March	1,045,875	500,000	190,185	174,232	(1,952)	98,806	359,200	7,285,939	9,652,285

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**HSBC BANK MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Mar 2021	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit before tax	<b>266,506</b>	311,404	<b>220,395</b>	203,612
Adjustments for non-operating and non-cash items	<b>165,914</b>	253,675	<b>78,457</b>	63,466
Operating profit before working capital changes	<b>432,420</b>	565,079	<b>298,852</b>	267,078
Changes in working capital:				
Net changes in operating assets	<b>(769,311)</b>	(152,378)	<b>(1,173,252)</b>	117,955
Net changes in operating liabilities	<b>3,702,185</b>	2,171,880	<b>3,877,026</b>	1,608,651
Income tax paid	<b>(6,813)</b>	(36,071)	<b>(6,813)</b>	(26,892)
<b>Net cash generated from operations</b>	<b>3,358,481</b>	2,548,510	<b>2,995,813</b>	1,966,792
<b>Net cash generated from/(used in) investing activities</b>	<b>195,868</b>	(86,751)	<b>32,775</b>	301,588
<b>Net cash generated from/(used in) financing activities</b>	<b>2,214</b>	2,345	<b>-</b>	-
	<b>198,082</b>	(84,406)	<b>32,775</b>	301,588
<b>Net changes in cash and cash equivalents</b>	<b>3,556,563</b>	2,464,104	<b>3,028,588</b>	2,268,380
<b>Cash and cash equivalents at 1 January</b>	<b>12,351,813</b>	12,663,196	<b>8,638,234</b>	9,441,441
<b>Cash and cash equivalents at 31 March</b>	<b>15,908,376</b>	15,127,300	<b>11,666,822</b>	11,709,821
<b>Analysis of cash and cash equivalents</b>				
Cash and short-term funds	<b>15,908,376</b>	15,127,300	<b>11,666,822</b>	11,709,821

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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022 (Cont'd)**

**Change in liabilities arising from financing activities**

**Group (RM'000)**

	At 1 Jan	Cash outflow	Foreign exchange adjustment	Fair value movement	Interest/ Profit accrual	At 31 Mar
<b>2022</b>						
Multi-Currency Sukuk Programme	515,333	-	-	(2,310)	-	513,023
Subordinated liabilities	500,000	-	-	-	-	500,000
Other liabilities of which:						
Profit paid on Multi-Currency Sukuk Programme	5,242	2,214	-	-	3,088	10,544
Interest paid on Subordinated liabilities	4,151	-	-	-	6,226	10,377
	<b>1,024,726</b>	<b>2,214</b>	<b>-</b>	<b>(2,310)</b>	<b>9,314</b>	<b>1,033,944</b>
<b>2021</b>						
Multi-Currency Sukuk Programme	523,841	-	-	(2,919)	-	520,922
Subordinated liabilities	500,000	-	-	-	-	500,000
Other liabilities of which:						
Profit paid on Multi-Currency Sukuk Programme	5,360	2,345	-	-	2,957	10,662
Interest paid on Subordinated liabilities	4,151	-	-	-	6,226	10,377
Other equity instrument	-	-	-	-	-	-
	<b>1,033,352</b>	<b>2,345</b>	<b>-</b>	<b>(2,919)</b>	<b>9,183</b>	<b>1,041,961</b>

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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022 (Cont'd)**

**Change in liabilities arising from financing activities (Cont'd)**

**Bank (RM'000)**

	At 1 Jan	Cash outflow	Foreign exchange adjustment	Fair value movement	Interest accrual	At 31 Mar
<b>2022</b>						
Subordinated liabilities	500,000	-	-	-	-	500,000
Other liabilities of which:						
Interest paid on Subordinated liabilities	4,151	-	-	-	6,226	10,377
	<b>504,151</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,226</b>	<b>510,377</b>
<b>2021</b>						
Subordinated liabilities	500,000	-	-	-	-	500,000
Other liabilities of which:						
Interest paid on Subordinated liabilities	4,151	-	-	-	6,226	10,377
	<b>504,151</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,226</b>	<b>510,377</b>

*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 2021 and the accompanying explanatory notes on pages 11 to 40 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 29 April 2022.*

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

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 General Information**

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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, 55188 Tun Razak Exchange, 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 29 April 2022.

### **2 Basis of Preparation**

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The unaudited condensed interim financial statements for the financial period ended 31 March 2022 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB). 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 2021. 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 2021.

#### **(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 2021, except for the adoption of the following Amendments to MFRSs which are effective during the current financial period:

- Amendments to MFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021"
- Amendments to MFRS 116 "Proceeds before Intended Use"
- Amendments to MFRS 3 "Reference to the Conceptual Framework"
- Annual Improvements to MFRSs 2018 – 2020 Cycle for annual periods beginning on or after 1 January 2022 as follows:
  - Amendment to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
  - Amendment to MFRS 9 Financial Instruments: Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
- Amendments to MFRS 137 "Onerous Contracts – Cost of Fulfilling a Contract"

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)

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

A number of new standards and amendments to standards and interpretations have been issued that are applicable to the Group and the Bank but are not yet effective.

##### Effective for annual periods commencing on or after 1 January 2023

- Amendments to MFRS 101 "Classification of Liabilities as Current or Non-current"
- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates
- Amendments to MFRS 112 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

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

### 3 Functional and Presentation 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 annual financial statements for the financial year ended 31 December 2021 was not subject to any qualification.

### 5 Seasonality or Cyclical Factors

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

### 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 Group and Bank for the financial period ended 31 March 2022.

### 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 2022.

### 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 2022.

### 9 Dividend

---

No interim dividend was declared nor paid during the financial period ended 31 March 2022.

### 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 2021.

### 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.

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

### 12 Cash and Short-Term Funds

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>1,315,750</b>	1,099,824	<b>756,310</b>	722,565
Money at call and interbank placements maturing within one month	<b>14,592,626</b>	11,251,989	<b>10,910,512</b>	7,915,669
	<b>15,908,376</b>	12,351,813	<b>11,666,822</b>	8,638,234

Money at call and interbank placements maturing within one month are within Stage 1 allocation (12 -months ECL) with impairment allowance of RM28,000 for the Group and RM27,000 for the Bank as at 31 March 2022 (31 December 2021: RM77,000 for the Group and RM76,000 for the Bank).

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

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Licensed banks	-	-	<b>1,469,312</b>	1,275,508
Bank Negara Malaysia	-	150,000	-	150,000
	-	150,000	<b>1,469,312</b>	1,425,508

Included in Deposits and Placements with Banks and Other Financial Institutions of the Bank are placements with the Bank's wholly owned subsidiary, HSBC Amanah Malaysia Berhad (HBMS) of RM1,469.3 million (31 December 2021: RM1,275.5 million).

The balance is within Stage 1 allocation (12 -months ECL) with nil impairment allowance for the Group and the Bank as at 31 March 2022 (31 December 2021: nil for the Group and the Bank).

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

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Money market instruments:				
Malaysian Government treasury bills	<b>93,357</b>	18,779	<b>93,357</b>	18,779
Islamic treasury bills	<b>302,306</b>	1,779	<b>302,306</b>	1,779
Malaysian Government securities	<b>1,642,040</b>	1,338,589	<b>1,642,040</b>	1,338,589
Malaysian Government Islamic Sukuk	<b>416,036</b>	277,346	<b>416,036</b>	277,346
Cagamas bonds and notes	<b>282,429</b>	2,516	<b>282,429</b>	2,516
	<b>2,736,168</b>	1,639,009	<b>2,736,168</b>	1,639,009
Unquoted:				
Corporate bonds and Sukuk	<b>26,676</b>	120,099	<b>26,676</b>	120,099
	<b>2,762,844</b>	1,759,108	<b>2,762,844</b>	1,759,108

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

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

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Debt instruments</b>				
Money market instruments:				
Bank Negara Malaysia bills and notes	<b>2,905,309</b>	3,074,311	<b>2,905,309</b>	3,074,311
Malaysian Government securities	<b>7,511,976</b>	7,427,679	<b>7,511,976</b>	7,427,679
Malaysian Government Islamic Sukuk	<b>4,831,221</b>	4,984,931	<b>2,744,262</b>	2,731,980
	<b>15,248,506</b>	15,486,921	<b>13,161,547</b>	13,233,970
<b>Financial Investments Designated as FVOCI</b>				
<b>Equity instruments</b>				
Unquoted:				
Shares	<b>225,479</b>	225,479	<b>225,479</b>	225,479
<i>of which</i>				
<i>Cagamas Holdings Berhad</i>	<b>183,471</b>	183,471	<b>183,471</b>	183,471
<i>Credit Guarantee Corporation Malaysia Berhad</i>	<b>34,876</b>	34,876	<b>34,876</b>	34,876
<i>Others</i>	<b>7,132</b>	7,132	<b>7,132</b>	7,132
	<b>15,473,985</b>	15,712,400	<b>13,387,026</b>	13,459,449

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.

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

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Maturing within one year	<b>8,641,270</b>	8,391,992	<b>8,641,270</b>	7,555,853
More than one year to three years	<b>6,129,387</b>	7,094,929	<b>4,520,277</b>	5,678,117
More than three years to five years	<b>477,849</b>	-	-	-
	<b>15,248,506</b>	15,486,921	<b>13,161,547</b>	13,233,970

There are no FVOCI balances that are pledged against Repurchase Agreement as at 31 March 2022 (31 December 2021: nil).

Financial investments at FVOCI are within Stage 1 allocation (12 -months ECL) with RM1,116,000 impairment allowance for the Group and RM937,000 for the Bank as at 31 March 2022 (31 December 2021: RM1,527,000 for the Group and RM1,247,000 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.

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

**16 Financial Investments at Amortised Cost**

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Debt instruments</b>				
Unquoted:				
Corporate Sukuk	<b>199,783</b>	199,174	<b>199,783</b>	199,174

Financial investments at amortised cost are within Stage 1 allocation (12 -months ECL) with RM217,000 impairment allowance for the Group and the Bank as at 31 March 2022 (31 December 2020: RM826,000 for the Group and the Bank).

**17 Loans, Advances and Financing**

**(i) By type**

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>At amortised cost</b>				
Overdrafts/cash line	<b>618,393</b>	657,583	<b>541,046</b>	587,490
Term loans/financing:				
Housing loans/financing	<b>15,645,712</b>	15,973,758	<b>11,854,014</b>	12,116,245
Syndicated term loans/financing	<b>3,849,210</b>	3,733,139	<b>2,825,059</b>	2,710,897
Factoring receivables	<b>706,621</b>	667,339	<b>706,621</b>	667,339
Hire purchase receivables	<b>208,638</b>	210,548	-	-
Other term loans/financing	<b>9,199,129</b>	9,899,908	<b>5,890,628</b>	6,688,017
Bills receivable	<b>4,496,719</b>	5,147,447	<b>3,606,898</b>	3,999,725
Trust receipts	<b>3,889,757</b>	3,244,901	<b>3,367,264</b>	2,787,111
Claims on customers under acceptance credits	<b>1,061,034</b>	866,537	<b>823,077</b>	668,039
Staff loans/financing	<b>50,117</b>	53,292	<b>48,657</b>	51,805
Credit/charge cards	<b>3,266,335</b>	3,299,922	<b>2,193,647</b>	2,226,100
Revolving financing	<b>7,063,637</b>	7,548,605	<b>5,057,550</b>	5,424,479
Other loans/financing	<b>14,393</b>	15,256	<b>11,009</b>	11,540
Gross loans, advances and financing <sup>[1]</sup>	<b>50,069,695</b>	51,318,235	<b>36,925,470</b>	37,938,787
Less: - Impairment allowances	<b>(1,337,271)</b>	(1,309,331)	<b>(764,833)</b>	(785,949)
Total net loans, advances and financing	<b>48,732,424</b>	50,008,904	<b>36,160,637</b>	37,152,838

<sup>[1]</sup> 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>	
	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Syndicated term financing	<b>2,304,190</b>	2,305,608
Other term financing	<b>234,296</b>	235,054
Revolving financing	<b>1,248,585</b>	1,261,530
Gross loans, advances and financing	<b>3,787,071</b>	3,802,192
Less: - Impairment allowances	<b>(205,138)</b>	(183,710)
Total net loans, advances and financing	<b>3,581,933</b>	3,618,482



**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>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Domestic non-bank financial institutions	<b>827,769</b>	1,021,893	<b>512,399</b>	604,100
Domestic business enterprises:				
Small medium enterprises	<b>3,479,862</b>	3,501,020	<b>2,307,939</b>	2,384,033
Others	<b>19,577,749</b>	19,634,128	<b>15,286,886</b>	15,276,795
Individuals	<b>18,601,190</b>	18,969,754	<b>12,950,086</b>	13,247,130
Other domestic entities	<b>2,117</b>	2,215	<b>2,115</b>	2,213
Foreign entities/individuals	<b>7,581,008</b>	8,189,225	<b>5,866,045</b>	6,424,516
	<b>50,069,695</b>	51,318,235	<b>36,925,470</b>	37,938,787

**(iii) By residual contractual maturity**

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Maturity within one year	<b>24,919,244</b>	24,937,211	<b>18,975,407</b>	18,702,482
More than one year to three years	<b>3,575,235</b>	4,190,263	<b>2,998,691</b>	3,600,049
More than three years to five years	<b>2,668,467</b>	2,956,200	<b>1,456,153</b>	1,902,169
More than five years	<b>18,906,749</b>	19,234,561	<b>13,495,219</b>	13,734,087
	<b>50,069,695</b>	51,318,235	<b>36,925,470</b>	37,938,787

**(iv) By interest/profit rate sensitivity**

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Fixed rate:				
Hire purchase receivables	<b>208,638</b>	210,548	-	-
Other fixed rate loans/financing	<b>13,627,250</b>	13,523,549	<b>10,115,711</b>	9,874,928
Variable rate:				
Base Rate/Base Lending/Financing Rate plus	<b>18,444,854</b>	18,779,579	<b>13,724,747</b>	13,996,054
Cost-plus	<b>17,788,953</b>	18,804,559	<b>13,085,012</b>	14,067,805
	<b>50,069,695</b>	51,318,235	<b>36,925,470</b>	37,938,787

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

**17 Loans, Advances and Financing (Cont'd)**

(v) By sector	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Agricultural, hunting, forestry and fishing	<b>61,579</b>	74,349	<b>49,435</b>	63,741
Mining and quarrying	<b>175,851</b>	188,912	<b>103,919</b>	111,013
Manufacturing	<b>7,256,859</b>	7,416,876	<b>5,654,874</b>	5,930,426
Electricity, gas and water	<b>166,343</b>	367,556	<b>21,865</b>	22,687
Construction	<b>3,197,212</b>	3,394,266	<b>2,207,798</b>	2,430,449
Real estate	<b>4,380,258</b>	4,471,023	<b>3,582,577</b>	3,514,268
Wholesale & retail trade and restaurants & hotels	<b>4,435,555</b>	4,071,291	<b>3,519,343</b>	3,232,157
Transport, storage and communication	<b>631,165</b>	588,953	<b>383,607</b>	442,632
Finance, insurance and business services	<b>2,819,255</b>	2,929,904	<b>2,038,293</b>	2,029,656
Household-retail	<b>21,278,061</b>	21,690,816	<b>15,156,900</b>	15,495,269
Others	<b>5,667,557</b>	6,124,289	<b>4,206,859</b>	4,666,489
	<b>50,069,695</b>	51,318,235	<b>36,925,470</b>	37,938,787

**(vi) By purpose**

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Purchase of property:				
Residential	<b>15,673,925</b>	16,004,543	<b>11,881,851</b>	12,146,646
Non residential	<b>1,322,867</b>	1,301,451	<b>613,429</b>	572,272
Purchase of securities	<b>2,781</b>	2,852	<b>2,781</b>	2,852
Purchase of transport vehicles	<b>15,295</b>	15,104	<b>14,417</b>	14,226
Purchase of fixed assets excluding land & building	<b>208,391</b>	210,381	<b>-</b>	89
Consumption credit	<b>5,289,910</b>	5,359,424	<b>3,151,011</b>	3,218,552
Construction	<b>2,764,562</b>	3,188,332	<b>2,076,069</b>	2,487,417
Working capital	<b>19,866,676</b>	19,750,898	<b>15,505,530</b>	15,303,269
Other purpose	<b>4,925,288</b>	5,485,250	<b>3,680,382</b>	4,193,464
	<b>50,069,695</b>	51,318,235	<b>36,925,470</b>	37,938,787

**(vii) By geographical distribution**

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Northern Region	<b>5,941,383</b>	6,047,708	<b>4,619,398</b>	4,737,781
Southern Region	<b>6,056,071</b>	5,908,966	<b>4,514,157</b>	4,381,359
Central Region	<b>36,483,219</b>	37,705,167	<b>26,512,540</b>	27,480,004
Eastern Region	<b>1,589,022</b>	1,656,394	<b>1,279,375</b>	1,339,643
	<b>50,069,695</b>	51,318,235	<b>36,925,470</b>	37,938,787

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, Malacca 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.

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

**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>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Gross carrying amount as at 1 January	<b>3,571,670</b>	1,831,501	<b>2,396,659</b>	1,224,806
Transfer within stages	<b>413,951</b>	2,020,148	<b>169,838</b>	1,328,032
Net remeasurement due to changes in credit risk	<b>(50,915)</b>	(93,069)	<b>(27,590)</b>	(60,355)
Written-off	<b>(40,528)</b>	(186,910)	<b>(26,176)</b>	(95,824)
<b>Gross carrying amount as at 31 March</b>	<b>3,894,178</b>	3,571,670	<b>2,512,731</b>	2,396,659

**(ii) By sector**

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Agricultural, hunting, forestry and fishing	<b>188</b>	214	-	-
Manufacturing	<b>95,601</b>	104,375	<b>78,629</b>	78,873
Electricity, gas and water	<b>136,757</b>	3,036	<b>3,054</b>	3,036
Construction	<b>155,367</b>	159,275	<b>20,580</b>	22,354
Real estate	<b>118,051</b>	117,159	<b>114,114</b>	117,159
Wholesale & retail trade, restaurants & hotels	<b>66,703</b>	69,570	<b>58,618</b>	61,359
Transport, storage and communication	<b>90,885</b>	90,505	<b>90,885</b>	90,505
Finance, insurance and business services	<b>293,130</b>	292,261	<b>239,455</b>	238,985
Household-retail	<b>2,914,273</b>	2,712,490	<b>1,901,545</b>	1,778,681
Others	<b>23,223</b>	22,785	<b>5,851</b>	5,707
<b>3,894,178</b>	3,571,670	<b>2,512,731</b>	2,396,659	

**(iii) By purpose**

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Purchase of property:				
Residential	<b>2,187,100</b>	1,998,471	<b>1,548,133</b>	1,426,821
Non residential	<b>42,097</b>	36,222	<b>30,536</b>	26,651
Purchase of fixed assets excluding land & building	<b>172</b>	169	-	-
Consumption credit	<b>724,887</b>	708,498	<b>351,126</b>	346,339
Construction	<b>23,680</b>	160,254	<b>12,584</b>	22,932
Working capital	<b>899,583</b>	651,691	<b>570,245</b>	573,799
Other purpose	<b>16,656</b>	16,365	<b>104</b>	117
<b>3,894,178</b>	3,571,670	<b>2,512,731</b>	2,396,659	

**(iv) By geographical distribution**

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Northern Region	<b>428,181</b>	406,326	<b>324,642</b>	312,295
Southern Region	<b>516,101</b>	505,188	<b>398,203</b>	394,677
Central Region	<b>2,799,604</b>	2,519,084	<b>1,666,920</b>	1,569,647
Eastern Region	<b>150,292</b>	141,072	<b>122,966</b>	120,040
<b>3,894,178</b>	3,571,670	<b>2,512,731</b>	2,396,659	

**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:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	12-month	Lifetime	Lifetime	
	ECL not	ECL not	ECL	
	credit	credit	credit	
	impaired	impaired	impaired	Total
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Balance at 1 January 2022	<b>85,357</b>	<b>202,123</b>	<b>1,021,851</b>	<b>1,309,331</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>26,921</b>	<b>(19,033)</b>	<b>(7,888)</b>	-
- Transferred to Stage 2	<b>(8,037)</b>	<b>17,177</b>	<b>(9,140)</b>	-
- Transferred to Stage 3	<b>(77)</b>	<b>(9,793)</b>	<b>9,870</b>	-
New financial assets originated or purchased	<b>4,452</b>	-	-	<b>4,452</b>
Net remeasurement due to changes in credit risk	<b>(39,644)</b>	<b>(25,174)</b>	<b>127,209</b>	<b>62,391</b>
Asset written-off	-	-	<b>(40,528)</b>	<b>(40,528)</b>
Others	<b>1,625</b>	-	-	<b>1,625</b>
<b>Balance at 31 March 2022</b>	<b>70,597</b>	<b>165,300</b>	<b>1,101,374</b>	<b>1,337,271</b>
Balance at 1 January 2021	136,817	242,457	475,121	854,395
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	51,919	(26,210)	(25,709)	-
- Transferred to Stage 2	(32,821)	44,946	(12,125)	-
- Transferred to Stage 3	(5,708)	(132,343)	138,051	-
New financial assets originated or purchased	17,980	-	-	17,980
Net remeasurement due to changes in credit risk	(84,788)	73,273	633,423	621,908
Asset written-off	-	-	(186,910)	(186,910)
Others	1,958	-	-	1,958
Balance at 31 December 2021	85,357	202,123	1,021,851	1,309,331

The Group measures 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 increased by RM27.9 million for the Group compared to the balance at the beginning of the year. This net increase was mainly contributed by remeasurement due to changes in credit risk (RM62.3 million) and new financial assets originated or purchased (RM4.5 million), partially offset by assets written-off (RM40.5 million).

- 12-months ECL not credit impaired (Stage 1) – decreased by RM14.8 million for the Group, mainly from remeasurement due to changes in credit risk based on HSBC Group's model partially offset by net migration of loans, advances and financing from stages 2 and 3 and new financial assets originated or purchased.
- Lifetime ECL not credit-impaired (Stage 2) – decreased by RM36.8 million for the Group, mainly from remeasurement due to changes in credit risk and net migration of loans, advances and financing to stage 1 and 3.
- Lifetime ECL credit-impaired (Stage 3) – increased by RM79.5 million for the Group, primarily from remeasurement due to changes in credit risk partially offset by asset written-off and net migration of loans, advances and financing to stages 1 and 2.

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

**19 ECL allowances (Cont'd)**

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

	<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
<b>Bank</b>				
Balance at 1 January 2022	<b>53,262</b>	<b>115,584</b>	<b>617,103</b>	<b>785,949</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>17,389</b>	<b>(11,429)</b>	<b>(5,960)</b>	-
- Transferred to Stage 2	<b>(5,599)</b>	<b>12,747</b>	<b>(7,148)</b>	-
- Transferred to Stage 3	<b>(49)</b>	<b>(4,534)</b>	<b>4,583</b>	-
New financial assets originated or purchased	<b>1,981</b>	-	-	<b>1,981</b>
Net remeasurement due to changes in credit risk	<b>(27,795)</b>	<b>(22,682)</b>	<b>53,167</b>	<b>2,690</b>
Asset written-off	-	-	<b>(26,176)</b>	<b>(26,176)</b>
Others	<b>389</b>	-	-	<b>389</b>
<b>Balance at 31 March 2022</b>	<b>39,578</b>	<b>89,686</b>	<b>635,569</b>	<b>764,833</b>
Balance at 1 January 2021	48,030	166,693	291,357	506,080
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	31,093	(16,111)	(14,982)	-
- Transferred to Stage 2	(8,940)	15,158	(6,218)	-
- Transferred to Stage 3	(1,876)	(103,655)	105,531	-
New financial assets originated or purchased	9,456	-	-	9,456
Net remeasurement due to changes in credit risk	(25,609)	53,499	337,239	365,129
Asset written-off	-	-	(95,824)	(95,824)
Others	1,108	-	-	1,108
Balance at 31 December 2021	53,262	115,584	617,103	785,949

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 loans 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 RM21.1 million for the Bank compared to the balance at the beginning of the year. This net increase was mainly contributed by asset written-off (RM26.2 million) partially offset by remeasurement due to changes in credit risk (RM2.7 million) and new financial assets originated or purchased (RM2.0 million).

- 12-months ECL not credit impaired (Stage 1) – decreased by RM13.7 million for the Bank mainly contributed by remeasurement due to changes in credit risk 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 RM25.9 million for the Bank, mainly from remeasurement due to changes in credit risk coupled with net migration of loans and advances to stages 1 and 3.
- Lifetime ECL credit-impaired (Stage 3) – increased by RM18.5 million, primarily from remeasurement due to changes in credit risk partially offset by asset written-off and net migration of loans and advances to stages 1 and 2.

**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:

	<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
<b>Group</b>				
Balance at 1 January 2022	<b>10,034</b>	<b>19,076</b>	<b>4,048</b>	<b>33,158</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>6,949</b>	<b>(6,949)</b>	-	-
- Transferred to Stage 2	<b>(1,861)</b>	<b>1,861</b>	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	<b>188</b>	-	-	<b>188</b>
Net remeasurement due to changes in credit risk	<b>(11,696)</b>	<b>(7,369)</b>	<b>(493)</b>	<b>(19,558)</b>
Others	<b>41</b>	-	-	<b>41</b>
<b>Balance at 31 March 2022</b>	<b>3,655</b>	<b>6,619</b>	<b>3,555</b>	<b>13,829</b>
Balance at 1 January 2021	4,612	3,198	464	8,274
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	575	(575)	-	-
- Transferred to Stage 2	(961)	961	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	2,994	-	-	2,994
Net remeasurement due to changes in credit risk	2,841	15,492	3,584	21,917
Others	(27)	-	-	(27)
Balance at 31 December 2021	10,034	19,076	4,048	33,158

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

**19 ECL allowances movement (Cont'd)**

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

	<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
<b>Bank</b>				
Balance at 1 January 2022	<b>7,492</b>	<b>12,681</b>	<b>4,048</b>	<b>24,221</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>6,933</b>	<b>(6,933)</b>	-	-
- Transferred to Stage 2	<b>(1,818)</b>	<b>1,818</b>	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	<b>127</b>	-	-	<b>127</b>
Net remeasurement due to changes in credit risk	<b>(10,462)</b>	<b>(3,357)</b>	<b>(493)</b>	<b>(14,312)</b>
Others	<b>26</b>	-	-	<b>26</b>
<b>Balance at 31 March 2022</b>	<b>2,298</b>	<b>4,209</b>	<b>3,555</b>	<b>10,062</b>
Balance at 1 January 2021	3,103	2,439	464	6,006
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	549	(549)	-	-
- Transferred to Stage 2	(542)	542	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	2,814	-	-	2,814
Net remeasurement due to changes in credit risk	1,610	10,249	3,584	15,443
Others	(42)	-	-	(42)
Balance at 31 December 2021	7,492	12,681	4,048	24,221

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>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Settlements	<b>1,004,626</b>	248,959	<b>992,162</b>	246,182
Interest/ profit receivable	<b>120,978</b>	148,657	<b>94,096</b>	129,029
Income receivable	<b>34,942</b>	40,628	<b>111,085</b>	101,652
Deposits and prepayments	<b>5,951</b>	2,644	<b>5,801</b>	2,494
Amount due from subsidiary company	-	-	<b>166,208</b>	129,861
Rights of Use (ROU) assets <sup>[1]</sup>	<b>54,641</b>	54,692	<b>31,786</b>	33,189
Cash collateral	<b>332,337</b>	327,761	<b>332,337</b>	327,761
Other receivables	<b>225,759</b>	177,598	<b>194,971</b>	161,155
	<b>1,779,234</b>	1,000,939	<b>1,928,446</b>	1,131,323

### 21 Statutory Deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia (BNM) 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.

BNM has reduced the Statutory Reserve Requirement (SRR) Ratio requirement from 3% to 2% effective 20 March 2020. BNM also allowed banks to recognise Malaysia Government Securities (MGS) and Malaysian Government Investment Issues (MGII) securities as part of SRR compliance until 31 December 2022.



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

### 22 Deposits from Customers

(i) By type of deposit	<i>Group</i>		<i>Bank</i>	
	31 Mar 2022 RM'000	31 Dec 2021 RM'000	31 Mar 2022 RM'000	31 Dec 2021 RM'000
Demand deposits	25,698,190	25,628,566	22,614,003	22,309,723
Savings deposits	17,805,451	17,968,576	14,896,287	15,108,971
Fixed deposits	26,410,988	24,378,551	19,897,904	17,765,318
	<b>69,914,629</b>	<b>67,975,693</b>	<b>57,408,194</b>	<b>55,184,012</b>

The maturity structure of fixed deposits is as follows:

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2022 RM'000	31 Dec 2021 RM'000	31 Mar 2022 RM'000	31 Dec 2021 RM'000
Due within six months	20,777,714	18,619,795	15,671,608	13,407,218
More than six months to one year	4,467,965	4,559,287	3,478,449	3,585,367
More than one year to three years	975,304	938,264	616,853	591,545
More than three years to five years	190,005	261,205	130,994	181,188
	<b>26,410,988</b>	<b>24,378,551</b>	<b>19,897,904</b>	<b>17,765,318</b>

(ii) By type of customer	<i>Group</i>		<i>Bank</i>	
	31 Mar 2022 RM'000	31 Dec 2021 RM'000	31 Mar 2022 RM'000	31 Dec 2021 RM'000
Government and statutory bodies	21,960	20,682	7,362	7,158
Business enterprises	28,495,280	27,413,477	25,167,239	23,802,931
Individuals	26,290,339	26,427,705	20,553,024	20,689,676
Foreign entities/individuals	13,363,831	12,753,879	10,509,347	9,943,178
Others	1,743,219	1,359,950	1,171,222	741,069
	<b>69,914,629</b>	<b>67,975,693</b>	<b>57,408,194</b>	<b>55,184,012</b>

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2022 RM'000	31 Dec 2021 RM'000	31 Mar 2022 RM'000	31 Dec 2021 RM'000
Licensed banks	35,243	365	35,243	365
Bank Negara Malaysia	275,586	246,249	262,835	244,383
Other financial institutions	2,844,183	2,568,652	2,297,587	1,822,156
	<b>3,155,012</b>	<b>2,815,266</b>	<b>2,595,665</b>	<b>2,066,904</b>

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

**24 Structured Liabilities Designated at Fair Value through Profit or Loss**

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Structured liabilities	<b>3,112,563</b>	2,909,026	<b>1,644,594</b>	1,720,927

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.

**25 Other Liabilities**

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Settlements	<b>1,107,563</b>	323,468	<b>1,095,086</b>	323,412
Interest/ profit payable	<b>179,247</b>	160,815	<b>123,932</b>	110,586
Deferred income	<b>87,370</b>	80,065	<b>71,476</b>	64,133
Marginal deposit	<b>131,000</b>	141,164	<b>112,866</b>	121,712
Amount due to subsidiary company	-	-	<b>2,648</b>	371
Accrued expenses	<b>731,069</b>	794,560	<b>709,034</b>	766,891
Lease liabilities	<b>58,753</b>	58,862	<b>33,908</b>	35,206
Cash collateral	<b>201,827</b>	297,250	<b>201,827</b>	297,250
Other creditors	<b>1,261,550</b>	924,949	<b>1,151,262</b>	805,594
Provisions on loan and credit related commitments; and financial guarantees <sup>[1]</sup>	<b>13,829</b>	33,158	<b>10,062</b>	24,221
	<b>3,772,208</b>	2,814,291	<b>3,512,101</b>	2,549,376

<sup>[1]</sup> Refer to Note 19(ii) for movement in provision.

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

### 26 Multi-Currency Sukuk Programme

	<i>Group</i>	
	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Multi-Currency Sukuk Programme (MCSP)	<b>513,023</b>	515,333

HSBC Amanah Malaysia Berhad, a subsidiary of the Bank, issued the following series of 5-year Sukuk under its RM3 billion MCSP:

<u>Issuance under MCSP</u>	<b>Nominal Value (RM'000)</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Carrying Value (RM'000)</b>	
				<b>31 Mar 2022</b>	31 Dec 2021
<b>At fair value</b>					
4th series <sup>[1]</sup>	<u>500,000</u>	2 Oct 2018	2 Oct 2023	<b>513,023</b>	515,333

<u>Movement in MCSP</u>	<i>Group</i>	
	<b>4th series</b>	4th series
	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Balance at 1 January	<b>515,333</b>	523,841
Change in fair value other than from own credit risk	<b>(2,475)</b>	(12,401)
Change in fair value from own credit risk	<b>165</b>	3,893
Balance at 31 March 2022/ 31 December 2021	<b>513,023</b>	515,333

	<i>Group</i>	
	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
The cumulative loss from change in fair value due to changes in own credit risk	<b>165</b>	3,893

<sup>[1]</sup> Proceeds from this series are utilised, where appropriate, to finance eligible businesses and projects in accordance with HSBC's internal Sustainable Development Goals (SDG) Bond Framework.

### 27 Subordinated Liabilities

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Second tranche issued on 2 November 2007, at par <sup>[1]</sup>	<b>500,000</b>	500,000	<b>500,000</b>	500,000

<sup>[1]</sup> 5.05% coupon rate for RM500 million due 2027 callable with a 100 basis point step up coupon on 2 November 2022.

The unsecured subordinated liabilities qualify as a component of Tier 2 capital of the Bank. Under the Guideline on Capital Adequacy Framework (Capital Components) issued by Bank Negara Malaysia (BNM), the par value of the subordinated liabilities is amortised on a straight line basis, with 10% of the par value phased out each year, with effect from 2013 for regulatory capital base purposes.

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

### 28 Net Interest Income

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Mar 2021	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Interest income</b>				
Loans and advances				
- Interest income other than from impaired loans	<b>287,431</b>	295,751	<b>287,431</b>	295,751
- Interest income recognised from impaired loans	<b>8,471</b>	9,537	<b>8,471</b>	9,537
Money at call and deposit placements with financial institutions	<b>58,097</b>	64,894	<b>63,563</b>	69,682
Financial investments at FVOCI	<b>60,555</b>	39,816	<b>60,555</b>	39,816
Financial investments at amortised cost	<b>1,422</b>	1,360	<b>1,422</b>	1,360
	<b>415,976</b>	411,358	<b>421,442</b>	416,146
<b>Interest expense</b>				
Deposits and placements of banks and other financial institutions	<b>(2,119)</b>	(2,540)	<b>(2,119)</b>	(2,540)
Deposits from customers	<b>(94,595)</b>	(97,442)	<b>(94,595)</b>	(97,442)
Subordinated liabilities	<b>(6,226)</b>	(6,226)	<b>(6,226)</b>	(6,226)
Lease liabilities	<b>(367)</b>	501	<b>(367)</b>	501
Others	<b>(120)</b>	(155)	<b>(120)</b>	(155)
	<b>(103,427)</b>	(105,862)	<b>(103,427)</b>	(105,862)
<b>Net interest income</b>	<b>312,549</b>	305,496	<b>318,015</b>	310,284

### 29 Net Fee and Commission Income

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Mar 2021	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Fee and commission income</b>				
Credit cards	<b>26,523</b>	24,411	<b>26,523</b>	24,411
Service charges	<b>28,036</b>	29,559	<b>28,036</b>	29,559
Credit facilities	<b>14,647</b>	14,647	<b>14,647</b>	14,647
Agency	<b>25,394</b>	38,419	<b>25,394</b>	38,419
Others	<b>6,914</b>	5,687	<b>6,646</b>	5,572
	<b>101,514</b>	112,723	<b>101,246</b>	112,608
<b>Fee and commission expense</b>				
Debit/ credit cards	<b>(13,305)</b>	(9,332)	<b>(13,305)</b>	(9,332)
Interbank and clearing	<b>(309)</b>	(426)	<b>(309)</b>	(426)
Brokerage	<b>(778)</b>	(808)	<b>(778)</b>	(808)
Cash management	<b>(244)</b>	(251)	<b>(244)</b>	(251)
Others	<b>(5,319)</b>	(3,552)	<b>(5,319)</b>	(3,552)
	<b>(19,955)</b>	(14,369)	<b>(19,955)</b>	(14,369)
<b>Net fee and commission income</b>	<b>81,559</b>	98,354	<b>81,291</b>	98,239

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

### 30 Net Trading Income

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b> <b>RM'000</b>	31 Mar 2021 RM'000	<b>31 Mar 2022</b> <b>RM'000</b>	31 Mar 2021 RM'000
Realised gains/ (losses) on financial assets/ liabilities at FVTPL and other financial instruments	<b>1,909</b>	(5,024)	<b>339</b>	(6,181)
Net interest income from financial assets at FVTPL	<b>10,426</b>	7,166	<b>10,426</b>	7,166
Net unrealised (losses)/ gains on revaluation of financial assets at FVTPL	<b>(2,903)</b>	(6,858)	<b>13,503</b>	(5,648)
Net realised gains arising from dealing in foreign currency	<b>165,327</b>	57,459	<b>165,855</b>	59,506
Net unrealised (losses)/ gains from dealing in foreign currency	<b>(79,358)</b>	(140,639)	<b>(55,217)</b>	64,273
Net realised gains arising from dealing in derivatives	<b>46,600</b>	64,697	<b>43,556</b>	73,705
Net unrealised losses on revaluation of derivatives	<b>(106,653)</b>	(62,094)	<b>(92,821)</b>	(68,067)
Losses arising from fair value hedges	<b>(89)</b>	(111)	<b>(89)</b>	(111)
	<b>35,259</b>	(85,404)	<b>85,552</b>	124,643

Net trading income for the Group is presented in both Note 30 and Note 31. A reconciliation of the net trading income for the Group is as follows:

	<i>Group</i>	
	<b>31 Mar 2022</b> <b>RM'000</b>	31 Mar 2021 RM'000
Total net trading income (net of elimination with subsidiary) of which:	<b>71,576</b>	124,643
- is disclosed in Note 30	<b>35,259</b>	(85,404)
- is included under Income from Islamic Banking operations of the Group (Note 31)	<b>36,317</b>	210,047

### 31 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

	<i>Group</i>	
	<b>31 Mar 2022</b> <b>RM'000</b>	31 Mar 2021 RM'000
Income derived from investment of depositor funds and others <sup>[1]</sup>	<b>147,985</b>	146,426
Income derived from investment of shareholders' funds	<b>41,283</b>	37,836
Total income before allowance for impairment losses on financing and advances	<b>189,268</b>	184,262
Income attributable to the depositors	<b>(41,117)</b>	(45,379)
<b>Income from Islamic Banking operations before elimination</b>	<b>148,151</b>	138,883
Elimination of intercompany income and expenses	<b>55,205</b>	214,424
<b>Income from Islamic Banking operations reported in the statement of profit or loss of the Group</b>	<b>203,356</b>	353,307
<sup>[1]</sup> Included in the Income derived from investment of depositors' funds and others are net income/ (expense) on financial instruments designated at fair value through profit or loss for the period ended 31 March	<b>25,259</b>	(2,869)

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

### 32 Other Operating Income

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Mar 2021	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Gain on disposal of financial investments at FVOCI	-	22,524	-	22,524
Rental income	<b>1,396</b>	1,192	<b>1,396</b>	1,192
Net gain on disposal of property and equipment	<b>133</b>	-	<b>133</b>	-
Income recharges from subsidiary	-	-	<b>36,872</b>	38,013
Other operating income	<b>8,807</b>	6,775	<b>8,807</b>	6,775
	<b>10,336</b>	30,491	<b>47,208</b>	68,504

### 33 Impairment Provision/ (Write-Back)

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Mar 2021	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
New and increased allowance (net of releases)	<b>46,397</b>	19,129	<b>(10,489)</b>	33,703
Recoveries	<b>(25,622)</b>	(32,393)	<b>(12,862)</b>	(15,340)
Written off	<b>4</b>	422	<b>4</b>	422
<b>Total charge to/ (write-back from) statement of profit or loss</b>	<b>20,779</b>	(12,842)	<b>(23,347)</b>	18,785

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

#### (i) Loans, advances and financing

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Mar 2021	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
New and increased allowance (net of releases)	<b>66,843</b>	19,554	<b>4,671</b>	34,174
Recoveries	<b>(25,622)</b>	(32,393)	<b>(12,862)</b>	(15,340)
Written off	<b>4</b>	422	<b>4</b>	422
<b>Total charge to/ (write-back from) statement of profit or loss</b>	<b>41,225</b>	(12,417)	<b>(8,187)</b>	19,256

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

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Mar 2021	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Net release in allowance/provision</b>	<b>(57)</b>	(16)	<b>(56)</b>	(15)

#### (iii) Debt securities - FVOCI

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Mar 2021	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Net release in allowance/provision</b>	<b>(410)</b>	(41)	<b>(310)</b>	(55)

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

### 33 Impairment Provision/ (Write-Back) (Cont'd)

Breakdown of the impairment allowance/provision by financial instruments type (Cont'd)

#### (iv) Financial investments at amortised costs

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Mar 2021	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Net release in allowance/provision</b>	<b>(609)</b>	(22)	<b>(609)</b>	(22)

#### (v) Loan commitments and contingencies

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Mar 2021	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Net release in allowance/provision</b>	<b>(19,370)</b>	(346)	<b>(14,185)</b>	(379)

### 34 Other Operating Expenses

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Mar 2021	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personnel expenses	<b>161,564</b>	180,948	<b>153,816</b>	170,753
Promotion and marketing related expenses	<b>10,159</b>	6,417	<b>8,664</b>	5,309
Establishment related expenses	<b>33,929</b>	24,012	<b>31,023</b>	20,476
General administrative expenses	<b>36,467</b>	36,377	<b>29,813</b>	29,220
Related company charges	<b>176,558</b>	151,153	<b>174,605</b>	148,740
	<b>418,677</b>	398,907	<b>397,921</b>	374,498
Personnel expenses				
Salaries, allowances and bonuses	<b>122,877</b>	140,018	<b>117,004</b>	131,808
Employees Provident Fund contributions	<b>20,178</b>	23,191	<b>18,955</b>	21,704
Share based payment	<b>4,938</b>	2,611	<b>4,837</b>	2,577
Others	<b>13,571</b>	15,128	<b>13,020</b>	14,664
	<b>161,564</b>	180,948	<b>153,816</b>	170,753

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

**34 Other Operating Expenses (Cont'd)**

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Mar 2021	<b>31 Mar 2022</b>	31 Mar 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Establishment related expenses				
Depreciation of property and equipment	<b>7,907</b>	5,548	<b>7,346</b>	4,922
Depreciation of ROU assets	<b>3,774</b>	5,595	<b>2,315</b>	4,037
Impairment of ROU assets	<b>95</b>	-	<b>95</b>	-
Amortisation of intangible assets	<b>2,152</b>	1,875	<b>2,152</b>	1,875
Information technology costs	<b>7,783</b>	2,229	<b>7,299</b>	2,046
Property and equipment written off	<b>770</b>	1,835	<b>698</b>	1,714
General repairs and maintenance	<b>4,077</b>	4,150	<b>4,138</b>	3,421
Utilities	<b>1,754</b>	2,207	<b>1,536</b>	1,858
Others	<b>5,617</b>	573	<b>5,444</b>	603
	<b>33,929</b>	24,012	<b>31,023</b>	20,476
Related company charges				
(i) Type of service				
- Information technology related cost	<b>82,429</b>	60,523	<b>82,396</b>	60,523
- Non information technology related cost	<b>94,129</b>	90,630	<b>92,209</b>	88,217
	<b>176,558</b>	151,153	<b>174,605</b>	148,740
(ii) Countries/territories				
- Hong Kong	<b>110,512</b>	92,975	<b>110,509</b>	92,970
- United Kingdom	<b>38,878</b>	40,064	<b>38,873</b>	39,565
- Malaysia	<b>16,191</b>	16,466	<b>14,460</b>	14,557
- India	<b>7,010</b>	-	<b>6,831</b>	-
- Others	<b>3,967</b>	1,648	<b>3,932</b>	1,648
	<b>176,558</b>	151,153	<b>174,605</b>	148,740



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

**35 Capital Adequacy**

	<i>Group</i>	
	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
<b>Common Equity Tier 1 (CET1) capital</b>		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	8,369,928	8,666,100
Other reserves	930,594	890,478
Regulatory adjustments	<b>(1,174,043)</b>	<b>(1,060,915)</b>
Total CET1 capital	<b>9,172,354</b>	9,541,538
<b>Tier 1 capital</b>		
Additional Tier 1 capital	<b>500,000</b>	500,000
Total Tier 1 capital	<b>9,672,354</b>	10,041,538
<b>Tier 2 capital</b>		
Subordinated liabilities	-	100,000
Impairment allowance (unimpaired portion) & regulatory reserves	<b>621,855</b>	616,205
Regulatory adjustments	<b>93,720</b>	94,032
Total Tier 2 capital	<b>715,575</b>	810,237
<b>Capital base</b>	<b>10,387,929</b>	10,851,775
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	<b>16.235%</b>	16.925%
Tier 1 Capital ratio	<b>17.120%</b>	17.812%
Total Capital ratio	<b>18.386%</b>	19.249%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	<b>16.235%</b>	16.495%
Tier 1 Capital ratio	<b>17.120%</b>	17.382%
Total Capital ratio	<b>18.386%</b>	18.819%

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.

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

	<i>Group</i>	
	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Total RWA for credit risk <sup>[1]</sup>	49,748,411	49,732,001
Total RWA for market risk	1,443,830	1,273,714
Total RWA for operational risk	<b>5,306,085</b>	5,369,068
	<b>56,498,326</b>	56,374,783

<sup>[1]</sup> 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>	
	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Under SIAF/IAA arrangement	<b>2,910,887</b>	2,941,036

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

**35 Capital Adequacy (Cont'd)**

	<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
<b>Common Equity Tier 1 (CET1) capital</b>		
Paid-up ordinary share capital	1,045,875	1,045,875
Retained profits	7,078,325	7,358,326
Other reserves	882,333	850,171
Regulatory adjustments	<b>(1,726,893)</b>	<b>(1,637,042)</b>
Total CET1 capital	<b>7,279,640</b>	7,617,330
<b>Tier 1 capital</b>		
Additional Tier 1 capital	<b>500,000</b>	500,000
Total Tier 1 capital	<b>7,779,640</b>	8,117,330
<b>Tier 2 capital</b>		
Subordinated liabilities	-	100,000
Impairment allowance (unimpaired portion) & regulatory reserves	482,387	452,577
Regulatory adjustments	<b>(325,521)</b>	<b>(321,794)</b>
Total Tier 2 capital	<b>156,866</b>	230,783
<b>Capital base</b>	<b>7,936,506</b>	8,348,113
<u>Before deducting proposed dividend</u>		
CET 1 Capital ratio	<b>16.291%</b>	17.122%
Tier 1 Capital ratio	<b>17.410%</b>	18.246%
Total Capital ratio	<b>17.761%</b>	18.764%
<u>After deducting proposed dividend</u>		
CET 1 Capital ratio	<b>16.291%</b>	16.576%
Tier 1 Capital ratio	<b>17.410%</b>	17.700%
Total Capital ratio	<b>17.761%</b>	18.219%

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>	
	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Total RWA for credit risk <sup>[1]</sup>	<b>38,590,924</b>	38,524,879
Total RWA for market risk	<b>1,415,576</b>	1,212,910
Total RWA for operational risk	<b>4,679,635</b>	4,751,416
	<b>44,686,135</b>	44,489,205

<sup>[1]</sup> 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>	
	<b>31 Mar 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Under SIAF/IAA arrangement	<b>2,910,887</b>	2,941,036

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

### 35 Capital Adequacy (Cont'd)

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 CET-1, subject to a capping. The transitional arrangement commenced from financial year beginning 1 January 2020, with an add-back factor that will gradually reduce over the four-year transitional duration.

As required by the Guideline, below is the disclosure on the capital ratios with comparison of:

(i) the Capital Ratios, computed in accordance with the transitional arrangement

(ii) the Capital Ratios, had the transitional arrangement not been applied.

Group	With Transitional Arrangement (%)		Without Transitional Arrangement (%)	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
<u>Before deducting proposed dividend</u>				
CET1 Capital Ratio	<b>16.235%</b>	16.925%	<b>16.211%</b>	16.767%
Tier 1 Capital Ratio	<b>17.120%</b>	17.812%	<b>17.096%</b>	17.654%
Total Capital Ratio	<b>18.386%</b>	19.249%	<b>18.363%</b>	19.101%
<b>Bank</b>				
	With Transitional Arrangement (%)		Without Transitional Arrangement (%)	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
<u>Before deducting proposed dividend</u>				
CET1 Capital Ratio	<b>16.291%</b>	17.122%	<b>16.250%</b>	16.946%
Tier 1 Capital Ratio	<b>17.410%</b>	18.246%	<b>17.369%</b>	18.070%
Total Capital Ratio	<b>17.761%</b>	18.764%	<b>17.720%</b>	18.654%

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

### 36 Commitments and Contingencies

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

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

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2022</b>	31 Dec 2021	<b>31 Mar 2022</b>	31 Dec 2021
<b>Principal amount</b>	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Direct credit substitutes	<b>694,002</b>	642,637	<b>658,082</b>	625,220
Transaction-related contingent items	<b>10,592,725</b>	10,480,561	<b>8,915,866</b>	8,807,141
Short-term self-liquidating trade-related contingencies	<b>468,555</b>	612,771	<b>414,124</b>	560,360
Formal standby facilities and credit lines				
- Maturity not exceeding one year	<b>8,319,716</b>	8,239,721	<b>6,824,573</b>	6,877,826
- Maturity exceeding one year	<b>14,017,305</b>	15,153,783	<b>10,835,293</b>	11,963,035
Other unconditionally cancellable	<b>16,356,458</b>	15,851,700	<b>13,523,456</b>	13,507,758
Unutilised credit card lines	<b>12,808,889</b>	12,763,796	<b>9,382,226</b>	9,305,109
Foreign exchange related contracts:				
- Less than one year	<b>89,620,248</b>	69,987,915	<b>90,249,900</b>	70,463,324
- Over one year to less than five years	<b>4,301,351</b>	4,875,308	<b>4,301,351</b>	4,896,130
- Over five years	<b>766,416</b>	567,821	<b>766,416</b>	567,821
Interest/profit rate related contracts:				
- Less than one year	<b>9,121,374</b>	8,672,915	<b>9,296,374</b>	8,907,915
- Over one year to less than five years	<b>25,356,762</b>	23,650,660	<b>26,639,872</b>	24,837,128
- Over five years	<b>1,361,692</b>	1,599,836	<b>1,361,692</b>	1,599,836
Gold and other precious metals contracts:				
- Less than one year	<b>7,620</b>	11,254	<b>7,620</b>	11,254
Equity related contracts:				
- Less than one year	<b>875,797</b>	759,125	<b>1,224,429</b>	1,002,501
- Over one year to less than five years	<b>1,865,475</b>	1,229,215	<b>2,576,247</b>	1,821,834
	<b>196,534,385</b>	175,099,018	<b>186,977,521</b>	165,754,192

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

<i>Formal standby facilities and credit lines:</i>				
- <i>Maturity exceeding one year</i>	<b>101,048</b>	180,534	<b>101,048</b>	180,534
	<b>101,048</b>	180,534	<b>101,048</b>	180,534

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

**37 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 At 31 Mar 2022	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	86,544,896	974,898	-	87,519,794	247,924	6,726	-	254,650	254,278	7,352	-	261,630
- Swaps	2,404,829	3,326,453	766,416	6,497,698	87,586	115,454	81,692	284,732	28,724	114,337	23,832	166,893
- Options	670,523	-	-	670,523	1,191	-	-	1,191	896	-	-	896
Interest/profit rate related contracts												
- Options	431,111	97,559	-	528,670	7,883	-	-	7,883	353	575	-	928
- Swaps	8,120,263	24,709,203	1,361,692	34,191,158	27,487	220,227	30,337	278,051	30,247	207,981	22,133	260,361
Equity related contracts												
- Options	875,797	1,865,475	-	2,741,272	7,820	60,389	-	68,209	162,754	201,398	-	364,152
Precious metal contracts												
- Options	7,620	-	-	7,620	-	-	-	-	13	-	-	13
Sub- total	99,055,039	30,973,588	2,128,108	132,156,735	379,891	402,796	112,029	894,716	477,265	531,643	45,965	1,054,873
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest/profit rate related contracts												
- Swaps	570,000	550,000	-	1,120,000	-	-	-	-	3,417	10,699	-	14,116
Sub- total	570,000	550,000	-	1,120,000	-	-	-	-	3,417	10,699	-	14,116
<b>Total</b>	<b>99,625,039</b>	<b>31,523,588</b>	<b>2,128,108</b>	<b>133,276,735</b>	<b>379,891</b>	<b>402,796</b>	<b>112,029</b>	<b>894,716</b>	<b>480,682</b>	<b>542,342</b>	<b>45,965</b>	<b>1,068,989</b>

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

**37 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 2021	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	66,792,699	761,994	-	67,554,693	310,172	6,612	-	316,784	264,509	3,782	-	268,291
- Swaps	2,558,802	4,113,314	567,821	7,239,937	103,218	125,748	73,771	302,737	103,762	33,279	19,249	156,290
- Options	636,414	-	-	636,414	2,202	-	-	2,202	672	-	-	672
Interest/profit rate related contracts												
- Options	448,745	110,762	-	559,507	847	68	-	915	4,655	15	-	4,670
- Swaps	7,654,170	22,989,898	1,599,836	32,243,904	21,655	221,800	28,480	271,935	26,207	199,917	31,310	257,434
Equity related contracts												
- Options	759,125	1,229,215	-	1,988,340	7,909	22,025	-	29,934	129,873	109,907	-	239,780
Precious metal contracts												
- Options	11,254	-	-	11,254	-	-	-	-	28	-	-	28
Sub- total	78,861,209	29,205,183	2,167,657	110,234,049	446,003	376,253	102,251	924,507	529,706	346,900	50,559	927,165
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest/profit rate related contracts												
- Swaps	570,000	550,000	-	1,120,000	-	-	-	-	7,310	13,106	-	20,416
Sub- total	570,000	550,000	-	1,120,000	-	-	-	-	7,310	13,106	-	20,416
<b>Total</b>	<b>79,431,209</b>	<b>29,755,183</b>	<b>2,167,657</b>	<b>111,354,049</b>	<b>446,003</b>	<b>376,253</b>	<b>102,251</b>	<b>924,507</b>	<b>537,016</b>	<b>360,006</b>	<b>50,559</b>	<b>947,581</b>

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

**37 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 At 31 Mar 2022	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	87,096,366	974,898	-	88,071,264	244,942	6,726	-	251,668	255,670	7,352	-	263,022
- Swaps	2,482,844	3,326,453	766,416	6,575,713	88,513	115,454	81,625	285,592	29,001	114,337	24,142	167,480
- Options	670,690	-	-	670,690	1,191	-	-	1,191	896	-	-	896
Interest rate related contracts												
- Options	431,111	556,169	-	987,280	7,883	29,181	-	37,064	353	575	-	928
- Swaps	8,295,263	25,533,703	1,361,692	35,190,658	27,487	220,396	30,337	278,220	30,858	221,155	22,133	274,146
Equity related contracts												
- Options	1,224,429	2,576,247	-	3,800,676	7,931	77,802	-	85,733	167,742	208,414	-	376,156
Precious metal contracts												
- Options	7,620	-	-	7,620	-	-	-	-	13	-	-	13
Sub- total	100,208,323	32,967,470	2,128,108	135,303,901	377,947	449,559	111,962	939,468	484,533	551,833	46,275	1,082,641
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	570,000	550,000	-	1,120,000	-	-	-	-	3,417	10,699	-	14,116
Sub- total	570,000	550,000	-	1,120,000	-	-	-	-	3,417	10,699	-	14,116
<b>Total</b>	<b>100,778,323</b>	<b>33,517,470</b>	<b>2,128,108</b>	<b>136,423,901</b>	<b>377,947</b>	<b>449,559</b>	<b>111,962</b>	<b>939,468</b>	<b>487,950</b>	<b>562,532</b>	<b>46,275</b>	<b>1,096,757</b>

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

**37 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 At 31 Dec 2021	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	> 1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	67,316,115	761,994	-	68,078,109	305,755	6,612	-	312,367	265,943	3,782	-	269,725
- Swaps	2,510,795	4,134,136	567,821	7,212,752	104,315	125,908	73,771	303,994	103,604	33,381	19,249	156,234
- Options	636,414	-	-	636,414	2,202	-	-	2,202	672	-	-	672
Interest rate related contracts												
- Options	448,745	472,730	-	921,475	847	12,843	-	13,690	4,655	15	-	4,670
- Swaps	7,889,170	23,814,398	1,599,836	33,303,404	21,655	221,900	28,480	272,035	26,988	215,651	31,310	273,949
Equity related contracts												
- Options	1,002,501	1,821,834	-	2,824,335	7,909	26,185	-	34,094	135,395	125,610	-	261,005
Precious metal contracts												
- Options	11,254	-	-	11,254	-	-	-	-	28	-	-	28
Sub- total	79,814,994	31,005,092	2,167,657	112,987,743	442,683	393,448	102,251	938,382	537,285	378,439	50,559	966,283
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	570,000	550,000	-	1,120,000	-	-	-	-	7,310	13,106	-	20,416
Sub- total	570,000	550,000	-	1,120,000	-	-	-	-	7,310	13,106	-	20,416
<b>Total</b>	<b>80,384,994</b>	<b>31,555,092</b>	<b>2,167,657</b>	<b>114,107,743</b>	<b>442,683</b>	<b>393,448</b>	<b>102,251</b>	<b>938,382</b>	<b>544,595</b>	<b>391,545</b>	<b>50,559</b>	<b>986,699</b>

Included in the net non-interest income is the net losses arising from fair value hedges during the financial year as follows:

	<i>Group and Bank</i>	
	31 Mar 2022 RM'000	31 Mar 2021 RM'000
Gains on hedging instruments	4,915	11,852
Losses on the hedged items attributable to the hedged risk	(5,004)	(11,963)
Net losses from fair value hedges	(89)	(111)



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

### 38 Performance Review, Economy and Prospects

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#### Performance Review

The Group recorded a profit before tax (PBT) of RM266.5 million for the financial period ended 31 March 2022, a reduction of RM44.9 million compared to the corresponding period last year. The decrease was mainly due to higher impairment provisions (up RM33.6 million) primarily driven by stage 3 downgrade of loans, advances and financing exposure and higher operating expenses (up RM19.8 million), partly cushioned by higher operating income by RM8.5 million.

Total balance sheet size as at 31 March 2022 has increased by 4.2% or RM3.8 billion to RM93.4 billion (31 December 2021: RM89.6 billion). The Group's capital and liquidity coverage ratios continue to remain strong and well above regulatory requirements.

#### Economy and Prospects

Just as countries across the globe gradually transit towards endemic management of COVID-19 with positive views that the global economy is heading towards a recovery stage, the world is hit by yet another geopolitical conflict between Russia and Ukraine. The economic implications arising from sanctions rolled out on Russia as a result of this conflict, which began in February 2022, is expected to extend beyond the short-term repercussions on commodity prices and inflation. It may pose a broad-based supply shock to the global economy.

While the Russia-Ukraine conflict will also weigh on our economy, Malaysia being Asia's only major net oil & gas exporter and the world's second largest palm oil exporter, should be able to offset some supply chain disruptions and external risks. The pace of our economic recovery is also expected to gather further momentum with the reopening of the economy and international borders on 1 April 2022. With better COVID-19 management and higher vaccination rates, the domestic spending and economic activities are not expected to be severely disrupted in the event of resurgences. For 2022, the domestic economy is expected to grow between 5.3% and 6.3% whilst headline inflation is forecasted to average between 2.2% and 3.2%. As for monetary policy, Bank Negara Malaysia (BNM) has maintained the overnight policy rate (OPR) at historical low of 1.75% since July 2020 as it considers the current stance of monetary policy to be appropriate and accommodative given the prevailing outlook on growth and inflation for 2022. As anticipated in most economies, we expect normalisation of monetary policy by BNM as well but this is likely to be done in a gradual manner to ensure the domestic economy continues to grow in a sustainable manner. We expect an improved interest rate outlook to lead to net interest income growth going forward.

In Q1 2022, HSBC Malaysia successfully launched the HSBC Global Wallet, Malaysia's first multi-currency digital wallet that enables small-and-medium enterprises (SMEs) to 'pay and receive like a local'. Global Wallet significantly reduces the time in which money can be delivered to an overseas beneficiary and removes the need for businesses to use third-party providers for international transactions.

As part of our journey to be a leader in offering sustainable financing, we have also completed our first green loan for a property developer in Malaysia to support its transition towards net zero carbon.

In March 2022, HSBC Malaysia welcomed our newly appointed Chief Executive Officer, Mr. Omar Siddiq, who succeeded Mr. Stuart Milne. Mr Milne retired after a distinguished 40-year career with HSBC Group.

We officially opened our new head office in Menara IQ, which is located in the country's international financial centre in Tun Razak Exchange (TRX). The new head office, with enhanced digital offerings and innovative technology, is a testament of us providing a fit-for-purpose, modern working and banking environment to our employees and customers, while integrating the highest standards of environmental sustainability. We have also embraced a new Future of Work model for our employees, which offers a shift towards a more hybrid and flexible style of working.

Malaysia continues to be central to HSBC Group's strategy and is especially crucial to the Group's growth plans across the ASEAN region - an area that represents significant growth potential. At HSBC Malaysia, we remain committed to serving our customers, creating even better digital solutions and investing in our employees, aligning with HSBC Group's vision to build "A bank fit for the future".