

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 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 30 JUNE 2024

| | Note | Group | | Bank | |
|--|------|--------------------|--------------------|--------------------|--------------------|
| | | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Assets | | | | | |
| Cash and short-term funds | 12 | 9,207,171 | 10,643,890 | 7,181,649 | 7,973,830 |
| Securities purchased under resale agreements | | 7,898,126 | 10,743,446 | 7,778,759 | 10,626,344 |
| Deposits and placements with banks and other financial institutions | 13 | – | – | 1,128,260 | 575,986 |
| Financial assets at fair value through profit and loss (FVTPL) | 14 | 6,920,296 | 3,679,907 | 6,822,166 | 3,679,907 |
| Financial investments at fair value through other comprehensive income (FVOCI) | 15 | 14,831,444 | 13,857,738 | 13,184,950 | 12,000,449 |
| Financial investments at amortised cost | 16 | 10,217,373 | 7,512,842 | 8,403,711 | 6,522,926 |
| Loans, advances and financing | 17 | 46,647,505 | 46,378,326 | 32,417,960 | 32,357,115 |
| Derivative financial assets | 39 | 902,614 | 1,543,039 | 943,175 | 1,605,290 |
| Other assets | 20 | 1,661,727 | 1,160,266 | 1,655,554 | 1,244,535 |
| Statutory deposits with Bank Negara Malaysia | 21 | 587,967 | 608,437 | 347,291 | 366,176 |
| Investments in subsidiary companies | 22 | – | – | 1,161,084 | 1,161,084 |
| Property and equipment | | 986,897 | 1,010,903 | 982,597 | 1,006,163 |
| Intangible assets | | 12,746 | 14,581 | 12,746 | 14,581 |
| Tax recoverable | | 20,850 | 20,850 | 20,850 | 20,850 |
| Deferred tax assets | | 143,992 | 203,023 | 93,357 | 163,175 |
| Property held for sale | 23 | 10,556 | 8,377 | 10,556 | 8,377 |
| Total assets | | 100,049,264 | 97,385,625 | 82,144,665 | 79,326,788 |
| Liabilities | | | | | |
| Deposits from customers | 24 | 74,102,427 | 71,932,699 | 60,256,937 | 57,989,144 |
| Deposits and placements from banks and other financial institutions | 25 | 3,275,831 | 3,157,796 | 3,463,335 | 3,341,385 |
| Repurchase agreement | | 398,697 | – | 398,697 | – |
| Bills payable | | 98,556 | 278,595 | 58,699 | 268,307 |
| Derivative financial liabilities | 39 | 824,221 | 1,575,994 | 824,925 | 1,580,597 |
| Structured liabilities designated at fair value through profit and loss | 26 | 4,775,198 | 4,589,420 | 2,967,523 | 2,649,922 |
| Other liabilities | 27 | 3,564,940 | 3,403,661 | 3,280,075 | 2,988,513 |
| Provision for taxation | | 206,967 | 132,569 | 138,705 | 112,096 |
| Total liabilities | | 87,246,837 | 85,070,734 | 71,388,896 | 68,929,964 |
| Equity | | | | | |
| Share capital and other equity | 28 | 2,545,875 | 2,545,875 | 2,545,875 | 2,545,875 |
| Reserves | | 10,256,552 | 9,769,016 | 8,209,894 | 7,850,949 |
| Total equity attributable to owner of the Group and the Bank | | 12,802,427 | 12,314,891 | 10,755,769 | 10,396,824 |
| Total liabilities and equity | | 100,049,264 | 97,385,625 | 82,144,665 | 79,326,788 |
| Commitments and contingencies | 38 | 225,175,335 | 213,211,422 | 214,581,222 | 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 12 to 51 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 18 July 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 30 JUNE 2024

| | | <i>Group</i> | | | |
|---|----|-----------------------|-------------|-------------------------|-------------|
| | | Second Quarter | | Six Months Ended | |
| | | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| <i>Note</i> | | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | 29 | 763,620 | 684,135 | 1,522,330 | 1,338,604 |
| Interest expense | 29 | (291,259) | (217,541) | (570,169) | (418,263) |
| Net interest income | 29 | 472,361 | 466,594 | 952,161 | 920,341 |
| Fee and commission income | 30 | 140,960 | 116,256 | 292,363 | 229,579 |
| Fee and commission expense | 30 | (12,916) | (20,923) | (39,106) | (46,776) |
| Net fee and commission income | 30 | 128,044 | 95,333 | 253,257 | 182,803 |
| Net trading income | 31 | 261,369 | (84,050) | 374,201 | 13,543 |
| Net (expense)/income from Financial Liabilities designated at Fair Value | | (36,158) | 16,044 | (32,194) | (6,766) |
| Income from Islamic banking operations | 32 | 180,434 | 433,031 | 461,186 | 729,737 |
| Other operating income | 33 | 26,842 | 13,579 | 46,584 | 32,288 |
| Operating income before impairment losses | | 1,032,892 | 940,531 | 2,055,195 | 1,871,946 |
| Impairment write-back/(allowance) | 34 | 14,682 | 16,714 | 31,875 | (59,675) |
| Net operating income | | 1,047,574 | 957,245 | 2,087,070 | 1,812,271 |
| Other operating expenses | 35 | (495,193) | (463,873) | (950,045) | (877,618) |
| Profit before tax | | 552,381 | 493,372 | 1,137,025 | 934,653 |
| Tax expense | | (140,723) | (120,941) | (285,685) | (230,118) |
| Profit for the financial period | | 411,658 | 372,431 | 851,340 | 704,535 |
| Profit attributable to owner of the Group | | 411,658 | 372,431 | 851,340 | 704,535 |
| Basic earnings per RM0.50 ordinary share | | 179.8 sen | 162.6 sen | 371.8 sen | 307.7 sen |
| Dividends per RM0.50 ordinary share (net) - final dividend paid in respect of prior period | | 137.3 sen | 179.3 sen | 137.3 sen | 179.3 sen |

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UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024 (Cont'd)

Bank

| | <i>Note</i> | Second Quarter | | Six Months Ended | |
|--|-------------|------------------|----------------|------------------|----------------|
| | | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | 29 | 778,468 | 699,146 | 1,553,273 | 1,371,068 |
| Interest expense | 29 | (293,087) | (219,819) | (573,858) | (423,246) |
| Net interest income | 29 | 485,381 | 479,327 | 979,415 | 947,822 |
| Fee and commission income | 30 | 140,401 | 116,026 | 291,387 | 229,205 |
| Fee and commission expense | 30 | (12,916) | (20,923) | (39,106) | (46,776) |
| Net fee and commission income | 30 | 127,485 | 95,103 | 252,281 | 182,429 |
| Net trading income | 31 | 230,091 | 159,196 | 419,353 | 375,013 |
| Net (expense)/income from Financial Liabilities designated at Fair Value | | (36,158) | 16,044 | (32,194) | (6,766) |
| Other operating income | 33 | 131,340 | 53,117 | 215,832 | 121,456 |
| Operating income before impairment losses | | 938,139 | 802,787 | 1,834,687 | 1,619,954 |
| Impairment write-back | 34 | 17,173 | 15,245 | 15,225 | (15,427) |
| Net operating income | | 955,312 | 818,032 | 1,849,912 | 1,604,527 |
| Other operating expenses | 35 | (469,578) | (439,116) | (902,816) | (831,684) |
| Profit before tax | | 485,734 | 378,916 | 947,096 | 772,843 |
| Tax expense | | (111,754) | (93,035) | (221,571) | (187,372) |
| Profit for the financial period | | 373,980 | 285,881 | 725,525 | 585,471 |
| Profit attributable to owner of the Bank | | 373,980 | 285,881 | 725,525 | 585,471 |
| Basic earnings per RM0.50 ordinary share | | 163.3 sen | 124.8 sen | 316.8 sen | 255.7 sen |
| Dividends per RM0.50 ordinary share (net) | | | | | |
| - final dividend paid in respect of prior period | | 137.3 sen | 179.3 sen | 137.3 sen | 179.3 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 12 to 51 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 18 July 2024.

HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

Group

| | Second Quarter | | Six Months Ended | |
|---|----------------|-------------|------------------|-------------|
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the financial period | 411,658 | 372,431 | 851,340 | 704,535 |
| Other comprehensive income/(expense) | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | | |
| Revaluation reserve: | | | | |
| Deficit on revaluation of properties | (1) | (1,967) | (876) | (1,967) |
| Income tax effect | 607 | 3,766 | 607 | 5,034 |
| Own credit reserve: | | | | |
| Change in fair value | 4,419 | (10,603) | 1,632 | (10,557) |
| Income tax effect | (1,060) | 2,545 | (391) | 2,534 |
| Fair value through other comprehensive income reserve (equity instruments): | | | | |
| Change in fair value | 11,928 | 6,817 | 11,928 | 6,817 |
| Income tax effect | (2,863) | (1,636) | (2,863) | (1,636) |
| <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 | 13,818 | (17,606) | 10,902 | 29,937 |
| Amount transferred to profit or loss | (6,644) | (954) | (8,136) | (10,155) |
| Impairment charges/(write-back) | 206 | 29 | 146 | (64) |
| Income tax effect | (1,721) | 4,454 | (663) | (4,748) |
| Other comprehensive income/(expense) for the financial period, net of income tax | 18,689 | (15,155) | 12,286 | 15,195 |
| Total comprehensive income for the financial period | 430,347 | 357,276 | 863,626 | 719,730 |
| Total comprehensive income attributable to owner of the Group | 430,347 | 357,276 | 863,626 | 719,730 |

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UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024 (Cont'd)

Bank

| | Second Quarter | | Six Months Ended | |
|---|----------------|-------------|------------------|-------------|
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the financial period | 373,980 | 285,881 | 725,525 | 585,471 |
| Other comprehensive income/(expense) | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | | |
| Revaluation reserve: | | | | |
| Deficit on revaluation of properties | (1) | (1,967) | (876) | (1,967) |
| Income tax effect | 607 | 3,766 | 607 | 5,034 |
| Own credit reserve: | | | | |
| Change in fair value | 1,526 | (5,361) | 718 | (4,386) |
| Income tax effect | (366) | 1,287 | (172) | 1,053 |
| Fair value through other comprehensive income reserve (equity instruments): | | | | |
| Change in fair value | 11,928 | 6,817 | 11,928 | 6,817 |
| Income tax effect | (2,863) | (1,636) | (2,863) | (1,636) |
| <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 | 11,860 | (16,220) | 8,069 | 23,504 |
| Amount transferred to profit or loss | (6,644) | (954) | (8,136) | (10,155) |
| Impairment charges/(write-back) | 206 | (15) | 166 | (55) |
| Income tax effect | (1,251) | 4,122 | 17 | (3,204) |
| Other comprehensive income/(expense) for the financial period, net of income tax | 15,002 | (10,161) | 9,458 | 15,005 |
| Total comprehensive income for the financial period | 388,982 | 275,720 | 734,983 | 600,476 |
| Total comprehensive income attributable to owner of the Bank | 388,982 | 275,720 | 734,983 | 600,476 |

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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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 | - | - | - | - | - | - | - | 851,340 | 851,340 |
| Other comprehensive income, net of income tax | | | | | | | | | |
| Revaluation reserve: | | | | | | | | | |
| Transfer to retained profits upon realisation of depreciation | - | - | (4,788) | - | - | - | - | 4,788 | - |
| Deficit on revaluation of properties | - | - | (876) | - | - | - | - | - | (876) |
| Deferred tax adjustment on revaluation reserve | - | - | 607 | - | - | - | - | - | 607 |
| FVOCI reserve/Own credit reserve | | | | | | | | | |
| Net change in fair value | - | - | - | 17,351 | 1,241 | - | - | - | 18,592 |
| Net amount transferred to profit or loss | - | - | - | (6,183) | - | - | - | - | (6,183) |
| Impairment charges | - | - | - | 146 | - | - | - | - | 146 |
| <i>Total other comprehensive (expense)/income</i> | - | - | (5,057) | 11,314 | 1,241 | - | - | 4,788 | 12,286 |
| Total comprehensive (expense)/income for the financial year | - | - | (5,057) | 11,314 | 1,241 | - | - | 856,128 | 863,626 |
| Net change in regulatory reserves | - | - | - | - | - | - | 62,500 | (62,500) | - |
| Transactions with the owner, recorded directly in equity | | | | | | | | | |
| Share based payment transactions | - | - | - | - | - | 1,464 | - | (3,723) | (2,259) |
| Dividends paid to owner - 2023 final | - | - | - | - | - | - | - | (314,500) | (314,500) |
| Dividends paid to preference shareholder | - | - | - | - | - | - | - | (59,331) | (59,331) |
| Balance at 30 June | 1,045,875 | 1,500,000 | 126,446 | 175,299 | (7,347) | 94,153 | 429,600 | 9,438,401 | 12,802,427 |

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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 | – | – | – | – | – | – | – | 704,535 | 704,535 |
| Other comprehensive income, net of income tax | | | | | | | | | |
| Revaluation reserve: | | | | | | | | | |
| Transfer to retained profits for realisation of revaluation upon disposal of property | – | – | (32,935) | – | – | – | – | 32,935 | – |
| Transfer to retained profits upon realisation of depreciation | – | – | (659) | – | – | – | – | 659 | – |
| Deficit on revaluation of properties | – | – | (1,967) | – | – | – | – | – | (1,967) |
| Deferred tax adjustment on revaluation reserve | – | – | 5,034 | – | – | – | – | – | 5,034 |
| FVOCI reserve/Own credit reserve | | | | | | | | | |
| Net change in fair value | – | – | – | 27,933 | (8,023) | – | – | – | 19,910 |
| Net amount transferred to profit or loss | – | – | – | (7,718) | – | – | – | – | (7,718) |
| Impairment write-back | – | – | – | (64) | – | – | – | – | (64) |
| <i>Total other comprehensive income</i> | – | – | (30,527) | 20,151 | (8,023) | – | – | 33,594 | 15,195 |
| Total comprehensive (expense)/income for the financial period | – | – | (30,527) | 20,151 | (8,023) | – | – | 738,129 | 719,730 |
| Net change in regulatory reserves | – | – | – | – | – | – | (85,200) | 85,200 | – |
| Transactions with the owner, recorded directly in equity | | | | | | | | | |
| Share based payment transactions | – | – | – | – | – | (2,045) | – | (119) | (2,164) |
| Dividends paid to owner - 2022 final | – | – | – | – | – | – | – | (410,512) | (410,512) |
| Dividends paid to preference shareholder | – | – | – | – | – | – | – | (52,688) | (52,688) |
| Balance at 30 June | 1,045,875 | 1,500,000 | 129,015 | 150,411 | (14,264) | 96,202 | 349,300 | 8,655,727 | 11,912,266 |

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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 | - | - | - | - | - | - | - | 725,525 | 725,525 |
| Other comprehensive income, net of income tax | | | | | | | | | |
| Revaluation reserve: | | | | | | | | | |
| Transfer to retained profits upon realisation of depreciation | - | - | (4,788) | - | - | - | - | 4,788 | - |
| Deficit on revaluation of properties | - | - | (876) | - | - | - | - | - | (876) |
| Deferred tax adjustment on revaluation reserve | - | - | 607 | - | - | - | - | - | 607 |
| FVOCI reserve/Own credit reserve | | | | | | | | | |
| Net change in fair value | - | - | - | 15,198 | 546 | - | - | - | 15,744 |
| Net amount transferred to profit or loss | - | - | - | (6,183) | - | - | - | - | (6,183) |
| Impairment charges | - | - | - | 166 | - | - | - | - | 166 |
| <i>Total other comprehensive (expense)/income</i> | - | - | (5,057) | 9,181 | 546 | - | - | 4,788 | 9,458 |
| Total comprehensive (expense)/income for the financial year | - | - | (5,057) | 9,181 | 546 | - | - | 730,313 | 734,983 |
| Net change in regulatory reserves | - | - | - | - | - | - | 34,900 | (34,900) | - |
| Transactions with the owner, recorded directly in equity | | | | | | | | | |
| Share based payment transactions | - | - | - | - | - | 1,438 | - | (3,645) | (2,207) |
| Dividends paid to owner - 2023 final | - | - | - | - | - | - | - | (314,500) | (314,500) |
| Dividends paid to preference shareholder | - | - | - | - | - | - | - | (59,331) | (59,331) |
| Balance at 30 June | 1,045,875 | 1,500,000 | 126,446 | 175,481 | (3,535) | 93,750 | 366,200 | 7,451,552 | 10,755,769 |

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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 | - | - | - | - | - | - | - | 585,471 | 585,471 |
| Other comprehensive income, net of income tax | | | | | | | | | |
| Revaluation reserve: | | | | | | | | | |
| Transfer to retained profits for realisation of revaluation upon disposal of property | - | - | (32,935) | - | - | - | - | 32,935 | - |
| Transfer to retained profits upon realisation of depreciation | - | - | (659) | - | - | - | - | 659 | - |
| Deficit on revaluation of properties | - | - | (1,967) | - | - | - | - | - | (1,967) |
| Deferred tax adjustment on revaluation reserve | - | - | 5,034 | - | - | - | - | - | 5,034 |
| FVOCI reserve/Own credit reserve | | | | | | | | | |
| Net change in fair value | - | - | - | 23,044 | (3,333) | - | - | - | 19,711 |
| Net amount transferred to profit or loss | - | - | - | (7,718) | - | - | - | - | (7,718) |
| Impairment write-back | - | - | - | (55) | - | - | - | - | (55) |
| | - | - | (30,527) | 15,271 | (3,333) | - | - | 33,594 | 15,005 |
| Total comprehensive (expense)/income for the financial year | - | - | (30,527) | 15,271 | (3,333) | - | - | 619,065 | 600,476 |
| Net change in regulatory reserves | - | - | - | - | - | - | (43,800) | 43,800 | - |
| Transactions with the owner, recorded directly in equity | | | | | | | | | |
| Share based payment transactions | - | - | - | - | - | (1,984) | - | (126) | (2,110) |
| Dividends paid to owner - 2022 final | - | - | - | - | - | - | - | (410,512) | (410,512) |
| Dividends paid to preference shareholder | - | - | - | - | - | - | - | (52,688) | (52,688) |
| Balance at 30 June | 1,045,875 | 1,500,000 | 129,015 | 155,360 | (4,443) | 95,772 | 316,900 | 6,973,295 | 10,211,774 |

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

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

| | <i>Group</i> | | <i>Bank</i> | |
|---|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before tax | 1,137,025 | 934,653 | 947,096 | 772,843 |
| Adjustments for non-operating and non-cash items | 41,300 | 397,906 | (127,666) | (114,775) |
| Operating profit before working capital changes | 1,178,325 | 1,332,559 | 819,430 | 658,068 |
| Changes in working capital: | | | | |
| Net changes in operating assets | (613,803) | 2,266,850 | (672,623) | 3,118,903 |
| Net changes in operating liabilities | 2,030,625 | (206,621) | 2,397,811 | (307,222) |
| Income tax paid | (155,674) | (205,181) | (127,556) | (149,778) |
| Net cash generated from operations | 2,439,473 | 3,187,607 | 2,417,062 | 3,319,971 |
| Net cash used in investing activities | (3,502,361) | (5,016,137) | (2,835,412) | (3,750,187) |
| Net cash generated from financing activities | (373,831) | (473,433) | (373,831) | (463,200) |
| | (3,876,192) | (5,489,570) | (3,209,243) | (4,213,387) |
| Net changes in cash and cash equivalents | (1,436,719) | (2,301,963) | (792,181) | (893,416) |
| Cash and cash equivalents at 1 January | 10,643,890 | 17,585,339 | 7,973,830 | 13,067,553 |
| Cash and cash equivalents at 30 June | 9,207,171 | 15,283,376 | 7,181,649 | 12,174,137 |
| Analysis of cash and cash equivalents | | | | |
| Cash and short-term funds | 9,207,171 | 15,283,376 | 7,181,649 | 12,174,137 |

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 12 to 51 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 18 July 2024.

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

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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 30 June 2024.

| | At 1 Jan | Cash outflow | Fair value movement | Interest/ Profit accrual | At 30 Jun |
|---|----------------|-----------------|------------------------|-----------------------------|----------------|
| <u>2023</u> | | | | | |
| Multi-Currency Sukuk Programme | 504,771 | – | (3,139) | – | 501,632 |
| Other liabilities of which: | | | | | |
| Profit paid on Multi-Currency Sukuk Programme | 5,301 | (10,233) | – | 10,174 | 5,242 |
| | <u>510,072</u> | <u>(10,233)</u> | <u>(3,139)</u> | <u>10,174</u> | <u>506,874</u> |

Bank (RM'000)

There are no movements in the change in liabilities arising from financing activities for the financial period ended 30 June 2024 and 30 June 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 12 to 51 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved by the Board of Directors on 18 July 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 18 July 2024, any amendments made to the notes of the financial statement are in accordance with the delegated authority of the resolution of the Directors.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 30 June 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 number of new standards and amendments to standards and interpretations that are applicable to the Group and the Bank but are not yet effective have 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.

Effective for annual periods commencing on or after 1 January 2027

- MFRS 18 'Presentation and Disclosure in Financial Statements' replaces MFRS 101 'Presentation of Financial Statements'

The new MFRS introduces a new structure of profit or loss statement:

- Income and expenses are classified into 3 new main categories:
 - Operating category which typically includes results from the main business activities;
 - Investing category that presents the results of investments in associates and joint ventures and other assets that generate a return largely independently of other resources; and
 - Financing category that presents income and expenses from financing liabilities.
- Entities are required to present two new specified subtotals: 'Operating profit or loss' and 'Profit or loss before financing and income taxes'.

Management-defined performance measures ('MPMs') are disclosed in a single note and reconciled to the most similar specified subtotal in MFRS Accounting Standards. Changes are also made to the guidance on aggregation and disaggregation which focus on grouping items based on their shared characteristics.

The Group has not early adopted this new standard and is in the process of assessing the impact on the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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 30 June 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 30 June 2024.

8 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 30 June 2024. Please refer to Note 11 for preference shares issued subsequent to 30 June 2024.

9 Dividend

The dividends paid since the end of the previous financial year were as follows:

| | Total (RM'million) |
|--|-------------------------------------|
| Ordinary shares | |
| <i>In respect of financial year ended 31 December 2023:</i> | |
| – Final dividend of 137.34 sen (paid by 10 May 2024) | 314.5 |
| Preference shares | |
| <i>In respect of annual period ended 26 June 2024:</i> | |
| – Annual dividend of 3-month KLIBOR plus 36 basis points per annum (paid on 27 June 2024) | 59.3 |

The Board of Directors via a resolution on 18 July 2024, has approved the payment of an interim dividend of 190.09 sen per ordinary share, amounting to net dividend payment of RM435.3 million in respect of the financial period ended 30 June 2024. The dividend will be accounted for in the shareholder's equity as an appropriation of retained earnings in the subsequent financial period.

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 .

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11 Significant and Subsequent Events

On 11 July 2024, the Group and the Bank had:

a) issued non-cumulative and non-convertible redeemable perpetual preference shares amounting to RM700.0 million, for which there were issuance cost of RM7.0 million. 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 50 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.

b) declared special dividend of 305.68 sen per ordinary share amounting to RM700.0 million in respect of the current financial period on the fully issued and paid up ordinary shares of the Bank.

Other than the above, there were no other 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> | |
|--|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and balances with banks and other financial institutions | 908,807 | 1,010,905 | 726,803 | 813,523 |
| Money at call and interbank placements maturing within one month | 8,298,364 | 9,632,985 | 6,454,846 | 7,160,307 |
| | 9,207,171 | 10,643,890 | 7,181,649 | 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 RM161.6 million as at 30 June 2024 (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 RM32,000 for the Group and RM28,000 for the Bank as at 30 June 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 RM1,128.3 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 30 June 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> | |
|---|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Money market instruments: | | | | |
| Malaysian Government treasury bills | 1,944,482 | 507,266 | 1,944,482 | 507,266 |
| Malaysian Government Islamic treasury bills | 1,110,211 | 570,649 | 1,012,081 | 570,649 |
| Malaysian Government securities | 2,655,869 | 1,656,897 | 2,655,869 | 1,656,897 |
| Malaysian Government Islamic Sukuk | 552,168 | 407,278 | 552,168 | 407,278 |
| Cagamas bonds and notes | 649,848 | 530,150 | 649,848 | 530,150 |
| | 6,912,578 | 3,672,240 | 6,814,448 | 3,672,240 |
| Unquoted: | | | | |
| Corporate bonds and Sukuk | 7,718 | 7,667 | 7,718 | 7,667 |
| | 6,920,296 | 3,679,907 | 6,822,166 | 3,679,907 |

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

| | <i>Group</i> | | <i>Bank</i> | |
|---|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Debt instruments | | | | |
| Money market instruments: | | | | |
| Bank Negara Malaysia bills | 2,973,463 | 5,739,389 | 2,973,463 | 5,739,389 |
| Bank Negara Malaysia Islamic bills | 2,787,513 | 985,050 | 2,787,513 | 985,050 |
| Malaysian Government Islamic treasury bills | 384,956 | 2,888,122 | – | 1,502,015 |
| Malaysian Government securities | 4,208,509 | 2,673,148 | 4,208,509 | 2,673,148 |
| Malaysian Government Islamic Sukuk | 3,488,749 | 882,213 | 2,227,211 | 411,031 |
| US treasury bond | 740,350 | 453,840 | 740,350 | 453,840 |
| | 14,583,540 | 13,621,762 | 12,937,046 | 11,764,473 |
| Equity instruments designated as FVOCI | | | | |
| Unquoted Shares, of which: | 247,904 | 235,976 | 247,904 | 235,976 |
| <i>Cagamas Holdings Berhad</i> | 205,154 | 193,633 | 205,154 | 193,633 |
| <i>Credit Guarantee Corporation Malaysia Berhad</i> | 36,569 | 35,464 | 36,569 | 35,464 |
| <i>Others</i> | 6,181 | 6,879 | 6,181 | 6,879 |
| | 14,831,444 | 13,857,738 | 13,184,950 | 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> | |
|-------------------------------------|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Maturing within one year | 9,446,409 | 12,659,679 | 8,150,510 | 10,802,390 |
| More than one year to three years | 2,490,012 | 734,957 | 2,389,142 | 734,957 |
| More than three years to five years | 1,848,824 | 227,126 | 1,599,099 | 227,126 |
| Over five years | 798,295 | – | 798,295 | – |
| | 14,583,540 | 13,621,762 | 12,937,046 | 11,764,473 |

There are RM398,700,000 of the FVOCI instruments that are pledged against Repurchase Agreement as at 30 June 2024 (31 December 2023: RM Nil).

Financial investments at FVOCI are within stage 1 allocation (12-month ECL) with RM658,000 impairment allowance for the Group and RM568,000 for the Bank as at 30 June 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> | |
|------------------------------------|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Debt instruments | | | | |
| Money market instruments: | | | | |
| Malaysian Government Islamic Sukuk | 4,848,772 | 3,452,075 | 3,381,417 | 2,742,005 |
| Malaysian Government securities | 4,602,843 | 3,311,054 | 4,602,843 | 3,311,054 |
| Unquoted: | | | | |
| Corporate Sukuk | 765,758 | 749,713 | 419,451 | 469,867 |
| | 10,217,373 | 7,512,842 | 8,403,711 | 6,522,926 |

Included in the financial investments at amortised cost of the Group and the Bank as at 30 June 2024 is Malaysian Government securities set aside as Deferred Net Settlement (DNS) collateral for Retail Payment Settlement in RENTAS amounting to RM65.0 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 RM1,277,000 impairment allowance for the Group and RM1,060,000 for the Bank as at 30 June 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> | |
|--|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At amortised cost | | | | |
| Overdrafts/cash line | 522,075 | 480,104 | 439,322 | 396,896 |
| Term loans/financing: | | | | |
| Housing loans/financing | 13,864,409 | 14,319,956 | 10,257,718 | 10,662,797 |
| Syndicated term loans/financing | 2,504,181 | 2,515,606 | 1,127,313 | 1,136,398 |
| Factoring receivables | 3,081,472 | 2,237,652 | 3,081,472 | 2,237,652 |
| Hire purchase receivables | 167,565 | 198,575 | – | – |
| Other term loans/financing | 7,762,883 | 7,998,870 | 3,677,274 | 4,024,368 |
| Bills receivable | 3,604,453 | 5,049,206 | 2,655,665 | 3,967,309 |
| Trust receipts | 4,304,289 | 3,344,953 | 3,522,624 | 2,711,950 |
| Claims on customers under acceptance credits | 715,985 | 911,452 | 525,251 | 705,286 |
| Staff loans/financing | 40,200 | 43,066 | 39,263 | 41,809 |
| Credit/charge cards | 3,937,759 | 4,085,036 | 2,753,682 | 2,832,522 |
| Revolving financing | 6,850,294 | 6,000,696 | 4,750,370 | 4,100,741 |
| Other loans/financing | 9,404 | 10,187 | 6,781 | 7,554 |
| Gross loans, advances and financing ^[1] | 47,364,969 | 47,195,359 | 32,836,735 | 32,825,282 |
| Less: - Impairment allowances | (717,464) | (817,033) | (418,775) | (468,167) |
| Total net loans, advances and financing | 46,647,505 | 46,378,326 | 32,417,960 | 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> | |
|---|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 |
| Syndicated term financing | 424,173 | 513,482 |
| Other term financing | 647,753 | 708,645 |
| Revolving financing | 870,606 | 770,403 |
| Trade financing | 14,494 | 19,908 |
| Gross loans, advances and financing | 1,957,026 | 2,012,438 |
| Less: - Impairment allowances | (96,425) | (96,432) |
| Total net loans, advances and financing | 1,860,601 | 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> | |
|--|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Domestic non-bank financial institutions | 764,064 | 673,327 | 505,702 | 532,950 |
| Domestic business enterprises: | | | | |
| Small medium enterprises | 2,844,733 | 2,993,488 | 1,825,284 | 1,894,838 |
| Others | 18,891,698 | 17,214,467 | 13,230,692 | 11,865,359 |
| Individuals | 17,095,988 | 17,733,765 | 11,789,458 | 12,270,935 |
| Other domestic entities | 934 | 965 | 336 | 311 |
| Foreign entities/individuals | 7,767,552 | 8,579,347 | 5,485,263 | 6,260,889 |
| | 47,364,969 | 47,195,359 | 32,836,735 | 32,825,282 |

(iii) By residual contractual maturity

| | <i>Group</i> | | <i>Bank</i> | |
|-------------------------------------|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Maturity within one year | 24,841,663 | 24,568,425 | 18,384,062 | 18,422,777 |
| More than one year to three years | 3,027,562 | 3,412,773 | 1,727,458 | 1,804,709 |
| More than three years to five years | 3,302,759 | 2,434,908 | 1,261,861 | 736,735 |
| More than five years | 16,192,985 | 16,779,253 | 11,463,354 | 11,861,061 |
| | 47,364,969 | 47,195,359 | 32,836,735 | 32,825,282 |

(iv) By interest/profit rate sensitivity

| | <i>Group</i> | | <i>Bank</i> | |
|---------------------------------------|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fixed rate: | | | | |
| Hire purchase receivables | 167,565 | 198,575 | – | – |
| Other fixed rate loans/financing | 14,973,799 | 14,396,455 | 9,537,614 | 10,625,782 |
| Variable rate: | | | | |
| Base Rate/Base Lending/Financing Rate | 14,946,381 | 15,753,603 | 11,015,054 | 11,610,123 |
| Cost-plus | 17,277,224 | 16,846,726 | 12,284,067 | 10,589,377 |
| | 47,364,969 | 47,195,359 | 32,836,735 | 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> | |
|---|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Agricultural, hunting, forestry and fishing | 34,063 | 30,771 | 29,362 | 25,233 |
| Mining and quarrying | 265,191 | 275,485 | 215,815 | 212,864 |
| Manufacturing | 8,498,952 | 7,607,033 | 6,819,894 | 6,054,667 |
| Electricity, gas and water | 301,479 | 286,538 | 237,341 | 223,925 |
| Construction | 2,457,133 | 2,390,637 | 1,408,012 | 1,352,555 |
| Real estate | 2,114,636 | 2,193,557 | 885,121 | 925,337 |
| Wholesale & retail trade and restaurants & hotels | 4,241,359 | 3,790,455 | 3,047,746 | 2,678,977 |
| Transport, storage and communication | 641,513 | 661,965 | 370,598 | 398,915 |
| Finance, insurance and business services | 3,324,411 | 3,199,267 | 2,250,961 | 2,247,449 |
| Household-retail | 19,645,748 | 20,348,184 | 13,882,652 | 14,425,256 |
| Others | 5,840,484 | 6,411,467 | 3,689,233 | 4,280,104 |
| | 47,364,969 | 47,195,359 | 32,836,735 | 32,825,282 |

(vi) By purpose

| | <i>Group</i> | | <i>Bank</i> | |
|--|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Purchase of property: | | | | |
| Residential | 13,884,256 | 14,341,726 | 10,277,322 | 10,684,317 |
| Non residential | 1,026,886 | 1,090,122 | 508,818 | 526,402 |
| Purchase of securities | 2,142 | 2,284 | 2,142 | 2,284 |
| Purchase of transport vehicles | 15,353 | 16,019 | 14,763 | 15,241 |
| Purchase of fixed assets excluding land & building | 168,076 | 198,979 | – | – |
| Consumption credit | 5,535,274 | 5,766,471 | 3,519,492 | 3,649,043 |
| Construction | 1,999,034 | 1,843,209 | 1,258,445 | 1,211,416 |
| Working capital | 19,471,689 | 17,921,155 | 13,819,217 | 12,579,545 |
| Other purpose | 5,262,259 | 6,015,394 | 3,436,536 | 4,157,034 |
| | 47,364,969 | 47,195,359 | 32,836,735 | 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> | |
|-----------------|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Northern Region | 6,429,303 | 6,076,304 | 5,076,802 | 4,727,293 |
| Southern Region | 6,496,690 | 6,169,065 | 4,729,690 | 4,405,066 |
| Central Region | 33,137,001 | 33,620,232 | 21,998,903 | 22,647,971 |
| Eastern Region | 1,301,975 | 1,329,758 | 1,031,340 | 1,044,952 |
| | 47,364,969 | 47,195,359 | 32,836,735 | 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> | |
|---|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 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 | (9,165) | (281,489) | (12,122) | (226,926) |
| Net changes in risk parameters - further repayments | (52,531) | (248,391) | (41,369) | (133,100) |
| Written-off | (102,761) | (433,864) | (48,699) | (245,236) |
| Gross carrying amount as at 30 June | 1,641,118 | 1,805,575 | 1,089,936 | 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> | |
|--|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Agricultural, hunting, forestry and fishing | 4,074 | 6,707 | 3,621 | 6,255 |
| Manufacturing | 18,237 | 22,502 | 10,145 | 12,950 |
| Electricity, gas and water | 68,704 | 58,509 | 8,528 | – |
| Construction | 64,734 | 70,493 | 59,116 | 60,226 |
| Real estate | 65,663 | 80,488 | 65,663 | 77,242 |
| Wholesale & retail trade, restaurants & hotels | 19,926 | 22,734 | 12,560 | 13,321 |
| Transport, storage and communication | 3,313 | 3,706 | 392 | 525 |
| Finance, insurance and business services | 105,460 | 106,805 | 102,525 | 102,764 |
| Household-retail | 1,291,007 | 1,433,631 | 827,386 | 918,843 |
| | 1,641,118 | 1,805,575 | 1,089,936 | 1,192,126 |

(iii) By purpose

| | <i>Group</i> | | <i>Bank</i> | |
|--|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Purchase of property: | | | | |
| Residential | 879,679 | 994,204 | 613,347 | 696,638 |
| Non residential | 15,198 | 21,214 | 13,242 | 13,720 |
| Purchase of fixed assets excluding land & building | 6,075 | 6,245 | – | – |
| Consumption credit | 408,441 | 435,932 | 212,742 | 220,837 |
| Construction | 37,665 | 40,121 | 35,059 | 35,276 |
| Working capital | 294,060 | 307,859 | 215,546 | 225,655 |
| | 1,641,118 | 1,805,575 | 1,089,936 | 1,192,126 |

(iv) By geographical distribution

| | <i>Group</i> | | <i>Bank</i> | |
|-----------------|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Northern Region | 168,263 | 199,380 | 130,966 | 159,400 |
| Southern Region | 234,089 | 264,263 | 184,595 | 212,448 |
| Central Region | 1,193,240 | 1,289,809 | 735,501 | 778,893 |
| Eastern Region | 45,526 | 52,123 | 38,874 | 41,385 |
| | 1,641,118 | 1,805,575 | 1,089,936 | 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:

| Group | Stage 1 | Stage 2 | Stage 3 | Total |
|--|---|---|---|-----------|
| | 12-month ECL not credit impaired RM'000 | Lifetime ECL not credit impaired RM'000 | Lifetime ECL credit impaired 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 | 59,722 | (52,900) | (6,822) | – |
| - Transferred to stage 2 | (8,502) | 14,504 | (6,002) | – |
| - Transferred to stage 3 | (346) | (10,040) | 10,386 | – |
| New financial assets originated or purchased | 11,787 | – | – | 11,787 |
| Net remeasurement due to changes in credit risk and assets derecognised | (64,065) | 5,002 | 51,106 | (7,957) |
| Asset written-off | – | – | (102,761) | (102,761) |
| Others | – | – | (638) | (638) |
| Balance at 30 June 2024 | 77,550 | 177,118 | 462,796 | 717,464 |
| 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 RM99.6 million for the Group compared to the balance at the beginning of the year. This net decrease was mainly contributed by asset written off (RM102.8 million) and remeasurement due to changes in credit risk and assets derecognised (RM8.0 million), partially offset by new financial assets originated or purchased (RM11.8 million).

- 12-month ECL not credit impaired (stage 1) – decreased by RM1.4 million 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 RM43.4 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 RM54.7 million for the Group, primarily from asset written-off, and net migration of loans, advances and financing to stages 1 and 2, partially offset by 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 | 24,649 | (20,372) | (4,277) | – |
| - Transferred to stage 2 | (4,310) | 8,442 | (4,132) | – |
| - Transferred to stage 3 | (167) | (4,942) | 5,109 | – |
| New financial assets originated or purchased | 5,311 | – | – | 5,311 |
| Net remeasurement due to changes in credit risk and assets derecognised | (27,466) | (1,297) | 24,058 | (4,705) |
| Asset written-off | – | – | (48,699) | (48,699) |
| Others | – | – | (1,299) | (1,299) |
| Balance at 30 June 2024 | 43,195 | 85,166 | 290,414 | 418,775 |
| 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 RM49.4 million for the Bank compared to the balance at the beginning of the year. This net decrease was mainly contributed by asset written-off (RM48.7 million) and remeasurement due to changes in credit risk and assets derecognised (RM4.7 million), partially offset by new financial assets originated or purchased (RM5.3 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 RM18.2 million for the Bank, mainly due to net migration of loans and advances to stages 1 and 3.
- Lifetime ECL credit-impaired (stage 3) – decreased by RM29.2 million, primarily from asset written-off and net migration of loans and advances to stages 1 and 2, partially offset by 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 | 581 | (581) | - | - |
| - Transferred to stage 2 | (219) | 219 | - | - |
| - Transferred to stage 3 | (7) | - | 7 | - |
| New financial assets originated or purchased | 421 | - | - | 421 |
| Net remeasurement due to changes in credit risk and assets derecognised | (221) | (2,315) | (7,473) | (10,009) |
| Others | (849) | - | - | (849) |
| Balance at 30 June 2024 | 9,275 | 4,551 | 65,378 | 79,204 |
| 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 | 432 | (432) | - | - |
| - Transferred to stage 2 | (129) | 129 | - | - |
| - Transferred to stage 3 | (7) | - | 7 | - |
| New financial assets originated or purchased | 310 | - | - | 310 |
| Net remeasurement due to changes in credit risk and assets derecognised | 416 | (2,411) | (3,524) | (5,519) |
| Others | (959) | - | - | (959) |
| Balance at 30 June 2024 | 6,899 | 2,511 | 41,578 | 50,988 |
| 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> | |
|------------------------------------|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Settlements | 415,009 | 260,245 | 393,130 | 253,320 |
| Interest/profit receivable | 258,659 | 188,523 | 223,940 | 177,807 |
| Income receivable | 54,802 | 45,305 | 124,578 | 50,743 |
| Deposits and prepayments | 19,228 | 6,692 | 15,752 | 6,664 |
| Amount due from subsidiary company | – | – | 815 | 99,014 |
| Rights of Use (ROU) assets | 54,766 | 50,719 | 29,620 | 30,943 |
| Cash collateral | 149,614 | 255,205 | 149,614 | 255,205 |
| Other receivables | 709,649 | 353,577 | 718,105 | 370,839 |
| | 1,661,727 | 1,160,266 | 1,655,554 | 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> | |
|---|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 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> | |
|--------------------------------------|--|----------------------------------|-------------|
| | | 30 Jun 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'.

In May 2024, the Bank has completed the disposal of its property in Labuan which was classified as 'Property Held for Sale' in 2023. A gain of RM94,000 and real property gains tax (RPGT) of RM460,000 have been recognised in the profit and loss statement. The property revaluation reserve of the said building of RM4,099,000 has been realised and transferred to retained profits.

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> | |
|------------------------|-------------------|-------------|-------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Demand deposits | 27,215,861 | 26,534,021 | 23,751,078 | 23,198,935 |
| Savings deposits | 15,439,370 | 15,457,954 | 12,510,616 | 12,576,940 |
| Fixed deposits | 31,447,196 | 29,940,724 | 23,995,243 | 22,213,269 |
| | 74,102,427 | 71,932,699 | 60,256,937 | 57,989,144 |

The maturity structure of fixed deposits is as follows:

| | <i>Group</i> | | <i>Bank</i> | |
|-------------------------------------|-------------------|-------------|-------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Due within six months | 25,372,320 | 23,767,823 | 19,192,708 | 17,430,562 |
| More than six months to one year | 5,228,349 | 5,252,505 | 4,215,214 | 4,134,230 |
| More than one year to three years | 556,223 | 694,873 | 377,181 | 486,253 |
| More than three years to five years | 290,304 | 225,500 | 210,140 | 162,201 |
| Over five years | – | 23 | – | 23 |
| | 31,447,196 | 29,940,724 | 23,995,243 | 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> | |
|---------------------------------|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Government and statutory bodies | 12,666 | 19,058 | 1,126 | 6,858 |
| Business enterprises | 29,262,733 | 29,351,258 | 25,942,131 | 25,930,901 |
| Individuals | 27,292,274 | 25,887,033 | 21,601,142 | 20,351,486 |
| Foreign entities/individuals | 15,799,160 | 14,922,587 | 11,769,237 | 10,894,099 |
| Others | 1,735,594 | 1,752,763 | 943,301 | 805,800 |
| | 74,102,427 | 71,932,699 | 60,256,937 | 57,989,144 |

25 Deposits and Placements from Banks and Other Financial Institutions

| | <i>Group</i> | | <i>Bank</i> | |
|------------------------------|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Licensed banks | 19,967 | 48,945 | 219,353 | 248,331 |
| Bank Negara Malaysia | 215,728 | 181,674 | 203,857 | 165,888 |
| Other financial institutions | 3,040,136 | 2,927,177 | 3,040,125 | 2,927,166 |
| | 3,275,831 | 3,157,796 | 3,463,335 | 3,341,385 |

26 Structured Liabilities Designated at Fair Value through Profit or Loss

| | <i>Group</i> | | <i>Bank</i> | |
|------------------------|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Structured liabilities | 4,775,198 | 4,589,420 | 2,967,523 | 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 (expense)/income from financial investments designated at fair value.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27 Other Liabilities

| | <i>Group</i> | | <i>Bank</i> | |
|--|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Settlements | 369,685 | 256,083 | 366,290 | 251,568 |
| Interest/profit payable | 327,453 | 288,698 | 247,754 | 214,527 |
| Deferred income | 178,527 | 188,879 | 158,872 | 166,258 |
| Marginal deposit | 175,909 | 209,029 | 161,273 | 186,501 |
| Amount due to subsidiary company | – | – | 306,201 | 55,793 |
| Accrued expenses | 748,882 | 859,368 | 728,124 | 839,112 |
| Lease liabilities | 59,023 | 54,958 | 31,930 | 33,222 |
| Cash collateral | 233,782 | 200,860 | 233,782 | 200,860 |
| Other creditors | 1,392,475 | 1,256,145 | 994,861 | 983,516 |
| Provisions on loan and credit related commitments; and financial guarantees ^[1] | 79,204 | 89,641 | 50,988 | 57,156 |
| | 3,564,940 | 3,403,661 | 3,280,075 | 2,988,513 |

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

28 Share Capital and Other Equity

| | <i>Group and Bank</i> | | | |
|---|--------------------------------|------------------|-------------------------|-----------|
| | 30 Jun 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 / 30 June 2024 / 31 December 2023 | 229,000 | 1,045,875 | 229,000 | 1,045,875 |
| <u>Additional Tier 1 Preference shares of RM1.00 each</u> | | | | |
| At 1 January / 30 June 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> | | | |
|---|-----------------------|-------------|-------------------------|----------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | | | | |
| Loans and advances | | | | |
| - Interest income other than from impaired loans | 394,909 | 374,452 | 790,746 | 736,421 |
| - Interest income recognised from impaired loans | 7,438 | 8,963 | 14,174 | 16,650 |
| Money at call and deposit placements with financial institutions | 148,645 | 146,770 | 311,863 | 297,423 |
| Financial investments at FVOCI | 138,838 | 109,091 | 267,335 | 202,347 |
| Financial investments at amortised cost | 73,790 | 44,859 | 138,212 | 85,763 |
| | 763,620 | 684,135 | 1,522,330 | 1,338,604 |
| Interest expense | | | | |
| Deposits and placements of banks and other financial institutions | (22,666) | (8,398) | (45,881) | (18,913) |
| Deposits from customers | (268,201) | (208,609) | (522,992) | (398,164) |
| Lease liabilities | (392) | (423) | (813) | (861) |
| Others | - | (111) | (483) | (325) |
| | (291,259) | (217,541) | (570,169) | (418,263) |
| Net interest income | 472,361 | 466,594 | 952,161 | 920,341 |
| | <i>Bank</i> | | | |
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | | | | |
| Loans and advances | | | | |
| - Interest income other than from impaired loans | 394,909 | 374,452 | 790,746 | 736,421 |
| - Interest income recognised from impaired loans | 7,438 | 8,963 | 14,174 | 16,650 |
| Money at call and deposit placements with financial institutions | 163,493 | 161,781 | 342,806 | 329,887 |
| Financial investments at FVOCI | 138,838 | 109,091 | 267,335 | 202,347 |
| Financial investments at amortised cost | 73,790 | 44,859 | 138,212 | 85,763 |
| | 778,468 | 699,146 | 1,553,273 | 1,371,068 |
| Interest expense | | | | |
| Deposits and placements of banks and other financial institutions | (24,494) | (10,676) | (49,570) | (23,896) |
| Deposits from customers | (268,201) | (208,609) | (522,992) | (398,164) |
| Lease liabilities | (392) | (423) | (813) | (861) |
| Others | - | (111) | (483) | (325) |
| | (293,087) | (219,819) | (573,858) | (423,246) |
| Net interest income | 485,381 | 479,327 | 979,415 | 947,822 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Net Fee and Commission Income

| | <i>Group</i> | | | |
|--------------------------------------|-----------------------|-------------|-------------------------|-------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fee and commission income | | | | |
| Credit cards | 35,471 | 32,038 | 72,821 | 64,480 |
| Service charges and fees | 28,456 | 29,457 | 64,612 | 59,789 |
| Fees on credit facilities | 16,274 | 19,938 | 33,080 | 35,798 |
| Agency fee | 50,807 | 28,010 | 101,977 | 55,823 |
| Others | 9,952 | 6,813 | 19,873 | 13,689 |
| | 140,960 | 116,256 | 292,363 | 229,579 |
| Fee and commission expense | | | | |
| Debit/credit cards | (5,523) | (13,996) | (25,626) | (33,531) |
| Interbank and clearing fees | (430) | (351) | (967) | (673) |
| Brokerage | (1,343) | (987) | (2,029) | (1,931) |
| Cash management | (291) | (333) | (692) | (636) |
| Others | (5,329) | (5,256) | (9,792) | (10,005) |
| | (12,916) | (20,923) | (39,106) | (46,776) |
| Net fee and commission income | 128,044 | 95,333 | 253,257 | 182,803 |

| | <i>Bank</i> | | | |
|--------------------------------------|-----------------------|-------------|-------------------------|-------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fee and commission income | | | | |
| Credit cards | 35,471 | 32,038 | 72,821 | 64,480 |
| Service charges and fees | 28,456 | 29,457 | 64,612 | 59,789 |
| Fees on credit facilities | 16,274 | 19,938 | 33,080 | 35,798 |
| Agency fee | 50,807 | 28,010 | 101,977 | 55,823 |
| Others | 9,393 | 6,583 | 18,897 | 13,315 |
| | 140,401 | 116,026 | 291,387 | 229,205 |
| Fee and commission expense | | | | |
| Debit/credit cards | (5,523) | (13,996) | (25,626) | (33,531) |
| Interbank and clearing fees | (430) | (351) | (967) | (673) |
| Brokerage | (1,343) | (987) | (2,029) | (1,931) |
| Cash management | (291) | (333) | (692) | (636) |
| Others | (5,329) | (5,256) | (9,792) | (10,005) |
| | (12,916) | (20,923) | (39,106) | (46,776) |
| Net fee and commission income | 127,485 | 95,103 | 252,281 | 182,429 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Net Trading Income

| | <i>Group</i> | | | |
|---|-----------------------|-------------|-------------------------|-------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Realised gains on financial assets/liabilities at FVTPL and other financial instruments | 144 | 5,375 | 3,798 | 9,937 |
| Net interest income from financial assets at FVTPL | 53,300 | 24,349 | 97,131 | 49,873 |
| Net unrealised gains/(losses) on revaluation of financial assets at FVTPL | 2,523 | 3,397 | (6,484) | 11,743 |
| Net realised gains/(losses) arising from dealing in foreign currency | 245,614 | (327,691) | 339,877 | 121,835 |
| Net unrealised (losses)/gains from dealing in foreign currency | (50,459) | 241,189 | (52,456) | (181,320) |
| Net realised (losses)/gains arising from dealing in derivatives | (41,605) | 5,411 | (159,467) | 16,024 |
| Net unrealised gains/(losses) on revaluation of derivatives | 52,151 | (34,836) | 152,359 | (13,978) |
| Losses arising from fair value hedges | (299) | (1,244) | (557) | (571) |
| | 261,369 | (84,050) | 374,201 | 13,543 |

| | <i>Bank</i> | | | |
|---|-----------------------|-------------|-------------------------|-------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Realised gains on financial assets/liabilities at FVTPL and other financial instruments | 144 | 5,375 | 3,798 | 9,937 |
| Net interest income from financial assets at FVTPL | 53,300 | 24,349 | 97,131 | 49,873 |
| Net unrealised gains/(losses) on revaluation of financial assets at FVTPL | 2,523 | 3,397 | (6,484) | 11,743 |
| Net realised gains/(losses) arising from dealing in foreign currency | 246,190 | (339,513) | 340,022 | 110,475 |
| Net unrealised (losses)/gains from dealing in foreign currency | (77,647) | 491,987 | 3,121 | 212,148 |
| Net realised (losses)/gains arising from dealing in derivatives | (48,713) | 11,163 | (154,529) | 23,588 |
| Net unrealised gains/(losses) on revaluation of derivatives | 54,593 | (36,318) | 136,851 | (42,180) |
| Losses arising from fair value hedges | (299) | (1,244) | (557) | (571) |
| | 230,091 | 159,196 | 419,353 | 375,013 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 Net Trading Income (Cont'd)

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> | | | |
|---|-----------------------|-------------|-------------------------|-------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Total net trading income (net of elimination with subsidiary) | 254,247 | 166,919 | 463,603 | 420,603 |
| of which: | | | | |
| - is disclosed in Note 31 | 261,369 | (84,050) | 374,201 | 13,543 |
| - is included under Income from Islamic Banking operations of the Group (Note 32) | (7,122) | 250,969 | 89,402 | 407,060 |

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> | | | |
|---|-----------------------|-------------|-------------------------|-------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income derived from investment of: | | | | |
| - depositor funds and others ^[1] | 228,715 | 215,777 | 455,913 | 416,324 |
| - shareholders funds | 63,901 | 52,225 | 123,520 | 100,773 |
| Total income before allowance for impairment losses on financing and advances | 292,616 | 268,002 | 579,433 | 517,097 |
| Income attributable to the depositors | (93,129) | (90,439) | (189,166) | (175,354) |
| Income from Islamic Banking operations before elimination | 199,487 | 177,563 | 390,267 | 341,743 |
| Elimination of intercompany income and expenses | (19,053) | 255,468 | 70,919 | 387,994 |
| Income from Islamic Banking operations reported in statement of profit or loss of the Group ^[2] | 180,434 | 433,031 | 461,186 | 729,737 |
| ^[1] Included in income derived from investment of depositors' funds and others are net expenses from financial liabilities designated at fair value through profit or loss for the period ended 30 June: | (19,811) | (13,094) | (41,945) | (58,596) |
| ^[2] Included in income from Islamic Banking operations reported in statement of profit or loss of the Group is net trading (loss)/ income for the period ended 30 June: | (7,122) | 250,969 | 89,402 | 407,060 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Other Operating Income

| | <i>Group</i> | | | |
|--|-----------------------|-------------|-------------------------|-------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net gain on disposal of financial investments at FVOCI | 5,425 | – | 5,330 | – |
| Dividend income from financial investments at FVOCI | | | | |
| - Unquoted in Malaysia | 1,193 | 1,193 | 1,193 | 2,243 |
| Rental income | 2,534 | 1,324 | 5,030 | 2,616 |
| Net gain on disposal of property and equipment | 697 | 1,161 | 697 | 1,161 |
| Other operating income | 16,993 | 9,901 | 34,334 | 26,268 |
| | 26,842 | 13,579 | 46,584 | 32,288 |

| | <i>Bank</i> | | | |
|---|-----------------------|-------------|-------------------------|-------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net gain on disposal of financial investments at FVOCI | 5,425 | – | 5,330 | – |
| Dividend income from financial investments at FVOCI | | | | |
| - Unquoted in Malaysia | 1,193 | 1,193 | 1,193 | 2,243 |
| Dividend income from subsidiary | 53,679 | – | 53,679 | – |
| Discretionary coupon income on other equity instrument issued by subsidiary | – | – | 18,435 | 12,483 |
| Rental income | 2,534 | 1,324 | 5,030 | 2,616 |
| Net gain on disposal of property and equipment | 697 | 1,161 | 697 | 1,161 |
| Income recharges from subsidiary | 50,819 | 39,538 | 97,134 | 76,685 |
| Other operating income | 16,993 | 9,901 | 34,334 | 26,268 |
| | 131,340 | 53,117 | 215,832 | 121,456 |

34 Impairment (Write-back) / Allowance

| | <i>Group</i> | | | |
|---|-----------------------|-------------|-------------------------|-------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| New and increased allowance (net of releases) | 15,737 | 5,650 | 22,442 | 111,226 |
| Recoveries | (30,813) | (23,483) | (54,756) | (53,321) |
| Written off | 394 | 1,119 | 439 | 1,770 |
| Total (write-back from)/charge to the statements of profit or loss | (14,682) | (16,714) | (31,875) | 59,675 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Impairment (Write-back)/ Allowance (Cont'd)

| | <i>Bank</i> | | | |
|---|-----------------------|-------------|-------------------------|-------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| New and increased allowance (net of releases) | (2,926) | (5,183) | 10,266 | 37,650 |
| Recoveries | (14,642) | (10,993) | (25,893) | (23,803) |
| Written off | 395 | 931 | 402 | 1,580 |
| Total write-back from the statements of profit or loss | (17,173) | (15,245) | (15,225) | 15,427 |

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

(i) Loan, advances and financing

| | <i>Group</i> | | | |
|---|-----------------------|-------------|-------------------------|-------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| New and increased allowance (net of releases) | 23,690 | 1,344 | 31,707 | 102,547 |
| Recoveries | (30,813) | (23,483) | (54,756) | (53,321) |
| Written off | 394 | 1,119 | 439 | 1,770 |
| Total (write-back from)/charge to the statements of profit or loss | (6,729) | (21,020) | (22,610) | 50,996 |

| | <i>Bank</i> | | | |
|---|-----------------------|-------------|-------------------------|-------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| New and increased allowance (net of releases) | 1,702 | (10,995) | 15,085 | 30,997 |
| Recoveries | (14,642) | (10,993) | (25,893) | (23,803) |
| Written off | 395 | 931 | 402 | 1,580 |
| Total (write-back from)/charge to the statements of profit or loss | (12,545) | (21,057) | (10,406) | 8,774 |

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

| | <i>Group</i> | | | |
|---|-----------------------|-------------|-------------------------|-------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net increase/(release) in allowance/provisions | 10 | (214) | (85) | 49 |

| | <i>Bank</i> | | | |
|---|-----------------------|-------------|-------------------------|-------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net increase/(release) in allowance/provisions | 8 | (232) | (55) | 33 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Impairment (Write-back)/ Allowance (Cont'd)

(iii) Debt securities - FVOCI

| | <i>Group</i> | | | |
|--|-----------------------|--------------------|-------------------------|--------------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net increase/(release) in allowance/ provisions | 207 | 26 | 144 | (67) |

| | <i>Bank</i> | | | |
|--|-----------------------|--------------------|-------------------------|--------------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net increase/(release) in allowance/ provisions | 207 | (18) | 164 | (58) |

(iv) Financial investments at amortised costs

| | <i>Group</i> | | | |
|--|-----------------------|--------------------|-------------------------|--------------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net (release)/increase in allowance/ provisions | (35) | (271) | 264 | 163 |

| | <i>Bank</i> | | | |
|--|-----------------------|--------------------|-------------------------|--------------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net increase/(release) in allowance/ provisions | 31 | (267) | 281 | (63) |

(v) Loan commitments and contingencies

| | <i>Group</i> | | | |
|--|-----------------------|--------------------|-------------------------|--------------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net (release)/increase in allowance/ provisions | (8,135) | 4,765 | (9,588) | 8,534 |

| | <i>Bank</i> | | | |
|--|-----------------------|--------------------|-------------------------|--------------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net (release)/increase in allowance/ provisions | (4,874) | 6,329 | (5,209) | 6,741 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Other Operating Expenses

| | <i>Group</i> | | | |
|---|-----------------------|-------------|-------------------------|-------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Personnel expenses | 185,626 | 182,005 | 341,153 | 332,244 |
| Promotion and marketing related expenses | 13,993 | 9,004 | 26,440 | 17,508 |
| Establishment related expenses | 35,302 | 26,848 | 74,598 | 63,435 |
| General administrative expenses | 27,333 | 41,689 | 69,956 | 75,538 |
| Related company charges | 232,939 | 204,327 | 437,898 | 388,893 |
| | 495,193 | 463,873 | 950,045 | 877,618 |
| Personnel expenses | | | | |
| Salaries, allowances and bonuses | 141,525 | 143,626 | 263,877 | 259,787 |
| Employees Provident Fund contributions | 23,847 | 24,508 | 44,391 | 44,546 |
| Share based payment | 3,786 | 2,482 | 6,009 | 5,545 |
| Others | 16,468 | 11,389 | 26,876 | 22,366 |
| | 185,626 | 182,005 | 341,153 | 332,244 |
| Establishment related expenses | | | | |
| Depreciation of property and equipment | 12,148 | 16,170 | 25,817 | 25,065 |
| Depreciation of RoU assets | 3,496 | 3,439 | 6,944 | 6,613 |
| Amortisation of intangible assets | 934 | 1,470 | 2,176 | 3,162 |
| Information technology cost | 5,214 | 3,334 | 10,079 | 7,248 |
| Property and equipment written off | 2 | 372 | 2 | 372 |
| General repairs and maintenance | 4,557 | (5,322) | 10,520 | 6,100 |
| Utilities | 1,496 | 1,181 | 2,790 | 2,761 |
| Others | 7,455 | 6,204 | 16,270 | 12,114 |
| | 35,302 | 26,848 | 74,598 | 63,435 |
| Related company charges | 232,939 | 204,327 | 437,898 | 388,893 |
| Of which by: | | | | |
| (i) Type of service | | | | |
| - Information technology related cost | 115,931 | 95,428 | 236,459 | 177,807 |
| - Non information technology related cost | 117,008 | 108,899 | 201,439 | 211,086 |
| (ii) Countries/territories | | | | |
| - Hong Kong | 153,850 | 131,312 | 308,299 | 249,293 |
| - United Kingdom | 41,365 | 34,833 | 77,335 | 69,169 |
| - Malaysia | 17,996 | 21,274 | 35,225 | 41,510 |
| - India | 13,613 | 13,151 | 3,903 | 22,578 |
| - Others | 6,115 | 3,757 | 13,136 | 6,343 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Other Operating Expenses (Cont'd)

| | <i>Bank</i> | | | |
|---|-----------------------|-------------|-------------------------|-------------|
| | Second Quarter | | Six Months Ended | |
| | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2024 | 30 Jun 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Personnel expenses | 174,879 | 171,403 | 321,644 | 312,282 |
| Promotion and marketing related expenses | 11,290 | 7,408 | 21,329 | 14,964 |
| Establishment related expenses | 32,166 | 23,626 | 67,482 | 56,327 |
| General administrative expenses | 20,197 | 34,574 | 57,996 | 64,009 |
| Related company charges | 231,046 | 202,105 | 434,365 | 384,102 |
| | 469,578 | 439,116 | 902,816 | 831,684 |
| Personnel expenses | | | | |
| Salaries, allowances and bonuses | 133,016 | 135,421 | 248,566 | 244,228 |
| Employees Provident Fund contributions | 22,342 | 23,037 | 41,671 | 41,738 |
| Share based payment | 3,829 | 2,450 | 6,038 | 5,470 |
| Others | 15,692 | 10,495 | 25,369 | 20,846 |
| | 174,879 | 171,403 | 321,644 | 312,282 |
| Establishment related expenses | | | | |
| Depreciation of property and equipment | 11,670 | 15,696 | 24,807 | 24,113 |
| Depreciation of RoU assets | 1,975 | 1,994 | 3,941 | 3,715 |
| Amortisation of intangible assets | 934 | 1,470 | 2,176 | 3,162 |
| Information technology cost | 5,111 | 2,866 | 8,856 | 6,083 |
| Property and equipment written off | 2 | 367 | 2 | 367 |
| General repairs and maintenance | 3,958 | (5,859) | 9,441 | 4,695 |
| Utilities | 1,206 | 1,017 | 2,255 | 2,323 |
| Others | 7,310 | 6,075 | 16,004 | 11,869 |
| | 32,166 | 23,626 | 67,482 | 56,327 |
| Related company charges | 231,046 | 202,105 | 434,365 | 384,102 |
| Of which by: | | | | |
| (i) Type of service | | | | |
| - Information technology related cost | 115,931 | 95,470 | 236,496 | 177,802 |
| - Non information technology related cost | 115,115 | 106,635 | 197,869 | 206,300 |
| (ii) Countries/territories | | | | |
| - Hong Kong | 153,809 | 131,279 | 308,210 | 249,250 |
| - United Kingdom | 41,243 | 34,839 | 77,324 | 69,118 |
| - Malaysia | 16,354 | 19,279 | 31,994 | 37,243 |
| - India | 13,534 | 12,959 | 3,713 | 22,164 |
| - Others | 6,106 | 3,749 | 13,124 | 6,327 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Credit Exposure to Connected Parties

| | <i>Group</i> | | <i>Bank</i> | |
|--|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Aggregate value of outstanding credit exposures to connected parties | 3,273,775 | 3,347,099 | 3,045,768 | 3,058,375 |
| As a percentage of total credit exposures | 2.9 % | 3.0 % | 3.4 % | 3.4 % |
| Aggregate value of outstanding credit exposures to connected parties which is impaired or in default | – | – | – | – |
| As a percentage of total credit exposures | – | – | – | – |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Capital Adequacy

| | <i>Group</i> | |
|---|--------------------|-------------|
| | 30 Jun 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 | 9,438,401 | 9,022,327 |
| Other reserves | 818,149 | 746,690 |
| Regulatory adjustments | (885,794) | (833,065) |
| Total CET1 capital | 10,416,631 | 9,981,827 |
| Tier 1 capital | | |
| Additional Tier 1 preference shares | 1,500,000 | 1,500,000 |
| Total Tier 1 capital | 11,916,631 | 11,481,827 |
| Tier 2 capital | | |
| Impairment allowance (unimpaired portion) & regulatory reserves | 646,601 | 612,218 |
| Regulatory adjustments | 56,901 | 59,176 |
| Total Tier 2 capital | 703,502 | 671,394 |
| Capital base | 12,620,133 | 12,153,221 |
| <u>Before deducting proposed dividend</u> | | |
| CET 1 Capital ratio | 17.353% | 17.452% |
| Tier 1 Capital ratio | 19.852% | 20.075% |
| Total Capital ratio | 21.024% | 21.249% |
| <u>After deducting proposed dividend</u> | | |
| CET 1 Capital ratio | 16.628% | 16.903% |
| Tier 1 Capital ratio | 19.127% | 19.525% |
| Total Capital ratio | 20.299% | 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)

37 Capital Adequacy (Cont'd)

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

| | <i>Group</i> | |
|--|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 |
| Total RWA for credit risk ^[1] | 51,728,089 | 48,977,450 |
| Total RWA for market risk | 1,855,502 | 2,212,482 |
| Total RWA for operational risk | 6,442,637 | 6,004,624 |
| | 60,026,228 | 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> | |
|----------------------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 |
| Under SIAF/IAA arrangement | 829,374 | 940,464 |

| | <i>Bank</i> | |
|---|--------------------|-------------|
| | 30 Jun 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 | 7,451,552 | 7,133,615 |
| Other reserves | 758,341 | 717,335 |
| Regulatory adjustments | (1,433,532) | (1,439,857) |
| Total CET1 capital | 7,822,236 | 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 | 8,821,173 | 8,455,905 |
| Tier 2 capital | | |
| Impairment allowance (unimpaired portion) & regulatory reserves | 481,726 | 448,989 |
| Regulatory adjustments | 56,901 | 59,176 |
| Total Tier 2 capital | 538,627 | 508,165 |
| Capital base | 9,359,800 | 8,964,070 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

37 Capital Adequacy (Cont'd)

| | <i>Bank</i> | |
|---|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 |
| <u>Before deducting proposed dividend</u> | | |
| CET 1 Capital ratio | 17.052% | 17.261% |
| Tier 1 Capital ratio | 19.230% | 19.573% |
| Total Capital ratio | 20.404% | 20.749% |
| <u>After deducting proposed dividend</u> | | |
| CET 1 Capital ratio | 16.103% | 16.533% |
| Tier 1 Capital ratio | 18.281% | 18.845% |
| Total Capital ratio | 19.455% | 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> | |
|--|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 |
| Total RWA for credit risk ^[1] | 38,538,089 | 35,919,082 |
| Total RWA for market risk | 1,703,595 | 2,053,759 |
| Total RWA for operational risk | 5,631,003 | 5,229,007 |
| | 45,872,687 | 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> | |
|----------------------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 |
| Under SIAF/IAA arrangement | 829,374 | 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)

37 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)

38 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> | |
|---|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 | 30 Jun 2024 | 31 Dec 2023 |
| Principal amount | RM'000 | RM'000 | RM'000 | RM'000 |
| Direct credit substitutes | 413,194 | 530,256 | 343,223 | 496,547 |
| Transaction-related contingent items | 12,657,701 | 11,582,381 | 10,731,515 | 9,332,307 |
| Short-term self-liquidating trade-related contingencies | 539,187 | 659,875 | 326,829 | 500,020 |
| Forward asset purchases | 247,712 | – | 247,712 | – |
| Formal standby facilities and credit lines | | | | |
| - Maturity not exceeding one year | 8,739,712 | 7,439,408 | 7,245,542 | 6,355,292 |
| - Maturity exceeding one year | 14,008,698 | 13,982,358 | 10,774,537 | 10,695,256 |
| Other unconditionally cancellable | 20,679,437 | 20,510,762 | 17,187,894 | 17,260,641 |
| Unutilised credit card lines | 13,839,604 | 13,366,131 | 10,498,429 | 10,061,414 |
| Foreign exchange related contracts: | | | | |
| - Less than one year | 107,221,625 | 92,291,213 | 107,112,723 | 92,457,674 |
| - Over one year to less than five years | 5,697,310 | 5,277,349 | 5,697,310 | 5,277,349 |
| - Over five years | 308,173 | 334,593 | 308,173 | 334,593 |
| Interest/profit rate related contracts: | | | | |
| - Less than one year | 13,021,998 | 24,728,621 | 14,115,454 | 25,854,970 |
| - Over one year to less than five years | 23,606,177 | 18,684,881 | 24,376,962 | 19,497,384 |
| - Over five years | 668,797 | 665,332 | 668,797 | 665,332 |
| Gold and other precious metals contracts: | | | | |
| - Less than one year | 1,406 | 13,252 | 1,406 | 13,252 |
| Credit derivatives contracts: | | | | |
| - Less than one year | 266,194 | – | 266,194 | – |
| Equity related contracts: | | | | |
| - Less than one year | 1,628,356 | 1,220,865 | 2,304,158 | 2,091,734 |
| - Over one year to less than five years | 1,630,054 | 1,924,145 | 2,374,364 | 2,628,795 |
| | 225,175,335 | 213,211,422 | 214,581,222 | 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> | |
|--|--------------------|-------------|
| | 30 Jun 2024 | 31 Dec 2023 |
| | RM'000 | RM'000 |
| <i>Formal standby facilities and credit lines:</i> | | |
| - Maturity not exceeding one year | 15,506 | 10,092 |
| - Maturity exceeding one year | 49,048 | 144,048 |
| | 64,554 | 154,140 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39 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 30 Jun 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 | 104,475,579 | 1,051,510 | – | 105,527,089 | 333,898 | 7,551 | – | 341,449 | 310,965 | 3,323 | – | 314,288 |
| - Swaps | 2,322,239 | 4,645,800 | 308,173 | 7,276,212 | 67,479 | 277,028 | 10,506 | 355,013 | 56,571 | 168,894 | 27,195 | 252,660 |
| - Options | 423,807 | – | – | 423,807 | 1,669 | – | – | 1,669 | 1,321 | – | – | 1,321 |
| Interest/profit rate related contracts | | | | | | | | | | | | |
| - Options | 458,878 | 432,721 | – | 891,599 | – | – | – | – | 1,588 | 803 | – | 2,391 |
| - Swaps | 12,563,120 | 23,173,456 | 668,797 | 36,405,373 | 25,131 | 129,559 | 6,574 | 161,264 | 32,752 | 138,339 | 7,907 | 178,998 |
| Equity related contracts | | | | | | | | | | | | |
| - Options | 1,628,356 | 1,630,054 | – | 3,258,410 | 19,385 | 23,834 | – | 43,219 | 51,160 | 23,399 | – | 74,559 |
| Precious metal contracts | | | | | | | | | | | | |
| - Options | 1,406 | – | – | 1,406 | – | – | – | – | 4 | – | – | 4 |
| Credit derivatives contracts | | | | | | | | | | | | |
| - Forwards | 266,194 | – | – | 266,194 | – | – | – | – | – | – | – | – |
| Total | 122,139,579 | 30,933,541 | 976,970 | 154,050,090 | 447,562 | 437,972 | 17,080 | 902,614 | 454,361 | 334,758 | 35,102 | 824,221 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39 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)

39 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 30 Jun 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 | 104,366,677 | 1,051,510 | – | 105,418,187 | 327,865 | 7,551 | – | 335,416 | 308,046 | 3,323 | – | 311,369 |
| - Swaps | 2,322,239 | 4,645,800 | 308,173 | 7,276,212 | 67,420 | 277,009 | 9,544 | 353,973 | 56,866 | 169,039 | 27,223 | 253,128 |
| - Options | 423,807 | – | – | 423,807 | 1,669 | – | – | 1,669 | 1,321 | – | – | 1,321 |
| Interest rate related contracts | | | | | | | | | | | | |
| - Options | 487,021 | 812,188 | – | 1,299,209 | 274 | 14,123 | – | 14,397 | 1,588 | 803 | – | 2,391 |
| - Swaps | 13,628,433 | 23,564,774 | 668,797 | 37,862,004 | 28,182 | 131,005 | 6,574 | 165,761 | 33,301 | 140,169 | 7,907 | 181,377 |
| Equity related contracts | | | | | | | | | | | | |
| - Options | 2,304,158 | 2,374,364 | – | 4,678,522 | 31,270 | 40,689 | – | 71,959 | 51,479 | 23,856 | – | 75,335 |
| Precious metal contracts | | | | | | | | | | | | |
| - Options | 1,406 | – | – | 1,406 | – | – | – | – | 4 | – | – | 4 |
| Credit derivatives contracts | | | | | | | | | | | | |
| - Forwards | 266,194 | – | – | 266,194 | – | – | – | – | – | – | – | – |
| Total | 123,799,935 | 32,448,636 | 976,970 | 157,225,541 | 456,680 | 470,377 | 16,118 | 943,175 | 452,605 | 337,190 | 35,130 | 824,925 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39 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)

40 Performance Review, Economy and Prospects

Performance Review

The Group recorded profit before tax (PBT) of RM1,137.0 million for the financial period ended 30 June 2024, marking an increase of RM202.4 million or 21.7% year-on-year. The increase in PBT is attributed to higher operating income, which amounted to RM2,055.2 million, reflecting a growth of RM183.2 million.

Total assets as at 30 June 2024 has increased by RM2.6 billion or 2.7% to RM100.0 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

The global economy continues to grow at a modest pace, amid resilient labour markets and continued recovery in global trade. The growth outlook would be subjected to downside risks, mainly from further escalation of geopolitical tensions, higher-than-anticipated inflation outturns, and volatility in global financial markets. Despite the global headlines and gradual downwards core inflation in recent months, the central banks in most economies are likely to remain cautious in easing monetary policy.

In Malaysia, Bank Negara Malaysia (BNM) has decided to maintain the Overnight Policy Rate (OPR) at 3% in May24. This is with the view that the monetary policy stance remains supportive of the economy and assessment of inflation and growth prospect. The Malaysian economy grew faster than expected in 1Q24 with Gross Domestic Product (GDP) growth of 4.2% (4Q23: 2.9%), driven by stronger domestic expenditure and positive turnaround in exports. Based on an advanced estimate by the Department of Statistics Malaysia, GDP is expected to expand by 5.8 % in the second quarter of 2024. Nevertheless, the growth outlook is subject to downside risks from weaker-than-expected external demand, and larger declines in commodity production. Inflation in 2024 is expected to remain moderate but is dependent on the implementation of domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments.

Malaysia continues to be central to HSBC Group's strategy and is especially crucial to the Group's growth plans across the ASEAN region. 2024 also marks HSBC's 140th year anniversary in Malaysia and is a milestone celebration of our longstanding commitment to supporting the country and community.

During the year, our Wealth and Personal Banking (WPB) business has 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. This is followed by the launch of HSBC Live+ Credit Card, a new lifestyle cashback card that is designed to elevate the lifestyle experience of internationally minded customers, tailored with cashbacks to benefit cardholders from their lifestyle spending which includes dining, shopping and entertainment. We have also introduced SmartCash Plus which allows customers to cash out from the additional credit limit granted to their HSBC card account, helping customers maximise the value from their banking products.

In support of the development of trade and investment between Malaysia and the wider world, HSBC Malaysia had organised 'China Night', for bridging connections and opening up opportunities across this trade corridor. Key Malaysian institutional investors and large corporates were also brought together to the Malaysia Bonus Forum hosted by Hong Kong Association of Banks (HKAB) in Kuala Lumpur, to discuss the significant opportunities across the Hong Kong-Malaysia trade corridor and how to strengthen bilateral co-operation in the financial sector. As the leading international bank, HSBC has played a key role in facilitating cross border investments between these trade corridors across a range of sectors over the years.

HSBC also 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

Economy and Prospects (Cont'd)

On the sustainability front, our Islamic subsidiary, HSBC Amanah Malaysia Berhad, acted as the sole sustainability structuring coordinator and Shariah adviser, amongst other roles, for the first social sukuk issued by a real estate developer in Malaysia. Sukuk proceeds will be allocated to affordable housing.

For the fourth consecutive year, HSBC Malaysia is accorded with “Digital Bank of the Year” award 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. HSBC Malaysia has also won several other accolades of The Asset Triple A Treasuries Awards 2024. This includes amongst others Best Service Provider in Trade Finance, Best Service Provider in Liquidity Management and Best Renminbi Bank, reaffirming the strength of our transaction banking and treasury capabilities.

Our Islamic subsidiary, HSBC Amanah, has been recognised by Euromoney for being the “World’s Best Islamic Structured Finance House” and “Malaysia’s Best International Islamic Bank” in 2024 and, by The Banker for being the “Islamic Bank of the Year for 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.