

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

FINANCIAL STATEMENTS - 31 DECEMBER 2025

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

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HSBC AMANAH MALAYSIA BERHAD
(Company No. 200801006421 (807705-X))
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BOARD OF DIRECTORS

Datin Che Teh Ija binti Mohd Jalil
Independent Non-Executive Chairperson

Dato' Omar Siddiq bin Amin Noer Rashid
Non-Independent Executive Director

Lim Tiang Siew
Senior Independent Non-Executive Director

Datuk Md Arif bin Mahmood
Independent Non-Executive Director

Ng Ing Peng
Independent Non-Executive Director

CORPORATE GOVERNANCE DISCLOSURES

The corporate governance practices set out on pages 2 to 19 and the information referred to therein constitute the Corporate Governance Report of HSBC Amanah Malaysia Berhad (the Bank). As a banking institution licensed under the Islamic Financial Services Act 2013, the Bank complies with the corporate governance standards set out in the Bank Negara Malaysia (BNM) Policy Document on Corporate Governance (BNM Corporate Governance Policy).

Directors

The Directors serving as at the date of this report are:

Datin Che Teh Ija binti Mohd Jalil, 73
Independent Non-Executive Chairperson

Member of the Risk Committee, Audit Committee and Nominations and Remuneration Committee

Appointed to the Board: January 2022

Datin Teh was appointed as Independent Non-Executive Chairperson of the Bank on 1 January 2022. She is a member of the Risk Committee, Audit Committee and Nominations and Remuneration Committee of the Bank.

Datin Teh holds a Bachelor of Arts (Honours) from University of Malaya and Master of Business Administration from Southern New Hampshire University.

She began her career in the civil service and built her competency in the area of economic policy-making and international trade and finance through her 24 years in the government. She retired from the Securities Commission of Malaysia (SC) where she had served for 17 years since 2000 in various capacities, including Executive Director and Advisor of Special Projects in the Chairman's Office. During her stint in the SC, she was involved in capital market policy development and regulation, human capital development, and training and education. She also co-led in the establishment of the Securities Industry Dispute Resolution Centre, Private Pension Administrator and Capital Markets Promotion Council.

Her other experiences include trade and financial services negotiations as Lead Negotiator in the World Trade Organization, Association of Southeast Asian Nations and Asia-Pacific Economic Cooperation. She also represented the Ministry of Finance (MoF) in World Bank, International Monetary Fund, APEC Finance Ministers meetings during her tenure with MoF from 1990 to 1999.

She is currently a Director of Securities Industry Development Corporation.

Datin Teh does not have any shareholding in the Bank.

CORPORATE GOVERNANCE DISCLOSURES (Cont'd)

Directors (Cont'd)

Dato' Omar Siddiq bin Amin Noer Rashid, 53

Non-Independent Executive Director

Appointed to the Board: March 2022

Dato' Omar was appointed as the Non-Independent Executive Director on 31 March 2022.

Dato' Omar graduated from the London School of Economics and Political Science with a Bachelor of Science degree in Economics. He is a Fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants. He is also a CFA charterholder.

Prior to his appointment to HSBC Malaysia, Dato' Omar was the Deputy Chief Executive Officer (CEO), Malaysia and CEO, Group Wholesale Banking at CIMB Group Holdings Berhad. Before that, he has held other senior leadership roles including Group Chief Operating Officer at CIMB Group Holdings Berhad, Head of Group Wholesale Banking at RHB Bank Berhad, Executive Director/Group Chief Financial Officer at Malaysia Airlines Berhad and Executive Director in the Investments Division at Khazanah Nasional Berhad.

Dato' Omar is also a Non-Independent Executive Director, CEO and Head of Banking of HSBC Bank Malaysia Berhad and a member of the Board of Commissioners of PT Bank HSBC Indonesia.

Dato' Omar does not have any shareholding in the Bank. His interest in the Bank's related corporation is as disclosed in the Directors' Report on page 21.

Lim Tiang Siew, 70

Senior Independent Non-Executive Director

Chairman of Risk Committee and member of the Audit Committee and Nominations and Remuneration Committee

Appointed to the Board: March 2023

Mr Lim was appointed as Independent Non-Executive Director of the Bank on 8 March 2023. He is the Chairman of the Risk Committee and a member of the Audit Committee and Nominations and Remuneration Committee of the Bank.

Mr Lim has been a Chartered Accountant of the Malaysian Institute of Accountants since 1987, and a member of the Malaysian Institute of Certified Public Accountants (MICPA) since 1981. He was a subject examiner for MICPA professional examinations for 15 years before being appointed as a reviewer for the same subject. He continues to hold this position.

Mr Lim retired as the Group Chief Internal Auditor of CIMB Group in March 2018 after serving 27 years. His experience and expertise of over 40 years covers internal and external auditing, accounting, corporate finance and advisory, corporate governance, and compliance. For more than half of his tenure in CIMB, Mr. Lim was a member of the top management team and a member of all its major risk committees.

Mr Lim is currently an Independent Non-Executive Director of Vantris Energy Berhad (formerly known as Sapura Energy Berhad) and MSIG Insurance (Malaysia) Bhd.

Mr Lim does not have any shareholding in the Bank.

CORPORATE GOVERNANCE DISCLOSURES (Cont'd)

Directors (Cont'd)

Datuk Md Arif bin Mahmood, 64
Independent Non-Executive Director

Chairman of the Nominations and Remuneration Committee and member of the Risk Committee

Appointed to the Board: September 2023

Datuk Md Arif was appointed as Independent Non-Executive Director of the Bank on 1 September 2023. He is the Chairman of the Nominations and Remuneration Committee and a member of the Risk Committee of the Bank.

Datuk Md Arif graduated with First Class Honours in Electrical Engineering (summa cum laude) from Boston University, USA in 1984 and earned his Master of Business Administration from Massachusetts Institute of Technology, USA in 1999. He was awarded the New Silk Road CEO award of the year 2019 for the refining category by Gulf Intelligence.

Datuk Md Arif retired as Executive Vice President & Chief Executive Officer Downstream, PETRONAS on 1 January 2022 with more than 37 years of experience in integrated oil & gas industry. He was a member of PETRONAS Leadership Team with primary responsibility of leading, strategizing, driving performance and growth of PETRONAS Global Downstream Business. He had held various senior management positions within PETRONAS Group including, the Senior Vice President, Corporate Strategy & Risk, Vice President of Oil Business and CEO of ASEAN Bintulu Fertilizer (ABF). He was the Chairman of PETRONAS Dagangan Berhad and PETRONAS Chemicals Group Berhad (both listed on Bursa Malaysia). He was also Chairman/Director of several PETRONAS subsidiaries and JV companies.

Datuk Md Arif was the Chairman and Non-Independent Non-Executive Director of KPJ Healthcare Berhad as well as Independent Non-Executive Director of Boustead Technology Sdn Bhd (a wholly owned subsidiary of Boustead Holding Berhad).

Datuk Md Arif is currently a Non-Executive Director of Gultech (Malaysia) Sdn Bhd.

Datuk Md Arif does not have any shareholding in the Bank.

Ng Ing Peng, 70
Independent Non-Executive Director

Chairperson of the Audit Committee and member of the Risk Committee

Appointed to the Board: October 2023

Ng Ing Peng was appointed as Independent Non-Executive Director of the Bank on 1 October 2023. She is the Chairperson of the Audit Committee and a member of the Risk Committee of the Bank.

Ms Ng is an experienced Chartered Accountant. She holds a Bachelor of Accounting from University of Malaya, and is a member of both the Institute of Chartered Accountants in England and Wales and the Malaysian Institute of Accountants.

Prior to her retirement as Executive Director and Group Chief Financial Officer of Petra Energy Berhad in December 2016, Ms. Ng held the position of Director - Group Finance Department at CIMB Group Holdings Berhad. Throughout her 36 years' career journey, Ms Ng gained diverse skills and expertise such as banking, audit, accounting, financial management, corporate finance and treasury as well as vast experience in various industries including financial institutions, stock broking, food and beverages, property development and retailer for household improvements / sports / fashion products.

Ms Ng is currently an Independent Non-Executive Director of Wasco Greenergy Berhad, Petra Energy Berhad and MR. D.I.Y. Group (M) Berhad. She was a Director of Red Sena Berhad (dissolved).

Ms Ng does not have any shareholding in the Bank.

CORPORATE GOVERNANCE DISCLOSURES (Cont'd)

BOARD RESPONSIBILITY AND OVERSIGHT

Board of Directors

The management structure of the Bank is headed by the Board of Directors and is led by the Independent Non-Executive Chairperson. The objectives of the Board are to deliver sustainable value to shareholders and promote a culture of openness and debate. The Board is responsible for overseeing the management of the Bank and reviewing the Bank's strategic plans and key policies. Although the Board delegates the day-to-day management of the Bank's business and implementation of strategy to the Operating Committee/Executive Committee, certain matters, including Financial Resources Planning (FRP), risk appetite and performance targets, procedures for monitoring and controlling operations, approval of credit or market risk limits, specified senior appointments and any substantial change in balance sheet management policy are reserved by the Board for approval.

The Board meets regularly to review reports on performance against financial and other strategic objectives, key business challenges, risk, business developments, and investor and external relations. Directors have full and timely access to all relevant information and are encouraged to have free and open contact with management at all levels. Directors may take independent professional advice, if necessary, at the Bank's expense.

At the date of this report, the Board consists of five (5) members; comprising one (1) Executive Director and four (4) Independent Non-Executive Directors. The names of the Directors serving at the date of this report and brief biographical particulars for each of them are set out on pages 2 to 4.

Appointments to the Board are based on merit, and candidates are selected based on agreed criteria to ensure the Board's diversity. The Nominations and Remuneration Committee will oversee the rigorous selection process to ensure the agreed requirements, including those guidelines prescribed under the BNM Corporate Governance Policy, are strictly adhered to.

All Directors, including those appointed by the Board to fill a casual vacancy, are subjected to annual re-election by the shareholder at the Bank's Annual General Meeting. Non-Executive Directors are appointed for an initial three-year term and, subject to re-election by shareholder at Annual General Meetings, are typically expected to serve two (2) three-year terms. Any term beyond six (6) years is subject to rigorous review. Tenure of Independent Non-Executive Directors shall not exceed a cumulative term of nine (9) years.

The terms and conditions of appointment of Non-Executive Directors are set out in a letter of appointment, which include the expectations required of them and the time estimated for them to meet their commitment to the Bank. The current anticipated minimum time of commitment, which is subject to periodic review and adjustment by the Board, is 30 days per year and with appointment in not more than five (5) public listed companies. Time devoted to the Bank could be considerably more, particularly if serving on Board committees. All Non-Executive Directors have confirmed they can meet this requirement.

Independent Non-Executive Directors are not HSBC employees and do not participate in the daily business management of the Bank. Instead, they provide views from an external perspective, challenge constructively as well as help the management in the development of the Bank's strategy. They also scrutinise the performance of management in meetings, and monitor the risk profile and reporting of performance of the Bank. The Board has determined that each Non-Executive Director is independent in character and judgement, and there are no relationships or circumstances likely to affect the judgement of the Independent Non-Executive Directors.

The roles of the Independent Chairperson and CEO are separate, with a clear division of responsibilities between the running of the Board and executive responsibility for running the Bank's business.

CORPORATE GOVERNANCE DISCLOSURES (Cont'd)

BOARD RESPONSIBILITY AND OVERSIGHT (Cont'd)

Board of Directors (Cont'd)

Board and Committee Meetings

Seven (7) Board meetings were held in 2025. The table below shows each Director's attendance (including attendance via video conferencing) at meetings of all Board and Committees' meetings during 2025. All Directors have complied with the Bank Negara Malaysia requirements that Directors must attend at least 75% of Board meetings held in the financial year.

2025 Board and Committee meeting attendance	Board	Audit Committee	Risk Committee	Nominations and Remuneration Committee
Total number of meetings held	7	5	7	5
Independent Non-Executive Chairperson				
Datin Che Teh Ija binti Mohd Jalil	7	5	7	5
Non-Independent Executive Director				
Dato' Omar Siddiq bin Amin Noer Rashid	7	-	-	-
Independent Non-Executive Directors				
Lim Tiang Siew	7	5	7	5
Datuk Md Arif bin Mahmood	7	-	7	5
Ng Ing Peng	7	5	7	-

CORPORATE GOVERNANCE DISCLOSURES (Cont'd)

BOARD RESPONSIBILITY AND OVERSIGHT (Cont'd)

Board of Directors (Cont'd)

Directors' Emoluments

Details of the emoluments of the Directors of the Bank for 2025, disclosed in accordance with the Companies Act 2016, are shown in Note 33(b) to the financial statements.

Training and Development

Formal, induction programmes are tailored for newly appointed Directors. The programmes consist of series of meetings with senior executives to enable new Directors to familiarise themselves with the Bank's business. Directors also receive comprehensive guidance from the Company Secretary on Directors' duties and responsibilities.

Directors are provided continuous training and their development requirements are reviewed regularly by the Nominations and Remuneration Committee with the support of the Company Secretary. Executive Directors develop and refresh their skills and knowledge through day-to-day interactions and briefings with senior management of the Bank's businesses and functions. Non-Executive Directors have access to external training and development resources under the Directors' training and development framework that is approved by the Board.

During the year, Directors attended talks, dialogue sessions and focus group sessions organised by various organisations, among others including Financial Institutions Directors' Education (FIDE) Forum, Bank Negara Malaysia, Asia School of Business (ASB), International Shari'ah Research Academy for Islamic Finance, Perbadanan Insurans Deposit Malaysia (PIDM), Institute of Corporate Directors Malaysia (ICDM) and Securities Commission Malaysia.

They were also kept updated with current development/issues relating to emerging technologies, financial crime compliance, regulatory initiatives and other business developments via awareness and discussion sessions that were conducted by senior executives and subject matter experts.

Board Committees

The Board has established a number of committees, which members comprise Independent Non-Executive Directors who have the skills, knowledge and experience relevant to the responsibilities of the committees. The Board and each Board committee have terms of reference that document their responsibilities and governance procedures. The details of the Board Charter comprising the Board committees' Terms of Reference are available at <https://www.hsbcamanah.com.my/amanah-and-you/board-of-directors/>.

The key roles of the Board committees are described in the paragraph below. The Chairman of each Board committee reports to each subsequent Board meeting on the activities of the Board committee. Each Board committee will evaluate its terms of reference and its own effectiveness annually.

As at the date of this report, the following are the principal Board committees:

1. Audit Committee

The Audit Committee is accountable to the Board and has a non-executive responsibility for oversight of and advice to the Board on financial reporting related matters including Pillar 3 Disclosures and internal financial controls. The Audit Committee reviews the financial statements of the Bank before submission to the Board. It also monitors and reviews the effectiveness of the internal audit function and the Bank's financial and accounting policies and practices. The Audit Committee advises the Board on the appointment of the external auditors and is responsible for the oversight of the external auditors.

The Audit Committee reviews and approves internal audit's annual plan and also discusses on the internal audit resources.

CORPORATE GOVERNANCE DISCLOSURES (Cont'd)

BOARD RESPONSIBILITY AND OVERSIGHT (Cont'd)

Board Committees (Cont'd)

1. Audit Committee (Cont'd)

The Audit Committee meets regularly with the senior management of the Bank's finance and internal audit department as well as the external auditor to consider, inter alia, the Bank's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control relating to financial reporting.

The current members of the Audit Committee, all being Independent Non-Executive Directors, are:

- Ng Ing Peng (Chairperson)
- Datin Che Teh Ija Mohd Jalil
- Lim Tiang Siew

During 2025, the Audit Committee held five (5) meetings. The attendance is set out in the table on page 6.

2. Risk Committee

The Risk Committee is accountable to the Board and has a non-executive responsibility for oversight of and advice to the Board on risk related matters impacting the Bank, risk governance and internal control systems (other than internal financial control systems).

The Risk Committee meets regularly with the Bank's senior financial, risk, internal audit and compliance management to consider, inter alia, risk reports and the effectiveness of compliance.

The Board and the Risk Committee oversee the maintenance and development of a strong risk management framework by continually monitoring the risk environment, top and emerging risks facing the Bank and mitigation actions planned and taken. The Risk Committee recommends the approval of the Bank's risk appetite statement to the Board and monitors performance against the key performance/risk indicators included within the statement. The Risk Committee monitors the risk profiles for all of the risk categories within the Bank's business.

The current members of the Risk Committee, all being Independent Non-Executive Directors, are:

- Lim Tiang Siew (Chairman)
- Datin Che Teh Ija binti Mohd Jalil
- Datuk Md Arif bin Mahmood
- Ng Ing Peng

During 2025 the Risk Committee held seven (7) meetings. The attendance is set out in the table on page 6.

CORPORATE GOVERNANCE DISCLOSURES (Cont'd)

BOARD RESPONSIBILITY AND OVERSIGHT (Cont'd)

Board Committees (Cont'd)

3. Nominations and Remuneration Committee

The combined Nominations and Remuneration Committee is accountable to the Board and has a non-executive responsibility (i) to lead the process for Board appointments, i.e. to identify and nominate candidates for the approval by the Board, (ii) to review the candidates for appointment to the senior management team, (iii) to appoint and reappoint of Shariah Committee members; and (iv) to support the Board in overseeing the operation of the Bank's remuneration system and to review the remuneration of Directors on the Board.

The Nominations and Remuneration Committee also considers plans for orderly succession to the Board by taking into consideration the appropriate balance of skills, knowledge and experience on the Board. The Nominations and Remuneration Committee assists the Board in the evaluation of the Board's own effectiveness and that of its committees annually. The findings of the performance evaluation and the actions to be taken to address the gaps, are reported to the Board during 2025.

CEO's performance evaluation is undertaken as part of the performance management process for all employees. The results will be considered by the Nominations and Remuneration Committees when reviewing the variable pay awards.

The current members of the Nominations and Remuneration Committee, all being Independent Non-Executive Directors, are:

- Datuk Md Arif bin Mahmood (Chairman)
- Datin Che Teh Ija binti Mohd Jalil
- Lim Tiang Siew

During 2025, the Nominations and Remuneration Committee held five (5) meetings. The attendance is set out in the table on page 6.

Delegations by the Board

Shariah Committee

The Shariah Committee is established with delegated authorities of the Board to provide objective and sound advice to the Bank to ensure that strategy, business activities and operations are in compliance with Shariah.

The current members of the Shariah Committee are:

- Aminuddin Abu Bakar (Chairman effective on 1 January 2026)
- Assoc. Prof. Dr. Ziyaad Mahomed (Chairman) (retired on 31 December 2025)
- Dr. Muhammad Syahmi bin Mohd Karim
- Dato' Prof. Emeritus Dr. Ahmad Hidayat bin Buang
- Encik Muhammad Izzam Mohd Khazar (appointed on 1 April 2026)
- Dr. Aida binti Othman (retired on 31 March 2026)
- Dr. Mohamed Ashraf bin Mohamed Iqbal (retired on 31 December 2025)

Two (2) engagement sessions were held between Shariah Committee and Non Executive Directors during the financial year 2025.

CORPORATE GOVERNANCE DISCLOSURES (Cont'd)

BOARD RESPONSIBILITY AND OVERSIGHT (Cont'd)

Board Committees (Cont'd)

Delegations by the Board (Cont'd)

Connected Party Transactions Committee

The Connected Party Transactions Committee is delegated with the authority of the Board to approve transactions with a connected party of the Bank.

The current members of the Connected Party Transactions Committee are:

- Lim Tiang Siew
- Datuk Md Arif bin Mahmood
- Ng Ing Peng
- Chief Risk and Compliance Officer (CRCO)
- Head of Wholesale Credit Management

Operating Committee/Executive Committee

The Operating Committee was established on 1 November 2025 replacing the Executive Committee which was demised on the same date. The Operating Committee/Executive Committee consists of key senior management members, meets regularly and operates as a general management committee under the direct authority of the Board. The committee exercises all the power, authorities and discretions of the Board in so far as they concern the management and day-to-day running of the Bank and these are performed in accordance with the policies and directions set by the Board. The Bank's CEO, Raja Amir Shah bin Raja Azwa, chairs the Operating Committee/Executive Committee.

The governance framework was updated in line with the establishment of Operating Committee, whereby the following sub-committees which were previously established under the Executive Committee now report to Chief Financial Officer (CFO) and CRCO respectively:

(i) Asset and Liability Management Committee (report to CFO)

The Asset and Liability Management Committee is responsible for the efficient management of the Bank's balance sheet and the prudent management of risks pertaining to capital, liquidity and funding as well as profit rate risk, structural foreign exchange and structural/strategic equity risk.

(ii) Risk Management Meeting (report to CRCO)

The Risk Management Meeting is responsible for the oversight of the risk framework. Regular Risk Management Meetings (RMM) which are chaired by the CRCO are held to establish, maintain and periodically review the policies and guidelines for the management of risk within the Bank. It serves as the governance body for enterprise-wide risk management with particular focus on risk culture, risk appetite, risk profile and integration of risk management into the Bank's strategic objectives including the management of all financial crime risks.

CORPORATE GOVERNANCE DISCLOSURES (Cont'd)

BOARD RESPONSIBILITY AND OVERSIGHT (Cont'd)

Board Committees (Cont'd)

Conflicts of Interest and Indemnification of Directors

The Board has adopted policies and procedures relating to Directors' conflicts of interest. Where conflicts of interest arise, the Board has the power to authorise them. A review of those conflicts which have been authorised, and the terms of those authorisations, is undertaken by the Audit Committee annually.

The Bank maintains on a group basis, a Directors' and Officers' Liability and Company Reimbursement Insurance which provides adequate insurance cover for the Directors and officers of the Bank against any legal liability incurred by the Directors and officers in the discharge of their duties while holding office for the Bank. The Directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. During the financial year, the limit of indemnity of the Directors' and Officers' Liability and Company Reimbursement Insurance of HSBC Malaysia was USD25,000,000 for any one claim and in the aggregate for all claims. The amount of insurance premium paid by HSBC Bank Malaysia Berhad for the Directors' and Officers' Liability and Company Reimbursement Insurance for the financial year 2025 was RM313,765 (2024: RM339,587).

During the year, none of the Directors had any material interest, directly or indirectly, in any contract of significance with the Bank. All Directors are regularly reminded of their obligations in respect of disclosure of conflicts or potential conflicts of interest in any transactions with the Bank.

MANAGEMENT REPORTS

The Board and Board Committee meetings are structured around a pre-set agenda and reports for discussion, notation and approvals are circulated in advance of the meeting dates. To enable Directors to keep abreast with the performance of the Bank, key reports submitted to the Board and Board Committees during the financial year include:

- Minutes of the Board Committees
- Financial Resource Plan (FRP)
- CEO Updates
- Credit Transactions and Exposures to Connected Parties
- Financial Crime Compliance, Anti-Money Laundering and Counter Terrorist Financing Reports
- Quarterly and Annual Financial Statements
- Quarterly Internal Audit Progress Reports
- Internal Capital Adequacy Assessment Process, including Capital Plan
- Internal Liquidity Adequacy Assessment Process
- Risk Appetite Statement
- Risk and Compliance Reports
- Enterprise-Wide Stress Testing Results
- Human Resource Update
- Quarterly Climate Risk Update

CORPORATE GOVERNANCE DISCLOSURES (Cont'd)

INTERNAL CONTROL FRAMEWORK

The Board is responsible for monitoring the Bank's risk management and internal control systems, determining the level and type of risks the Bank is willing to take in achieving their strategic objectives and reviewing the effectiveness of relevant procedures on an annual basis. Global Internal Audit (GIA) provides independent and objective assurance to the board and assesses whether the design and operation effectiveness of the Group's risk management, governance and internal control processes are adequate and effective. The Board also has oversight accountability over Shariah governance and compliance in ensuring the integration of Shariah governance considerations within the business and risk strategies of the Bank.

To meet this requirement and to discharge its obligations, procedures have been designed to provide reasonable assurance against material misstatement, errors, losses or fraud. They are designed to provide effective internal control within the Bank. The procedures have been in place throughout the year and up to the date of approval of the audited financial statements of the Bank for the financial year ended 31 December 2025.

The Board, the Risk Committee and Audit Committee monitor the effectiveness of the Bank's system of risk management and internal control through regular updates on the operation of the Bank's internal controls, supplemented by reviews of these controls by the second line of defence, internal audit and the external auditors.

These reviews enable the Board to perform an annual review of effectiveness, identifying no material weaknesses as at the year-end. Areas identified for improvement internally or by the Bank's regulators are prioritized appropriately, with necessary actions taken to remedy any shortcomings identified.

At a granular level, the risk management and internal control systems of the Bank are continuously monitored and challenged to ensure that they are designed and operating effectively.

There are internal controls in place for handling and disseminating inside information.

In 2026, continued focus will be placed on the quality and timeliness of data used to inform management decisions and support oversight of emerging risks and potential risks arising from new products and offerings. The Board have extended the scope of the Audit Committee's responsibilities to cover all internal controls including financial, operational, reporting and compliance controls.

- **Delegation of authority within limits set by the Board**

Subject to certain matters reserved for the Board, the Bank's CEO, CRCO and other authorised persons including Shariah Committee, have been delegated authority limits and powers within which to manage the day-to-day affairs of the Bank. A delegation of authorities framework is in place globally in HSBC Group providing a structure within which HSBC Group's Board and its subsidiaries can manage their delegated powers. These delegated authorities can be used for the approval, signing and execution of specific written agreements and documents such as procurement contracts.

The delegation of authority framework is adopted on a legal entity basis via board resolution which is reviewed annually. Matters not covered by the delegation of authority framework can be set out in a separate board resolution, powers of attorney or the relevant local Group policy with clear systems of control that are appropriate to the business or function. Authorities to enter into credit and market risk exposures are delegated with limits to line management and group companies in line with HSBC Group's policy. Credit and market risks are measured and reported at subsidiary company level and aggregated for risk concentration analysis on a HSBC Group-wide basis.

The Shariah Committee is responsible to provide objective and sound decision/advice to the Bank to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah principles.

CORPORATE GOVERNANCE DISCLOSURES (Cont'd)

INTERNAL CONTROL FRAMEWORK (Cont'd)

Risk Management

- **Risk Management Framework (RMF)**

The RMF sets out how we manage the risks in our ability to operate, grow and meet expectations. It translates our strategy, values and commitments into practical actions and risk-aware decisions. It covers all risk types across the organization and is underpinned by our culture and values.

Our RMF foundations provide consistency across the Bank in identifying, evaluating and managing significant risks. They are interconnected and help form an enterprise-wide view of risk which reflects the relationship between the risks we take in delivering our strategy and the resources available to manage them.

It enables us to make considered, forward-looking decisions that align with our capacity and strategic objectives.

The management of risk faced by the Bank, predominantly on Shariah non-compliance risk, is governed by the HBMS Risk Management Framework (HRMF) which serves as an addendum to the Group's RMF. The HRMF applies to all types of risk, both financial and non-financial (including Shariah risk) that the Bank faces in its business and operational activities. It is used throughout HSBC Amanah, including all Businesses and Functions and it is applicable to all HSBC Amanah's employees and HSBC Group employees servicing HSBC Amanah. The Bank has an internal Shariah Governance structure to ensure all its processes and business operations are in accordance with Shariah principles, and it provides comprehensive guidance to the Board, Shariah Committee and Management of the Bank in discharging its duties on matters relating to Shariah. The Shariah Committee is a formal governance committee established to oversee Shariah operations and management of day-to-day activities of the Bank in accordance with Shariah compliance and principles. The Shariah Committee is a sub-committee of the Board and its members are appointed by the Board. The Shariah Committee meets at least once in every two (2) months or more frequently if needed to discharge their duties and responsibilities. The roles and responsibilities of the Shariah Committee are governed by the Bank's Shariah Governance Policy (SGP) and Shariah Committee's Terms of Reference (TOR).

- **Risk identification and monitoring**

There are comprehensive systems and procedures to identify, measure, assess, control and monitor risks.

Our risk taxonomy categories risks covering all material risks to which the Bank is exposed. It is a multi-level structure which helps organize, assess and respond to risk in a targeted way. It supports clearer identification of risks, tailored control design and mitigation and risk-type specific assessment approaches.

The residual risk which remains after considering our control environment and the resources available to manage the risks is then assessed against our risk appetite, which sets out the level of risk the Bank is willing to take in pursuit of its strategy.

Enterprise risk reporting provides a consolidated view of material risks across the Bank, assessed through the risk taxonomy and in relation to risk appetite. It enables decision-makers to monitor key exposures, identify emerging themes, and assess whether risks remain aligned with the Bank's strategic objectives. This includes insights from risk-type reports, thematic reviews, and emerging risks.

The Bank employ both a top and emerging risks process to provide forward-looking views of issues with the potential to threaten the execution of our strategy or operations over the medium to long term.

CORPORATE GOVERNANCE DISCLOSURES (Cont'd)

INTERNAL CONTROL FRAMEWORK (Cont'd)

- **Risk identification and monitoring (Cont'd)**

Shariah risk is presently not defined in the HSBC Group's risk taxonomy but it is a key risk being managed in the Bank. Shariah risk is a distinct and identifiable type of risk, particularly relevant in the context of Islamic finance applicable to the Bank. Its identification and independent management are imperative from local regulatory perspective. The risk steward for Shariah risk is the Head of Shariah Department, who acts as the subject matter expert (SME), responsible for the oversight of Shariah non-compliance risk faced by the Bank. This includes setting Shariah compliance related policies and guidelines, providing advice to risk and control owners on implementation of policies, providing independent review and challenging the risk reporting by control owners, setting key control expectations, as well as reviewing and advising on Risk and Control Assessment (RCA). It also includes oversight of Shariah Review function to ensure independent review and challenge on the Shariah compliance activities undertaken by risk and control owners.

- **Responsibility for risk management**

All employees are responsible for identifying and managing risk within the scope of their role as part of the three lines of defence model which defines clear accountabilities and responsibilities across risk ownership, oversight and independent assurance. The First Line owns and manages the risks, the Second Line provides risk oversight and challenge and the Third Line delivers independent assurance.

The Board delegates authority to the Audit Committee to annually review the independence, autonomy and effectiveness of the Bank's policies and procedures on whistleblowing, including the procedures for the protection of staff who raise concerns of detrimental treatment.

The Shariah Committee has delegated selected responsibilities to the Shariah Department. The Shariah Committee has an oversight over the approvals and decisions provided by the Shariah Department in discharging its Shariah Risk Stewardship function. The Committee remains as the ultimate approver, and is fully accountable for the decisions and any ensuing implications arising from the delegated authority.

- **Strategic plans**

Strategic plans are prepared for businesses and functions within the framework of the HSBC Group's overall strategy. Financial Resource Plan, informed by risk appetite prepared and adopted by the Bank and sets out the key business initiatives and the likely financial effects of those initiatives.

- **Internal control over financial reporting**

As subsidiaries of HSBC Holding Plc, the Bank is required to comply with Section 404 of the US Sarbanes-Oxley Act of 2002 and assess its effectiveness of internal control over financial reporting at 31 December 2025. In 2014, HSBC Group Audit Committee (GAC) endorsed the adoption of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) 2013 framework for the monitoring of risk management and internal control systems to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act.

The primary mechanism through which comfort over risk management and internal control systems is achieved through regular review of the effectiveness of controls to manage risk, and the reporting of issues on a regular basis through the various risk management and risk governance forums including regular updates to Audit Committee.

The key risk management and internal control procedures over financial reporting include the following:

- **Entity level controls**

Entity level controls are a defined suite of internal controls that have a pervasive influence over the entity as a whole and meet the principles of the COSO framework.

They include controls related to the control environment, such as the Bank's values and ethics, the promotion of effective risk management and the overarching governance exercised by the Board and its non-executive committees.

CORPORATE GOVERNANCE DISCLOSURES (Cont'd)

INTERNAL CONTROL FRAMEWORK (Cont'd)

- **Internal control over financial reporting (Cont'd)**

- **Entity level controls (Cont'd)**

- The design and operational effectiveness of entity level controls are assessed on an ongoing basis. If issues are significant to the Bank, they are escalated to the Risk Committee and also Audit Committee.

- **Process level transactional controls**

- Key process level controls that mitigate the risk of financial misstatement are identified, recorded and monitored in accordance with the risk framework. This includes the identification and assessment of relevant control issues, against which action plans are tracked through to remediation. The Audit Committee has continued to receive regular updates on the Bank's ongoing activities for improving the effective oversight of 'end-to-end' business processes, and management continued to identify opportunities for enhancing key controls, such as through the use of automation technologies.

- **Financial reporting controls**

- The Bank's financial reporting process for preparing the financial statements is in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, Companies Act 2016 in Malaysia and guidelines issued by Bank Negara Malaysia. The financial reporting process is further supported by documented accounting policies and reporting formats with detailed instructions and guidance on the reporting requirements issued by Global Finance to the Bank in advance of each reporting period end, as well as analytical review procedure. The financial reports of the Bank are subjected to certification by the Head of Finance and Board's approval.

The report also contains the Bank's disclosure on its Shariah Governance policies and practices, the Board's oversight accountability for Shariah governance implementation and disclosure by the Shariah Committee in discharging its responsibilities relating to Shariah governance and the Shariah Committee's opinion on the state of the Bank's compliance with Shariah principles.

- **Subsidiary certifications**

- Half yearly confirmations are provided to the holding company's Audit Committee and Risk Committee; and yearly confirmation is provided to the holding company's Nominations/Remuneration Committee from the respective Audit, Risk and Nominations/Remuneration committees of key material subsidiary companies confirming amongst other things that:

- a. Audit Committee– the financial statements of the subsidiary have been prepared in accordance with group policies, present fairly the state of affairs of the subsidiary and are prepared on a going concern basis;
 - b. Risk Committee– the Risk Committee of the subsidiary has carried out its oversight activities consistent with and in alignment to the RMF; and
 - c. Nominations/Remuneration Committee– the Nominations/Remuneration Committee of the subsidiary has discharged its obligations in overseeing the implementation and operation of HSBC's Group Remuneration Policy.

The review of the effectiveness of the Bank's system of risk management and internal control over financial reporting was conducted with reference to the COSO 2013 framework, and is reviewed regularly by the Board, the Risk Committee and the Audit Committee.

Going concern

The Board, having made appropriate enquiries, is satisfied that the Bank as a whole has adequate resources to continue operations for a period of at least 12 months from the date of this report, and therefore it continues to adopt the going concern basis in preparing the financial statements.

CORPORATE GOVERNANCE DISCLOSURES (Cont'd)

REMUNERATION POLICY

The Bank's approach to workforce reward is focused on enabling a high-performance culture where colleagues are at their best and focused on excellent customer outcomes. Our workforce reward principles and commitments guide our approach, strengthen our ability to attract, retain and motivate the people we need and energise colleagues to perform at their best.

- **We reward our colleagues responsibly** through fixed pay security and protection through core benefits, a competitive total compensation opportunity, pay equity, and a more inclusive and sustainable benefits proposition over time.
- **We recognise our colleagues success** through our performance culture and routines, including feedback and recognition, pay for performance, and all employee share ownership opportunities.
- **We support our colleagues to grow** through our proposition beyond pay, with a focus on future skills and development, support for well-being, and flexibility.

In 2024, the Bank made several significant changes to improve colleague experience and unlock our performance edge. We introduced performance routines to support more frequent exchange of feedback and rolled out "Target Variable Pay" to help improve transparency on how we make pay decisions. The year-end performance assessment was simplified to focus less on ratings and more on dialogue between managers and colleagues.

In 2025, we continued to evolve our approach and made enhancements based on the lessons learned from the first year of implementation. We continued to improve our well-being and recognition offering, which help motivate employees to perform at their best.

Our approach to workforce reward forms part of our broader employee value proposition and helps us retain and engage the leaders and people we need to execute our strategy.

In 2026, a key priority will be to review the pay mix for HSBC's senior executives following changes to the Prudential Regulation Authority (PRA) remuneration rules announced in October 2025. This review will ensure that our remuneration approach continues to support a high-performance culture, incentivises the achievement of our financial and strategic objectives, and promotes robust risk management and exemplary conduct standards.

More details of the HSBC's remuneration strategy are contained within the Annual Report and Accounts 2025 of HSBC Holdings plc.

In recognition to local regulations, the materiality of definition needs to be taken into consideration to ensure a robust corporate governance framework is duly applied for the Bank.

Quantitative disclosures on remuneration of the Bank's key management and other material risk takers are in Note 33 to the financial statements.

SHARIAH COMMITTEE

In line with Bank Negara Malaysia's Policy Document on Shariah Governance (SGPD), the current members appointed for HSBC Amanah are as follows:

- Encik Aminuddin Abu Bakar (Chairman effective 1 January 2026)

Encik Aminuddin is a member of the Shariah Committee with effect from 1 January 2022. He is then appointed as the Chairman of Shariah Committee effective 1 January 2026. He is currently the Principal Consultant, S Tradition Pte Ltd in Singapore, a boutique consultancy firm in Islamic Finance, and the Managing Director of El Madkhal Sdn Bhd, a digital Islamic education company in Malaysia. He is also appointed as the Board member of PIH Investment Holding Pte Ltd, Director of ALG Academy Pte Ltd (Singapore), the Shariah Committee Member of Financial Shariah Advisory & Consultancy (FSAC) (Singapore), Hugosave (Singapore) and Malaysian Life Reinsurance Group Berhad (MLRE).

CORPORATE GOVERNANCE DISCLOSURES (Cont'd)

SHARIAH COMMITTEE (Cont'd)

- Encik Aminuddin Abu Bakar (Chairman effective 1 January 2026) (Cont'd)

He was part of the senior management team for Kuwait Finance House Malaysia (KFHMB), having served as Vice President and Head of its Shariah Division. He is a certified Shariah Advisor and Auditor (CSAA) by Auditing and Accounting Organisation for Islamic Financial Institutions (AAOIFI) and a Member of the Association of Shariah Advisors in Islamic Finance (ASAS), having completed their Certified Shariah Advisor (CSA). He was awarded Master of Business Administration with distinction from University of Strathclyde, UK, and an Honours Bachelor's Degree in Comprehensive Study of Shariah Islamiyyah (Islamic Jurisprudence) from Al-Azhar University (Cairo). He has nearly 20 years of working experience in the areas of Shariah, Islamic Finance and socio-religious development.

- Assoc. Prof. Dr. Ziyaad Mahomed (retired on 31 December 2025)

Assoc. Prof. Dr. Ziyaad is a globally recognised authority in Islamic finance, renowned for his pioneering contributions across Central Asia and other emerging markets. As Associate Professor at INCEIF and the current SC-OCIS Visiting Fellow (a joint appointment with the Securities Commission Malaysia and the Oxford Centre for Islamic Studies), he combines scholarly depth with firsthand leadership in ethical finance development. Dr. Ziyaad holds a PhD in Islamic Finance from INCEIF, BA (Hons) Business (Finance) from Anglia Ruskin University, United Kingdom, and a Chartered Islamic Finance Professional (CIFP) holder from INCEIF. He also holds an MBA and Certificate in Islamic Law from The Management College of Southern Africa (MANCOSA) and University of Kwazulu Natal, South Africa, respectively. He has furthered his studies in the Islamic Sciences in Egypt, Jordan, the UK, and South Africa. Assoc. Prof. Dr. Ziyaad is a member of the HSBC Amanah's Shariah Committee with effect from 2 January 2017, and the Chairman of Shariah Committee since February 2017. With over two decades of firsthand experience, he has served as Chairman of numerous Shariah boards and advisory committees for leading financial institutions and fintech across Central Asia, Africa, and Southeast Asia. His appointments include Chairman of the Shariah Board for HSBC Amanah (Malaysia), IMAN (Uzbekistan), FBNQuest Asset Managers (Nigeria), Allied Takaful (Maldives), and advisory roles for prominent sukuk issuers and Islamic banks. Dr Ziyaad's record includes guiding Shariah compliance for sukuk structuring, Islamic fintech innovations, Islamic microfinance institutions, and overseeing Shariah audits for global firms such as Ernst & Young. He has been named as Global Islamic Finance Person of the Year 2024/2025 by Muslim News Nigeria in December 2025.

- Dr. Muhammad Syahmi bin Mohd Karim

Dr. Syahmi is a member of the Shariah Committee with effect from 01 January 2020. He is the Deputy President Operations at INCEIF University. He has vast experience in various capacities in banking services locally and internationally for the past 24 years. Prior to his role in INCEIF University, he was the Deputy CEO/ Senior Consultant at ISRA Consulting and was the Global Lead Islamic Finance Specialist, Islamic Development Bank (IsDB) Group in Saudi Arabia, with the main task to provide advisory service and technical assistance to IsDB member countries and non-member countries in establishing Islamic finance enabling environment. He was also involved in projects as an external expert for Islamic finance field for the International Monetary Fund based in Washington DC. He was also a member of Islamic Financial Services Board (IFSB) working group member in developing standards on Guiding Principles on Disclosure Requirements for Islamic Capital Market Products (Sukûk and Islamic Collective Investment Schemes). Prior joining the IsDB, he was with the Bank Negara Malaysia (Central Bank of Malaysia) for 15 years mainly in Banking Supervision Department with his last position as the Head of Shariah Risk Section, Specialist Risk Unit. He graduated with a Bachelor's Degree in Accounting from International Islamic University, Malaysia and received his master of science degree in Finance (Islamic Finance) and awarded with a best student award from the same university. Subsequently he obtained his Ph.D in Islamic banking and finance from Durham University, United Kingdom. He is a Chartered Accountant of the Malaysian Institute of Accountants an Associate Member of Certified Institute of Management Accountants (CIMA) United Kingdom, CPA Australia and Association of Shariah Advisors in Islamic Finance (ASAS) respectively.

CORPORATE GOVERNANCE DISCLOSURES (Cont'd)

SHARIAH COMMITTEE (Cont'd)

- Dato' Prof. Emeritus Dr. Ahmad Hidayat bin Buang

Dato' Prof. Hidayat is a member of the Shariah Committee with effect from 14 August 2023. Currently, he is an Honorary Professor at the Shariah and Law Department, Academy of Islamic Studies, University of Malaya, Malaysia and Chairman of Shariah Supervisory Council at Amanah Raya Berhad. Prior to joining HSBC Amanah, he served as the Chairman of Shariah Advisory Board of Bank Islam Malaysia Berhad and Shariah Committee member of other Islamic Banks and Takaful companies. He has conducted various research, authored books, and made journal entries on Shariah, and has also presented at various local and international conferences. Dato' Prof. Hidayat had been teaching at the Department of Shariah and Law, Academy of Islamic Studies, University of Malaya since 1987 both at postgraduate and undergraduate levels. He studied at University of Malaya and received Bachelor in Shariah (Islamic Law) in 1987. He obtained his Master of Law (LLM) in 1989 and PhD in 1996 at the School of Oriental and African Studies, University of London, United Kingdom. He is an Accredited mediator from Australian Accord Group (2018) and certified Shariah Advisor from ASAS (2022). He is a qualified Shariah Legal Counsel in the Federal Territory Shariah Courts. He was conferred the title of Professor Emeritus (Contract Law/Contemporary Islamic Transactions Law) in conjunction with the 65th University of Malaya (UM) Convocation ceremony

- Encik Muhammad Izzam Mohd Khazar (new member effective 1 April 2026)

Encik Izzam was the Deputy Director and Shariah Specialist at Bank Negara Malaysia and currently serves as Research Consultant at ISRA Institute, INCEIF University, Executive Leadership Consultant at IBFIM and External Advisor for Shariah Degree Program at University Sultan Zainal Abidin. He also serves as Shariah Committee for several institutions including HSBC Amanah Malaysia, Bank Rakyat Malaysia and Federation of Financial Services Cooperatives of Malaysia. Formerly, he has held pivotal Shariah leadership and advisory roles across global financial centers, including Noor Investment Group in United Arab Emirates, Maybank Islamic Bank, Al Rajhi Bank, and Bena Capital in United States. Throughout his journey, he has contributed to policy development, advisory and strategic planning in the realm of central banking, Islamic banking, takaful, waqf and capital markets, supporting the advancement of Islamic finance beyond boundaries. A Fellow of the Association of Shariah Advisors in Islamic Finance and previously a member of the Islamic Finance Committee at the Malaysian Institute of Accountants, he has led numerous Shariah audits and conducted training and lectures in more than ten countries across Europe, Middle East, Africa, Indian Subcontinent and Southeast Asia. He holds a Master's in Islamic Banking, Finance and Management from the University of Gloucestershire United Kingdom, a Shariah Law's degree from Al-Azhar University Egypt, Usul Fiqh's postgraduate from Fatah Institute Syria. He also completed his certificates in Public Policy Analysis from the London School of Economics and Political Science and Economic for Public Policy from the Blavatnik School of Government, University of Oxford.

- Dr. Aida binti Othman (retired on 31 March 2026)

Dr. Aida was a member of the Shariah Committee since 1 April 2017 until 31 March 2026. She is currently the Managing Director at ZICO Shariah Advisory Services Sdn. Bhd. and was a Partner at Zaid Ibrahim & Co. She specialises in legal, Islamic banking and finance, Islamic capital market instruments, takaful products and operations. She also advises financial institutions on Shariah compliance and governance, including on the legal and regulatory framework for Islamic finance. Dr. Aida holds a PhD in Comparative Law & Middle Eastern Studies from Harvard University, a Masters of Law from University of Cambridge and a Bachelor of Laws and Bachelor of Islamic Law (Syariah) (both with First Class Honours) from International Islamic University Malaysia (IIUM). Dr. Aida is the Advocate and Solicitor at High Court of Malaya and serves as a Shariah Committee member of Permodalan Nasional Berhad (PNB) and ASNB and Bank Simpanan Nasional Berhad.

CORPORATE GOVERNANCE DISCLOSURES (Cont'd)

SHARIAH COMMITTEE (Cont'd)

- Dr. Mohamed Ashraf bin Mohamed Iqbal (retired on 31 December 2025)

Dr. Ashraf is a member of the Shariah Committee with effect from 1 January 2018. He is a Founder of MindSpring Sdn. Bhd., an advisory firm that he started in 2005 specialising in business performance solutions focusing on knowledge-based organizations. He is also the Chairman of Waafi Bank Ltd, the virtual global Islamic bank established in 2020. Dr. Ashraf was appointed as a Non-Executive Director for HSBC Amanah Malaysia Berhad for ten years and was an Independent Non-Executive Director of Bank Pembangunan and Chairman of Pembangunan Leasing and Credit. He holds a Bachelor of Science in Mechanical Engineering, Masters in Business Administration from California State University, United States of America, and a Postgraduate Diploma in Islamic Studies from IIUM. He subsequently obtained his doctorate in Islamic Finance from INCEIF in 2016. Dr. Ashraf completed the ICA Certificate in Money Laundering (Distinction) from the University of Manchester, Alliance Manchester Business School, Manchester, England in 2022. He participated in the Business Sustainability Management Program, University of Cambridge Institute for Sustainability Leadership, Cambridge, England in 2019 and the 8th Asean Senior Management Development Program, Harvard Business Alumni Club of Malaysia in 2017.

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating Agency	Date	Rating Classification	Ratings Received
RAM Ratings Services Berhad	August 2025	<ul style="list-style-type: none">• Long term• Short term• Multi-Currency Sukuk Programme ^[1]• Outlook	AAA P1 AAA Stable

^[1] HSBC Amanah Malaysia Berhad's RM3.0 billion Multi-Currency Sukuk Programme (MCSP) remains available for future issuances although there is no outstanding sukuk issued as at 31 December 2025. The program will expire on 28 September 2032.

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of HSBC Amanah Malaysia Berhad (the Bank) for the financial year ended 31 December 2025.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

- Datin Che Teh Ija binti Mohd Jalil
- Dato' Omar Siddiq bin Amin Noer Rashid
- Lim Tiang Siew
- Datuk Md Arif bin Mahmood
- Ng Ing Peng

In accordance with Rule 21.6 of the Constitution, all Directors shall retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT (Cont'd)

PRINCIPAL ACTIVITIES

The principal activities of the Bank are Islamic banking business and related financial services. There have been no significant changes in these activities during the financial year.

FINANCIAL RESULTS

Profit for the financial year attributable to the owner of the Bank:	RM'000
Profit before tax	522,307
Tax expense	(125,722)
Profit for the financial year	396,585

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the Notes to the financial statements.

ISSUANCE AND/OR REDEMPTION OF DEBT AND EQUITY SECURITIES

On 24 October 2025, the Bank issued Additional Tier 1 Wakalah Financing (the Facility) amounting to RM 500 million to its immediate holding company, HSBC Bank Malaysia Berhad, through the conversion of special dividend declared and paid on 24 October 2025. The Facility qualifies as Additional Tier 1 capital of the Bank as per the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by Bank Negara Malaysia (BNM). Further details are disclosed in Note 24.

Other than the above, there were no other issuance and/or redemption of debt and equity securities during the financial year under review.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Bank or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Bank a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, except for:

- (i) Directors who were granted the option to subscribe for shares in the ultimate holding company, HSBC Holdings plc, under Executive/Savings-Related Share Option Schemes at prices and terms as determined by the schemes; and
- (ii) Directors who were conditionally awarded shares of the ultimate holding company, HSBC Holdings plc, under its HSBC Share Plan.

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

DIRECTORS' REPORT (Cont'd)

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Bank or its holding company or subsidiaries of the holding company during the financial year except as follows:

	Number of Ordinary Shares			As at 31.12.2025
	As at 1.1.2025	Acquired	Disposed	
HSBC Holdings plc				
Ordinary shares of USD0.50				
Dato' Omar Siddiq bin Amin Noer Rashid	18,410	–	–	18,410

	Number of Shares			
	Shares held at 1.1.2025	Shares issued during the year	Shares vested during the year	Shares held at 31.12.2025
HSBC Holdings plc				
HSBC Share Plan				
Dato' Omar Siddiq bin Amin Noer Rashid	38,314	–	–	38,314

None of the other Directors holding office at 31 December 2025 had any interest in the ordinary shares and options over shares of the Bank and of its related corporations during the financial year.

DIVIDENDS

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

	Total (RM'million)
Ordinary shares	
In respect of financial year ended 31 December 2024:	
– Final dividend of 119.0 sen (paid on 29 April 2025)	119.0
In respect of financial year ended 31 December 2025:	
– Interim dividend of 55.0 sen (paid on 30 September 2025)	55.0
– Special dividend of 500.0 sen (paid on 24 October 2025)	500.0

The Board of Directors via a resolution on 4 February 2026, has approved the payment of a final dividend of 64.0 sen per ordinary share, amounting to net dividend payment of RM64.0 million in respect of the financial year ended 31 December 2025. The dividend will be accounted for in the shareholder's equity as an appropriation of retained earnings in the subsequent financial year.

HOLDING COMPANIES

The Directors regard HSBC Bank Malaysia Berhad, a company incorporated in Malaysia, and HSBC Holdings plc, a company incorporated in United Kingdom, as the immediate and ultimate holding companies of the Bank respectively.

DIRECTORS' REPORT (Cont'd)

OTHER STATUTORY INFORMATION

Before the financial statements of the Bank were prepared, the Directors took reasonable steps:

- i) to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing; and
- ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Bank had been written down to an amount which the current assets might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) which would render the amount written off for bad debts and financing, or the amount of the allowance for doubtful debts and financing inadequate to any substantial extent, or
- ii) which would render the values attributed to current assets in the financial statements of the Bank misleading, or
- iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate.

At the date of this report, there does not exist:

- i) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Bank.

No contingent liability or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Bank to meet their obligations as and when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Bank which would render any amount stated in the respective financial statements misleading.

In the opinion of the Directors:

- i) the results of the operations of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Bank for the financial year in which this report is made.

SIGNIFICANT AND SUBSEQUENT EVENTS

There were no significant events and events subsequent to the date of the statement of financial position that require disclosure or adjustment to the audited financial statements.

DIRECTORS' REPORT (Cont'd)

SUBSIDIARIES

The Bank does not have any subsidiary company.

ZAKAT OBLIGATION

The Bank is not obliged to pay zakat for the financial year ended 31 December 2025.

DIRECTORS' REMUNERATION

Directors' remuneration for the financial year is RM780,000 (2024: RM737,000). Details of Directors' remuneration are set out in Note 33(b) to the financial statements.

AUDITORS' REMUNERATION

Auditors' remuneration for the financial year is RM288,000 (2024: RM283,000). Details of auditors' remuneration are set out in Note 30 to the financial statements.

PERFORMANCE REVIEW, BUSINESS HIGHLIGHTS AND OUTLOOK

Performance Review

The Bank recorded a profit before tax (PBT) of RM522.3 million for the financial year ended 31 December 2025, a marginal reduction of RM0.6 million or 0.11% year-on-year.

The decrease in PBT was attributed to the lower write back from expected credit loss amounting to RM 17.1 million (2025: RM15.9 million; 2024: RM33.0 million) for the financial year ended 2025 offset by higher operating income amounting to RM7.3 million (2025: RM796.4 million; 2024: RM789.1 million) and lower operating expenses amounting to RM 9.1 million (2025: RM290.1 million; 2024: RM299.2 million).

Total assets as at 31 December 2025 stood at RM24.3 billion, an increase of RM2.3 billion or 10.5% compared to 31 December 2024 of RM22.0 billion. After deducting the proposed dividends, the Bank continues to be well capitalised with Common Equity Tier 1 capital ratio of 17.4%, Tier 1 capital ratio of 24.6% and Total capital ratio of 25.8%. The Bank also has a strong liquidity position with its liquidity ratio well above regulatory requirements.

Business Highlights during the Year 2025

HSBC Amanah Malaysia Berhad (the Bank) and its parent company, HSBC Bank Malaysia Berhad, hereinafter collectively referred to as 'HSBC Malaysia', witnessed various significant highlights in 2025.

On the wholesale banking front, we simplified our organisational structure by integrating our Commercial Banking and Global Banking and Markets (GBM) business to form Corporate and Institutional Banking (CIB) business.

Within CIB, Global Payments Solutions (GPS) continues to invest in real-time capabilities, API-led connectivity, embedded finance, and digital platforms which strengthened CIB's transaction and digital infrastructure. These enhanced digital capabilities have enabled simpler, faster and more efficient client experiences.

Global Trade Solutions (GTS) continues to support Malaysia's key growth sectors including data centres, renewable energy projects, large-scale public infrastructure projects, and developments within the Johor-Singapore Special Economic Zone, all of which require significant financing and risk management solutions.

Markets and Securities Services (MSS) maintains its strong market position in the FX market. In parallel, MSS continues to collaborate with International Wealth and Premier Banking business (IWPB) to expand equity investment products variation and innovating on our wealth propositions. Another key collaboration is between MSS and Debt Capital Management, to support the increasing corporate debt and sukuk issuance activities.

DIRECTORS' REPORT (Cont'd)

PERFORMANCE REVIEW, BUSINESS HIGHLIGHTS AND OUTLOOK (Cont'd)

Business Highlights during the Year 2025 (Cont'd)

During the year, CIB participated in some innovative transactions, which includes RM1 billion financing provided by the Bank to enable civil servants to access sustainable home financing solutions. This initiative not only supports the government's debt management efforts but also offers social and economic benefits for the civil servant community, contributing to a more stable financial climate.

On the retail front, our IWPB has introduced the following initiatives to meet the wealth and personal banking needs of our premier and emerging affluent customers:

- Opened 2 Wealth Centres, which are designed to exclusively support HSBC Premier Elite and High Net Worth clients to have a private and exclusive environment for consultations with their Senior Relationship Manager for every stage of their wealth journey.
- Launched the all-new HSBC Premier proposition, which is anchored on four pillars; Wealth, Health, Travel and International, covering an extensive and exciting new proposition that goes beyond banking.
- Launched Wealth Academy, established to elevate the capabilities of our Relationship Managers, Sales Managers and Product Specialists, equipping them with the expertise needed to excel in their roles.

IWPB has also successfully implemented prominent new digital capabilities on HSBC Malaysia's mobile banking app, enabling customers to perform their banking needs anywhere and anytime, including the below initiatives:

- Enablement of Global Money Transfers (GMT), which allows customers to perform international transfers to third party non-HSBC accounts like a local, i.e. as fast as same working day, to over 50 countries and territories. Customers can also perform international transfers to over 200 countries and territories via SWIFT without intermediary bank fees.
- Introduction of Investment Risk Profile, designed to help customers better understand their individual attitude to investment risk and build a portfolio that matches their risk tolerance. Customers can now assess and update their risk tolerance level by completing the Risk Profile Questionnaire (RPQ), anytime from the convenience of their mobile devices.
- Launch of World Class Onboarding (WCO) journey. This is a seamless digital account opening journey which allows new customers to open an account without walking into the branch, reducing the account onboarding time. We have also enabled existing HSBC customers from other countries/ territories to open an account with HSBC Malaysia via this new digital experience.

In 2025, the Bank garnered multiple awards from the Euromoney Islamic Finance Awards 2025, including "Best Islamic Structured Finance House" along with other wins in numerous deal award categories jointly conferred together with our clients such as "Best Islamic Real Estate Deal" and "Islamic Finance Deal of the Year" .

RAM reaffirmed the Bank's long- and short-term ratings of AAA and P1 ratings respectively. More awards and recognitions are disclosed on page 25 under the Directors' Report section.

Outlook for 2026

The global economy in 2025 performed better than most had expected. Despite tariffs, global trade growth was strong, and consumer spending held up. Malaysia's economy showed resilience with gross domestic product (GDP) growth of 5.2% for year 2025, exceeding the 5.1% growth in 2024. Domestic demand remains the backbone of growth, with steady consumer spending supported by labour market improvements, wage growth, and consumption-friendly subsidies. The other tailwind to Malaysia's retail sales is its booming tourism sector as Malaysia has seen a full recovery in tourism to 2019 levels. Investment activities, especially in infrastructure and data centres, is underpinning momentum and elevating growth prospects. Export sectors, particularly electronics, continue to expand, though external risks from trade tensions and tariff uncertainties weigh on export prospects. On monetary policy, BNM reduced the Overnight Policy Rate by 25 basis points to 2.75% in July as a pre-emptive measure aimed at preserving Malaysia's steady growth amid moderate inflation prospects and global uncertainties.

DIRECTORS' REPORT (Cont'd)

PERFORMANCE REVIEW, BUSINESS HIGHLIGHTS AND OUTLOOK (Cont'd)

Outlook for 2026 (Cont'd)

Looking ahead, global economic conditions will remain challenging. The GDP forecast for 2026 is expected to moderate slightly from 2025, with Ministry of Finance projecting Malaysia's economy to grow between 4.0% to 4.5%¹, supported by private consumption and investments. External headwinds such as trade uncertainty, tariff threats, and global demand volatility remain notable downside risks.

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

Awards won during the financial year:

Euromoney Islamic Finance Awards 2025

- World's Best Islamic Structured Finance House
- Asia's Best Islamic Structured Finance House
- Asia's Best Islamic Real Estate Deal – LBS Bina Group Berhad
- Malaysia's Best Islamic Structured Finance House
- Malaysia's Islamic Finance Deal of the Year – Malaysia Airports Holdings Berhad
- Malaysia's Most Innovative Islamic Deal – Pinnacle Yields Sendirian Berhad
- Malaysia's Best Islamic Trade Finance Deal – Sime Darby Motors

IFN Best Banks Poll

- Best Islamic Custodian

IFN Deals of the Year

- IFN Singapore Deal of the Year – Olam Agri Group
- IFN Sustainability Deal of the Year – LBS Bina Group

The Asset Triple A Sustainable Finance Awards 2025

- Best Asean Social Sukuk – LBS Bina Group Berhad
- Best Sustainable Finance Adviser

The Asset Triple A Islamic Finance Awards 2025

- ESG Bank of the Year - HSBC Amanah Malaysia (sixth consecutive year)
- Best Trade Finance Bank - HSBC Amanah Malaysia (eighth consecutive year)
- Wealth Manager of the Year
- Best Social Sukuk - LBS Bina Group Berhad
- Best ASEAN Social SRI Sukuk (Real Estate) - LBS Bina Group Berhad
- Best Sustainability Sukuk (Healthcare) – Sunway Healthcare Treasury Sdn Bhd
- Best Green Financing – Ardent Residences Sdn Bhd
- Best Sukuk (Airport) – Malaysia Airports Holdings Berhad
- Best New Sukuk (Healthcare) – Pantai Holdings Sdn Bhd
- Best Project Financial Sukuk – DanaInfra Nasional Berhad
- Most Innovative Deal – Pinnacle Yields Sendirian Berhad

¹ As issued by the Ministry of Finance (MOF) in the Economic Outlook 2026, as part of Budget 2026, tabled in Parliament on 10 October 2025.

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

DIRECTORS' REPORT (Cont'd)

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors. A resolution to re-appoint PricewaterhouseCoopers PLT as auditor of the Bank will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Directors in accordance with a resolution of the Directors:

.....
DATO' OMAR SIDDIQ BIN AMIN NOER RASHID
Director

.....
NG ING PENG
Director

Kuala Lumpur, Malaysia
21 April 2026

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

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors:

We, Dato' Omar Siddiq bin Amin Noer Rashid and Ng Ing Peng, being two of the Directors of HSBC Amanah Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 34 to 141 are drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2025 and financial performance of the Bank for the financial year ended 31 December 2025 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

.....
DATO' OMAR SIDDIQ BIN AMIN NOER RASHID
Director

.....
NG ING PENG
Director

Kuala Lumpur, Malaysia
21 April 2026

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

STATUTORY DECLARATION PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Yap Tit Chiau, the officer primarily responsible for the financial management of HSBC Amanah Malaysia Berhad, do solemnly and sincerely declare that, to the best of my knowledge and belief, the financial statements set out on pages 34 to 141 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the above-named at Kuala Lumpur, Malaysia on 21 April 2026.

.....
YAP TIT CHIAU
Chartered Accountant
Malaysian Institute of Accountants No: CA 42571

BEFORE ME:

.....
Signature of Commissioner for Oaths

SHARIAH COMMITTEE'S REPORT

In the name of God, the most Beneficent, the most Merciful.

Praise be to God, the Lord of the Worlds and peace and blessings be upon Prophet Muhammad, his family and companions.

Peace be upon you, with the Mercy and Blessings of God

In carrying out the roles and responsibilities as Shariah Committee of HSBC Amanah Malaysia Berhad as prescribed in the Shariah Governance Policy Document issued by Bank Negara Malaysia, the Bank's Shariah Governance Policy as well as the Shariah Committee's Terms of Reference, we hereby submit the following report for the financial year ended 31 December 2025:

1. We have conducted eleven (11) meetings for 2025. The attendance of the members at the Shariah Committee meetings is as follows:

Name of Member	Designation	Attendance/No. of Meetings
Encik Aminuddin Abu Bakar (Chairman effective 1 January 2026)	Chairman/ Member	11/11
Assoc. Prof. Dr. Ziyaad Mahomed (retired on 31 December 2025)	Chairman	11/11
Dr. Muhammad Syahmi bin Mohd Karim	Member	10/11
Dato' Prof. Emeritus Dr. Ahmad Hidayat bin Buang	Member	11/11
Dr. Aida binti Othman (retired on 31 March 2026)	Member	11/11
Dr. Mohamed Ashraf bin Mohamed Iqbal (retired on 31 December 2025)	Member	11/11

2. It is our responsibility to form an independent opinion, based on our oversight of the operations of the Bank, and to report to you.
3. The management of the Bank is responsible for ensuring that the financial institution conducts its business in accordance with Shariah principles.
4. We have reviewed the products, services, operations and transactions offered by the Bank based on the approved Shariah principles and the contracts relating to the transactions and applications introduced by the Bank during the financial year ended 31 December 2025 to ensure conformity with Shariah requirements.
5. We have overseen the work carried out by Shariah Department and assessed its effectiveness to implement the Shariah Governance Policy which includes pre and post examination, on a test basis, each type of transaction across business lines, the relevant documentations and procedures adopted and/or entered into by the Bank.
6. We have performed our oversight role through the Shariah review and Shariah audit functions based on the selected areas which have been agreed upon as part of the Annual Shariah Review and Shariah Audit Planning in ensuring that the Bank has complied with all the Shariah principles and rulings issued by both the Shariah Advisory Council of Bank Negara Malaysia, Shariah Advisory Council of Securities Commission Malaysia and by us. Appropriate measures and mechanisms have been implemented to rectify and close the gaps.
7. In performing our duties, we have planned and performed our review and had obtained all the information and explanations which we considered indispensable and necessary in order to provide us with satisfactory evidence to arrive at sound Shariah decisions and to give reasonable assurance that the Bank has complied with all of the Shariah requirements and has not breached any of the Shariah rules and principles based on the evidences which have been disclosed and tabulated before us.

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

SHARIAH COMMITTEE'S REPORT (Cont'd)

As members of the Shariah Committee of HSBC Amanah Malaysia Berhad, we hereby confirm that, to best of our knowledge and attention, except for identified breaches that are being remedied, in our opinion:

- a. nothing has come to the Shariah Committee's attention that causes the Shariah Committee to believe that the operations, business, affairs and activities of the Bank involve any material Shariah non-compliances;
- b. the contracts, transactions, dealings entered into by the Bank during the financial year ended 31 December 2025 that have been reviewed by us, are in compliance with Shariah rules and principles;
- c. the recognition of profit and losses relating to the Bank's assets and liabilities conform to the basis that had been approved by us in accordance with Shariah principles;
- d. all identified earnings that have been realised from sources or by means prohibited by the Shariah principles have been considered for disposal to charitable causes; and
- e. the Bank is not required to pay zakat for the financial year ended 31 December 2025 because its shareholder has no obligation to pay zakat.

We, the members of the Shariah Committee of HSBC Amanah Malaysia Berhad, hereby confirm, except for identified breaches that are being remedied, that the operations of the Bank for the financial year ended 31 December 2025 have been conducted in conformity with the Shariah principles.

We pray to Allah the Almighty to grant us success and the path of continued guidance.

Wassalamu 'Alaikum Warahmatullahi Wabarakatuh

Chairman/Member of the Shariah Committee
Encik Aminuddin Abu Bakar (Chairman effective 1 January 2026)

.....

Member of the Shariah Committee
Dato' Prof. Emeritus Dr. Ahmad Hidayat bin Buang

.....

Kuala Lumpur, Malaysia
21 April 2026



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF HSBC AMANAH MALAYSIA BERHAD
(Incorporated in Malaysia)
Registration No. 200801006421 (807705-X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of HSBC Amanah Malaysia Berhad (“the Bank”) give a true and fair view of the financial position of the Bank as at 31 December 2025, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Bank, which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policies, as set out on pages 34 to 141.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), as applicable to audits of financial statements of public interest entities and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors’ report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Board of Directors, Corporate Governance Disclosures, Rating by External Rating Agencies, Directors’ Report and Shariah Committee’s Report, but does not include the financial statements of the Bank and our auditors’ report thereon.

Our opinion on the financial statements of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF HSBC AMANAH MALAYSIA BERHAD (CONTINUED)**
(Incorporated in Malaysia)
Registration No. 200801006421 (807705-X)

In connection with our audit of the financial statements of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Bank, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF HSBC AMANAH MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200801006421 (807705-X)

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

FOONG MEI LIN
03530/09/2026 J
Chartered Accountant

Kuala Lumpur
21 April 2026

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	<i>Note</i>	31 Dec 2025 RM'000	31 Dec 2024 RM'000
Assets			
Cash and short-term funds	6	5,777,190	2,592,399
Reverse sell and buy back agreement	7	284,247	–
Deposits and placements with banks and other financial institutions	8	412,571	200,000
Financial assets at fair value through profit and loss (FVTPL)	9	–	20,621
Financial investments at fair value through other comprehensive income (FVOCI)	10	1,620,648	2,263,370
Financial investments at amortised cost	11	2,379,688	1,991,393
Financing and advances	12	12,793,814	14,111,493
Derivative financial assets	15	636,696	363,029
Other assets	16	199,168	127,455
Statutory deposits with Bank Negara Malaysia	17	125,111	257,961
Equipment	18	4,836	4,259
Deferred tax assets	19	39,668	37,504
Total assets		24,273,637	21,969,484
Liabilities			
Deposits from customers	20	14,388,617	13,445,810
Deposits and placements from banks and other financial institutions	21	2,948,356	2,360,099
Structured liabilities designated at fair value through profit or loss (FVTPL)	22	1,600,277	1,679,667
Bills payable		12,217	9,187
Derivative financial liabilities	15	667,453	395,751
Other liabilities	23	1,023,175	644,698
Provision for taxation		44,813	40,533
Total liabilities		20,684,908	18,575,745
Equity			
Share capital and other equity	24	1,656,063	1,161,063
Reserves	25	1,932,666	2,232,676
Total equity attributable to owner of the Bank		3,588,729	3,393,739
Total liabilities and equity		24,273,637	21,969,484
Restricted investment accounts ^[1]		3,141,508	2,232,635
Total Islamic Banking asset ^[1]		27,415,145	24,202,119
Commitments and contingencies	36	49,196,883	44,941,716

^[1] The disclosure is in accordance with the requirements of Bank Negara Malaysia's Guideline on Financial Reporting for Islamic Banking Institutions dated 29 April 2022.

The accompanying notes form an integral part of the financial statements.

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

STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	Note	31 Dec 2025 RM'000	31 Dec 2024 RM'000
Income derived from investment of depositors' funds and others	26	870,053	900,702
Income derived from investment of shareholder's funds	27	270,525	254,557
Expected credit losses (ECL) written-back	28	15,963	33,037
Total distributable income		1,156,541	1,188,296
Income attributable to depositors	29	(344,128)	(366,206)
Total net income		812,413	822,090
Operating expenses	30	(290,106)	(299,198)
Profit before tax		522,307	522,892
Tax expense	31	(125,722)	(126,259)
Profit for the financial year		396,585	396,633
Profit attributable to the owner of the Bank		396,585	396,633
Basic earnings per RM0.50 ordinary share	32	396.6 sen	396.6 sen
Dividends per RM0.50 ordinary share (net)			
- final dividend paid in respect of prior year		119.0 sen	53.7 sen
- interim dividend paid in respect of current year		55.0 sen	–
- special dividend paid in respect of current year		500.0 sen	–

The accompanying notes form an integral part of the financial statements.

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

**STATEMENT OF COMPREHENSIVE INCOME FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 2025**

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Profit for the financial year	396,585	396,633
Other comprehensive income/(expense)		
<i>Items that will not be reclassified to profit or loss</i>		
Own credit reserve:		
Change in fair value	3,257	5,555
Income tax effect	(782)	(1,333)
<i>Items that will subsequently be reclassified to profit or loss when specific conditions are met</i>		
Fair value through other comprehensive income reserve:		
Change in fair value	5,726	3,327
ECL (written-back)/charges in the income statement	(23)	88
Income tax effect	(1,374)	(799)
Other comprehensive income for the financial year, net of income tax	6,804	6,838
Total comprehensive income for the financial year	403,389	403,471
Total comprehensive income attributable to the owner of the Bank	403,389	403,471

The accompanying notes form an integral part of the financial statements.

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

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	Non-distributable					Distributable		Total
	Share capital	Other equity instrument	FVOCI reserve	Own credit reserve	Capital contribution reserve	Regulatory reserve	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2025								
Balance at 1 January	660,000	501,063	301	(285)	326	67,000	2,165,334	3,393,739
Profit for the financial year	–	–	–	–	–	–	396,585	396,585
Other comprehensive income, net of tax								
FVOCI reserve/Own Credit reserve								
Net change in fair value	–	–	4,352	2,475	–	–	–	6,827
ECL written-back	–	–	(23)	–	–	–	–	(23)
<i>Total other comprehensive income</i>	–	–	4,329	2,475	–	–	–	6,804
Total comprehensive income for the financial year	–	–	4,329	2,475	–	–	396,585	403,389
Net change in regulatory reserves	–	–	–	–	–	1,100	(1,100)	–
Transactions with the owner, recorded directly in equity								
Share based payment transactions	–	–	–	–	(43)	–	(29)	(72)
Other equity instrument issued ^[1]	–	495,000	–	–	–	–	–	495,000
Discretionary coupon on other equity instruments	–	–	–	–	–	–	(29,345)	(29,345)
Dividends paid to owner - 2024 final	–	–	–	–	–	–	(118,990)	(118,990)
Dividends paid to owner - 2025 interim	–	–	–	–	–	–	(54,992)	(54,992)
Dividends paid to owner - 2025 special	–	–	–	–	–	–	(500,000)	(500,000)
Balance at 31 December	660,000	996,063	4,630	2,190	283	68,100	1,857,463	3,588,729

^[1]On 24 October 2025, the Bank issued RM500.0 million Additional Tier 1 capital, for which there were issuance cost of RM5.0 million. Details of the issuance are set out in Note 24.

HSBC AMANAH MALAYSIA BERHAD
(Company No. 200801006421 (807705-X))
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STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025 (Cont'd)

	Non-distributable					Distributable		Total
	<i>Share capital</i>	<i>Other equity instrument</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2024								
Balance at 1 January	660,000	501,063	(2,315)	(4,507)	377	35,800	1,888,712	3,079,130
Profit for the financial year	–	–	–	–	–	–	396,633	396,633
Other comprehensive income, net of tax								
FVOCI reserve/Own Credit reserve								
Net change in fair value	–	–	2,528	4,222	–	–	–	6,750
ECL charges	–	–	88	–	–	–	–	88
<i>Total other comprehensive income</i>	–	–	2,616	4,222	–	–	–	6,838
Total comprehensive income for the financial year	–	–	2,616	4,222	–	–	396,633	403,471
Net change in regulatory reserves	–	–	–	–	–	31,200	(31,200)	–
Transactions with the owner, recorded directly in equity								
Share based payment transactions	–	–	–	–	(51)	–	(20)	(71)
Discretionary coupon on other equity instruments	–	–	–	–	–	–	(35,112)	(35,112)
Dividends paid to owner - 2023 final	–	–	–	–	–	–	(53,679)	(53,679)
Balance at 31 December	660,000	501,063	301	(285)	326	67,000	2,165,334	3,393,739

The accompanying notes form an integral part of the financial statements.

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

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	522,307	522,892
Adjustments for:		
Unrealised loss/(gain) from dealing in foreign currency	16,247	(13,329)
Unrealised gain from trading in derivatives	(16,008)	(12,934)
ECL charges	41,876	28,043
Share based payment transactions	93	12
Depreciation of equipment	1,572	1,859
Depreciation of right of use assets	6,144	17,460
Net expense on financial instruments FVTPL	101,078	73,809
Modification gain on financing and advances, net of unwinding	(2,728)	(2,718)
Operating profit before changes in operating assets and liabilities	670,581	615,094
 (Increase)/decrease in operating assets		
Reverse sell and buy back agreement	(284,247)	117,102
Deposits and placements with banks and other financial institutions	(212,575)	30
Financial assets at FVTPL	20,621	(20,621)
Financing and advances	1,289,397	(120,059)
Derivative financial assets	(273,907)	(236,331)
Other assets	(71,261)	(35,757)
Statutory deposits with Bank Negara Malaysia	132,850	(15,700)
Total decrease/(increase) in operating assets	600,878	(311,336)
 Increase/(decrease) in operating liabilities		
Deposits from customers	942,807	(497,766)
Deposits and placements from banks and other financial institutions	588,257	885,100
Structured liabilities designated at FVTPL	(177,211)	(328,085)
Bills payable	3,030	(1,101)
Derivative financial liabilities	271,703	237,668
Other liabilities	368,274	(1,721)
Total increase in operating liabilities	1,996,860	294,095
 Cash generated from operating activities	3,268,319	597,853
Income tax paid	(126,695)	(80,659)
Net cash generated from operating activities	3,141,624	517,194

The accompanying notes form an integral part of the financial statements.

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

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025 (Cont'd)

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Cash flows from investing activities		
Purchase of financial investments at amortised cost	(914,572)	(1,125,164)
Purchase of financial investments at fair value through other comprehensive income	(861,785)	(2,852,502)
Proceeds from disposal of financial investments at fair value through other comprehensive income	1,510,000	2,470,410
Proceeds from disposal/redemption of financial investment at amortised cost	520,000	120,000
Purchase of equipment	(2,149)	(1,410)
Net cash generated from/(used in) investing activities	<u>251,494</u>	<u>(1,388,666)</u>
Cash flows from financing activities		
Issuance of other equity instrument	495,000	–
Discretionary coupon on other equity instruments	(29,345)	(35,112)
Dividend paid	(673,982)	(53,679)
Net cash used in financing activities	<u>(208,327)</u>	<u>(88,791)</u>
Net increase/(decrease) in cash and cash equivalents	3,184,791	(960,263)
Cash and cash equivalents at beginning of the financial year	<u>2,592,399</u>	<u>3,552,662</u>
Cash and cash equivalents at end of the financial year	<u>5,777,190</u>	<u>2,592,399</u>
Analysis of cash and cash equivalents		
Cash and short-term funds	<u>5,777,190</u>	<u>2,592,399</u>

Changes in liabilities arising from financing activities

There is no change in liabilities arising from financing activities for the financial year ended 31 December 2025 and 31 December 2024.

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

HSBC Amanah Malaysia Berhad (the Bank) is a licensed Islamic Bank under the Islamic Financial Services Act, 2013. The principal activities of the Bank are Islamic banking and related financial services.

There were no significant changes in these activities during the financial year.

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 holding company and ultimate holding company during the financial year are HSBC Bank Malaysia Berhad (HBMY) and HSBC Holdings Plc, respectively.

The financial statements were approved and authorised for issue by the Board of Directors on 4 February 2026, 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

(a) *Statement of compliance*

The financial statements of the Bank have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2016 in Malaysia and BNM requirements on Shariah related disclosures.

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

The amendments to published standards that are effective and applicable to the Bank for the financial year beginning on 1 January 2025 are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2 Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

(ii) Standards and amendments to published standards that are applicable to the Bank but not yet effective

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

Effective for annual periods commencing on or after 1 January 2026

- Amendments to MFRS 9 and MFRS 7 on 'Classification and Measurement of Financial Instruments'

The amendments to MFRS 9 and MFRS 7 are to:

- require financial assets to be derecognised on the date the contractual rights to the cash flows expire and financial liabilities to be derecognised when obligation under the contract is discharged (i.e. the settlement date). In addition, there is an optional exception to derecognise financial liabilities before the settlement date for settlement using electronic payment systems (if specified criteria are met);
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

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

- Annual Improvements to MFRS Accounting Standards

Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. Amendments that are part of Annual Improvements are:

- Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
- Amendments to MFRS 7 Financial Instruments: Disclosures
- Amendments to MFRS 9 Financial Instruments
- Amendments to MFRS 10 Consolidated Financial Statements
- Amendments to MFRS 107 Statement of Cash Flows

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2 Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

(ii) Standards and amendments to published standards that are applicable to the Bank but not yet effective (Cont'd)

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

(b) Basis of measurement

The financial statements of the Bank have been prepared under the historical cost convention, except for the following assets and liabilities as disclosed in their respective accounting policy notes:

- Structured liabilities
- Financial investments at fair value through other comprehensive income (FVOCI)
- Derivatives financial instruments and hedge accounting
- Financial liabilities designated at fair value through profit or loss (FVTPL)

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2 Basis of Preparation (Cont'd)

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and estimates. The material accounting policies are described in Note 3. The preparation of the financial statements in conformity with MFRSs requires management to make estimates and assumptions about future conditions. The use of available information and the application of judgement are inherent in the formation of estimates; actual results in the future may differ from estimates upon which financial information is prepared.

Management believes that the Bank's critical accounting policies where judgement is necessarily applied are those which relate to impairment of financing and advances and the valuation of financial instruments (refer to Note 5). There are no other significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed above.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(e) Going concern

The financial statements of the Bank have been prepared on a going concern basis as the Directors are satisfied that the Bank has the resources to continue in business in the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projection of profitability, cash flows, capital requirements and capital resources.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies

The accounting policies set out below have been applied consistently to the financial year presented in these financial statements and have been applied consistently by the Bank.

(a) Foreign Currencies

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost which are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income (OCI) or in the income statement depending on where the gain or loss on the underlying item is recognised.

(b) Financing Income and Expenses

Recognition of financing income and expenses for all financial instruments of the Bank, except those classified as financial instruments designated at fair value through profit or loss (FVTPL) are recognised in 'finance income' and 'income attributable to depositors' in the statement of profit or loss on an accrual basis using the effective profit rate method. The effective profit rate method is a way of calculating the amortised cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the financing income or expense over the relevant period.

The effective profit rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instruments², or where appropriate, a shorter period, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective profit rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective profit rate includes all amounts paid or received by the Bank that are an integral part of the effective profit rate, including transaction costs and all other premiums or discounts.

Profit on impaired financial assets is recognised by applying the effective profit rate to the amortised cost (i.e. gross carrying amount of the asset less allowance for ECL).

The method of recognising the income and expenses is in compliance with Shariah rulings and principles.

i. Commodity Murabahah

Income is recognised on effective profit rate basis over the period of the contract based on the principal amounts outstanding. Effective profit rate is derived from the contracted ceiling profit rate (CPR) after deduction of *ibra'* (rebate) as stipulated under the Bank Negara Malaysia Guidelines on *Ibra'*.

ii. Ijarah Thumma Al-Bai

Income is recognised on effective profit rate over the term of the contract.

iii. Musharakah (Co-ownership)

Income is accounted for on the basis of the reducing balance on a time-apportioned (the Bank's co-ownership portion) basis that reflects the effective yield on the asset.

iv. Ujrah (rendering services for credit card-i holders)

Income is recognised based on the identified services, benefits and privileges in exchange of a fee.

v. Ujrah (rendering services for facilities other than credit card-i holders)

Income is recognised based on mutually agreed fee to provide the facility to customers.

² Effective Profit Rate is calculated based on Ceiling Profit Rate minus Rebate.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies (Cont'd)

(b) Financing Income and Expenses (Cont'd)

Financing income and expenses from Islamic Banking operations are recognised on an accrual basis and in accordance with the principles of Shariah.

Financing income and expenses of the Bank presented in the statement of profit and loss include:

- profit on financial assets and liabilities measured at amortised costs calculated on an effective profit rate basis;
- profit on FVOCI investment securities calculated on an effective profit rate basis;

(c) Fees and commission, net trading income and other operating income

Fee income is earned from a diverse range of services the Bank provides to their customers. Fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed;
- income earned from the provision of services is recognised as revenue as the services are provided; and
- income which forms an integral part of the effective profit rate of a financial instrument is recognised as an adjustment to the effective profit rate and recorded in 'financing income' (see Note 3(b)).

Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities FVTPL, together with the related profit income and expense; and it also includes all gains and losses from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities measured at fair value through profit or loss.

Net income/(expense) from financial instruments designated at fair value includes:

- all gains and losses from changes in the fair value of financial assets and financial liabilities designated at fair value through profit or loss, including liabilities under investment contracts;
- all gains and losses from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities designated at fair value through profit or loss; and
- profit income, profit expense and dividend income in respect of:
 - financial assets and financial liabilities designated at fair value through profit or loss; and
 - derivatives managed in conjunction with the above, except for profit arising from debt securities issued by the Bank and derivatives managed in conjunction with those debt securities, which is recognised in 'financing income and expenses' (Note 3(b)).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies (Cont'd)

(d) *Income tax*

Income tax comprises current tax and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in the same statement in which the related item appears.

Current tax is the tax expected to be payable or receivable on the taxable income or loss for the financial year, calculated using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous financial years. The Bank provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities. Current tax assets and liabilities are offset when the Bank intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the end of the reporting period. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the Bank has a legal right to offset.

Deferred tax relating to fair value of FVOCI investments and cash flow hedging instruments which are charged or credited directly to other comprehensive income, is also charged or credited to other comprehensive income and is subsequently recognised in the profit or loss when the deferred fair value gain or loss is recognised in the profit or loss.

(e) *Cash and cash equivalents*

For the purpose of the statement of cash flows, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents comprise cash at hand and bank balances, short term deposits and placements with banks with original maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies (Cont'd)

(f) *Financial instruments*

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when the Bank becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instruments categories and subsequent measurement

The Bank categorises financial instruments as follows:

- financial instruments measured at amortised cost (See Note 3(g));
- financial assets measured at fair value through other comprehensive income (FVOCI) (Note 3(h));
- financial instruments designated at fair value through profit or loss (FVTPL) (Note 3(i)).

The Bank classifies its financial liabilities, as measured at amortised cost or designated at fair value through profit or loss (See accounting policies in Notes 3(g) and 3(i)).

(iii) Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Bank has transferred its contractual rights to receive the cash flows of the financial assets, and has transferred substantially all the risks and rewards of ownership; or where both control and substantially all the risks and rewards are not retained.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled, or expired.

(iv) Offsetting financial assets/liabilities and income/expenses

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Bank intends to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

The 'Gross amounts not offset in the statement of financial position' for derivatives and reverse sell and buy back agreements and similar arrangements include transactions where:

- the counterparty has an offsetting exposure with the Bank and a master netting or similar arrangement is in place with a right of set off only in the event of default, insolvency or bankruptcy, or the offset criteria are otherwise not satisfied; and
- cash and non-cash collaterals are received and pledged in respect of the transactions described above.

Income and expenses are presented on a net basis only when permitted under the MFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies (Cont'd)

(f) Financial instruments (Cont'd)

(v) Valuation of financial instruments

All financial instruments are recognised initially at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the Bank recognises the difference as a trading gain or loss at inception (day 1 gain or loss). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction when the inputs become observable, the transaction matures or is closed out, or when the Bank enters into an offsetting transaction.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the Bank manages a group of financial assets and liabilities according to its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis but the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the MFRSs offsetting criteria.

Subsequent to initial recognition, the fair values of financial instruments measured at fair value are measured in accordance with the Bank's valuation methodologies, which are described in Note 5(b)(iii).

(vi) Derivative financial instruments and hedge accounting

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, profit rates or other indices. Derivatives are recognised initially and are subsequently measured at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes embedded derivatives in financial liabilities which are bifurcated from the host contract when they meet the definition of a derivative on a stand-alone basis. Where the derivatives are managed with debt securities issued by the Bank that are designated at fair value where doing so reduces an accounting mismatch, the contractual profit is shown in 'financing expense' together with the profit payable on the issued debt.

Hedge accounting

When derivatives are not part of fair value designated relationships, if held for risk management purposes they are designated in hedge accounting relationships where the required criteria for documentation and hedge effectiveness are met. The Bank uses these derivatives or, where allowed, other non-derivative hedging instruments in fair value hedges as appropriate to accounting for the risk being hedged.

- *Fair value hedge*

Fair value hedge accounting does not change the recording of gains and losses on derivatives and other hedging instruments, but results in recognising changes in the fair value of the hedged assets or liabilities attributable to the hedged risk that would not otherwise be recognised in the income statement. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued and the cumulative adjustment to the carrying amount of the hedged item is amortised to the income statement on a recalculated effective profit rate, unless the hedged item has been derecognised, in which case it is recognised in the income statement immediately.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies (Cont'd)

(f) Financial instruments (Cont'd)

(vi) Derivative financial instruments and hedge accounting (Cont'd)

Hedge accounting (Cont'd)

- *Hedging Instruments impacted by Inter-Bank Offered Rates (IBOR) Reform*

The first set of amendments (Phase 1) to MFRS 9 and MFRS 139, which came into effect from 1 January 2020 (with early adoption allowed from 1 January 2019) primarily allowed the assumption that the interbank offered rates (IBORs) are to continue unaltered for the purposes of forecasting hedged cash flows until such time as the uncertainty of transitioning to risk free rates (RFRs) is resolved.

The second set of amendments (Phase 2), which was effective from 1 January 2021 allows for modification of hedge documentation to reflect the components of hedge relationships which have transitioned to RFRs on an economically equivalent basis as a direct result of the IBOR transition. The Phase 2 amendments address issues arising during the IBOR reform, including specifying when the Phase 1 amendments will cease to apply, when hedge designations and documentation should be updated, and when hedges of the alternative benchmark rate as the hedged risk are permitted.

On 24 September 2021, Bank Negara Malaysia announced the launch of the Malaysia Overnight Rates (MYOR) as the new alternative reference rate for Malaysia. The MYOR will run in parallel to the existing KLIBOR rates. The publication of the 2- and 12-month KLIBOR tenors were discontinued on 1 January 2023. The remaining 1-, 3- and 6-month KLIBOR tenors were reviewed in the second half of 2022. On 25 March 2022, Bank Negara Malaysia announced the launch of Malaysia Islamic Overnight Rate (MYOR-I) which replaced the the Kuala Lumpur Islamic Reference Rate (KLIRR), hence KLIRR was discontinued with immediate effect.

The Bank does not have any hedging instruments as at 31 December 2025 and 31 December 2024.

(g) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and profit, such as most advances and financing to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost. The carrying amount of these financial assets at initial recognition includes any directly attributable transactions costs.

Financing and advances consist of Commodity Murabahah, Ijarah Thumma Al-Bai, Diminishing Musharakah, Bai Al-Inah and Ujrah contracts. They include financing and advances to customers and placements with banks that originated from the Bank, which are not classified as either held for trading or designated at fair value. They are recognised when cash is advanced to customers and derecognised when either the customer pays its obligations, or the advances are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective profit rate method, less any reduction from impairment or uncollectibility.

The Bank may commit to underwrite financing and advances on fixed contractual terms for specified periods of time. When the financing and advances arising from the financing commitment is expected to be held for trading, the commitment to lend is recorded as a derivative. When the Bank intends to hold the financing and advances, the related commitment is included in the impairment calculations set out in Note 3(j). They are derecognised when either the customer repays its obligations, or the financing and advances are sold or written off, or substantially all the risks and rewards of ownership are transferred.

For financing under the Syndicated Investment Account for Financing/Investment Agency Account (SIAF/IAA) arrangements, the Bank applies the derecognition principles as stated in accounting policy Note 3(f)(iii) on derecognition of financial assets.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies (Cont'd)

(g) Financial instruments measured at amortised cost (Cont'd)

(i) Contracts under Islamic sell and buyback agreements

When debt securities are sold subject to a commitment to repurchase them at a predetermined price (repos), they remain on the balance sheet and a liability is recorded in respect of the consideration received. Securities purchased under commitments to resell (reverse repos) are not recognised on the balance sheet and an asset is recorded in respect of the initial consideration paid. Non-trading repos and reverse repos are measured at amortised cost. The difference between the sale and repurchase price or between the purchase and resale price is treated as profit and recognised in net financing income over the life of the agreement. Contracts that are economically equivalent to reverse repurchase or repurchase agreements (such as sales or purchases of debt securities entered into together with total return swaps with the same counterparty) are accounted for similarly to, and presented together with, reverse repurchase or repurchase agreements.

(ii) Financial liabilities measured at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, deposits and placement from banks and other financial institutions, bills payable and other liabilities.

Financial liabilities are recognised when the Bank enters into the contractual provisions of the arrangements with counterparties, which are generally on trade date, and initially measured at fair value, which is normally the consideration received. Subsequent measurement of financial liabilities, other than those measured at fair value through profit or loss and financial guarantees, is at amortised cost, using the effective profit method to amortise the difference between proceeds received, net of directly attributable transaction costs incurred, and the redemption amount over the expected life of the instrument.

(h) Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and profit are measured at FVOCI. These comprise primarily debt securities. They are recognised on the trade date when the Bank enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, financing income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement within 'Other operating income'. Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies (Cont'd)

(i) *Financial instruments designated at fair value through profit or loss (FVTPL)*

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- the financial liability contains one or more non-closely related embedded derivatives

Designated financial assets are recognised when the Bank enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated financial liabilities are recognised when the Bank enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished. Subsequent changes in fair values are recognised in the income statement in 'Net income/(expenses) from financial liabilities designated at fair value' except for the effect of changes in the liabilities' credit risk which is presented in Other Comprehensive Income (OCI), unless that treatment would create or enlarge an accounting mismatch in profit or loss.

Under the above criterion, the main classes of financial instruments designated by the Bank are:

- Debt instruments for funding purposes that are designated to reduce an accounting mismatch (including Multi-Currency Sukuk Programme)

The profit rate and/or foreign exchange exposure on certain fixed rate debt securities issued has been matched with the profit rate and/or foreign exchange exposure on certain swaps as part of a documented risk management strategy.

- Structured liabilities designated at fair value through profit or loss

Structured liabilities of the Bank designated at fair value are recognised in the statement of financial position as 'Structured Liabilities Designated at Fair Value'. Please refer to Note 22.

(j) *Impairment of amortised cost and FVOCI financial assets*

Expected credit losses (ECL) are recognised for financings and advances to banks and customers, non-trading reverse repurchase agreements, other financial assets held at amortised cost, debt instruments measured at fair value through other comprehensive income, and certain financing commitments and financial guarantee contracts. At initial recognition, an allowance (or provision in the case of some financing commitments and financial guarantees) is recognised for ECL resulting from possible default events within the next 12 months or less, where the remaining life is less than 12 months (12-month ECL). In the event of a significant increase in credit risk, an allowance (or provision) is recognised for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, and so are considered to be in default or otherwise credit-impaired are in 'stage 3'.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies (Cont'd)

(j) Impairment of amortised cost and FVOCI financial assets (Cont'd)

(i) Unimpaired and without significant increase in credit risk (stage 1)

ECL resulting from default events that are possible within the next 12 months (12-month ECL) is recognised for financial instruments that remain in stage 1.

(ii) Significant increase in credit risk (stage 2)

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the customer, and the geographical region. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk and these criteria will differ for different types of financing, particularly between retail and wholesale.

However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due. In addition, wholesale financing and advances that are individually assessed, which are typically corporate and commercial customers, and are included on a watch or worry list due to credit reason, are included in stage 2.

For wholesale portfolios, the quantitative comparison assesses default risk using a lifetime probability of default (PD) which encompasses a wide range of information including the obligor's customer risk rating (CRR), macroeconomic condition forecasts and credit transition probabilities. For origination CRRs up to 3.3, significant increase in credit risk is measured by comparing the average PD for the remaining term estimated at origination with the equivalent estimation at the reporting date. The quantitative measure of significance varies depending on the credit quality at origination as follows:

Origination CRR	Significant trigger – PD to increase by
0.1-1.2	15bps
2.1-3.3	30bps

For CRRs greater than 3.3 that are not impaired, a significant increase in credit risk is considered to have occurred when the origination PD has doubled. The significance of changes in PD was informed by expert credit risk judgement, referenced to historical credit migrations and to relative changes in external market rates.

For financing and advances originated prior to the implementation of MFRS 9, the origination PD does not include adjustments to reflect expectations of future macroeconomic conditions since these are not available without the use of hindsight. In the absence of this data, origination PD must be approximated assuming through-the-cycle (TTC) PDs and TTC migration probabilities, consistent with the instrument's underlying modelling approach and the CRR at origination. For these financing, the quantitative comparison is supplemented with additional CRR deterioration based thresholds as set out in the table below:

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies (Cont'd)

(j) Impairment of amortised cost and FVOCI financial assets (Cont'd)

(ii) Significant increase in credit risk (stage 2) (Cont'd)

Origination CRR	Additional significance criteria – Number of CRR grade notches deterioration required to identify as significant credit deterioration (stage 2) (>or equal to)
0.1	5 notches
1.1-4.2	4 notches
4.3-5.1	3 notches
5.2-7.1	2 notches
7.2-8.2	1 notches
8.3	0 notches

Please refer to Note 4(b)(iii) for the 23-grade scale used for CRR.

For retail portfolios, default risk is assessed using a reporting date 12-month PD derived from credit scores which incorporate all available information about the customer. This PD is adjusted for the effect of macroeconomic forecasts for periods longer than 12 months and is considered to be a reasonable approximation of a lifetime PD measure. Retail exposures are first segmented into homogeneous portfolios, generally by product. Within each portfolio, the stage 2 accounts are defined as accounts with an adjusted 12-month PD greater than the average 12-month PD of financing and advances in that portfolio 12 months before they become 30 days past due. The expert credit risk judgement is that no prior increase in credit risk is significant. This portfolio-specific threshold identifies financings with a PD higher than would be expected from financing and advances that are performing as originally expected and higher than what would have been acceptable at origination. It therefore approximates a comparison of origination to reporting date PDs. As additional data becomes available, the retail transfer criteria approach continues to be refined to utilise a more relative approach for certain portfolios. These enhancements take advantage of the increase in origination related data in the assessment of significant increases in credit risk by comparing remaining lifetime PD to the comparable remaining term lifetime PD at origination based on portfolio-specific origination segments.

(iii) Credit-impaired (stage 3)

The Bank determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- Quantitative criteria
 - contractual payments of either principal or profit are past due for more than 90 days.
- Qualitative criteria
 - there are other indications that the customer is unlikely to pay such as when a concession has been granted to the customer for economic or legal reasons relating to the customer's financial condition; and
 - the financing and advances are otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due. Therefore, the definitions of credit-impaired and default are aligned as far as possible so that stage 3 represents all financings which are considered defaulted or otherwise credit-impaired. Financing income is recognised by applying the effective profit rate to the amortised cost amount, i.e. gross carrying amount less allowance for ECL.

(iv) Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where financing and advances are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies (Cont'd)

(j) *Impairment of amortised cost and FVOCI financial assets (Cont'd)*

(v) Forbearance

Financing is identified as forbore and classified as either performing or non-performing when we modify the contractual payment terms due to financial difficulty of the customer. Non-performing forbore financing are stage 3 and classified as non-performing until they meet the cure criteria, as specified by applicable credit risk policy (for example, when the financing is no longer in default and no other indicators of default have been present for at least 12 months). Any amount written off as a result of any modification of contractual terms upon entering forbearance would not be reversed.

Performing forbore financing is initially stage 2 and remain classified as forbore until they meet applicable cure criteria (for example, they continue to not be in default and no other indicators of default are present for a period of at least 24 months). At this point, the financing is either stage 1 or stage 2 as determined by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

(vi) Financing and advances modifications other than forbore financing and advances

Financing and advances modifications that are not identified as forbore are considered to be commercial restructuring. Where a commercial restructuring results in a modification (whether legalised through an amendment to the existing terms or the issuance of a new financing contract) such that the Bank's rights to the cash flows under the original contract have expired, the old financing is derecognised and the new financing is recognised at fair value. The rights to cash flows are generally considered to have expired if the commercial restructure is at market rates and no payment-related concession has been provided. Modifications of certain higher credit risk wholesale financing are assessed for derecognition having regard to changes in contractual terms that either individually or in combination are judged to result in a substantially different financial instrument.

Mandatory and general offer of financing and advances modifications that are not customer-specific, for example market-wide customer relief programmes, generally do not result in derecognition, but their stage allocation is determined considering all available and supportable information under our ECL impairment policy.

(vii) Movement between stages

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. In the case of non-performing forbore financing, such financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment and meet the curing criteria as described above.

(viii) Measurement of ECL

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

In general, the Bank calculates ECL using three main components, a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD).

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies (Cont'd)

(j) *Impairment of amortised cost and FVOCI financial assets (Cont'd)*

(viii) Measurement of ECL (Cont'd)

The EAD represents the expected balance at default, taking into account the repayment of principal and profit from the reporting date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

The ECL for wholesale stage 3 is determined primarily on an individual basis using a discounted cash flow (DCF) methodology. The expected future cash flows are based on estimates as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of profit. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on the estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral. The cash flows are discounted at a reasonable approximation of the original effective profit rate. For significant cases, cash flows under four different scenarios are probability-weighted by reference to the status of the customer, economic scenarios applied more generally by the Bank and the judgement in relation to the likelihood of the workout strategy succeeding or receivership being required. For less significant cases, where an individual assessment is undertaken, the effect of different economic scenarios and work-out strategies results in an ECL calculation based on a most likely outcome which is adjusted to capture losses resulting from less likely but possible outcomes. For certain less significant cases, the Group and the Bank may use a LGD-based modelled approach to ECL assessment, which factors in a range of economic scenarios.

(ix) Period over which ECL is measured

ECL is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the Bank are exposed to credit risk. However, where the financial instrument includes both drawn and undrawn commitment and the contractual ability to demand repayment and cancel the undrawn commitment does not serve to limit the Bank's exposure to credit risk to the contractual notice period, the contractual period does not determine the maximum period considered. Instead, ECL is measured over the period the Bank remains exposed to credit risk that is not mitigated by credit risk management actions. This applies to retail cash line-i and credit cards, where the period is the average time taken for stage 2 exposures to default or close as performing accounts, determined on a portfolio basis and ranging from between two and six years. In addition, for these facilities it is not possible to identify the ECL on the financing commitment component separately from the financial asset component. As a result, the total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision. For wholesale cash line-i facilities, credit risk management actions are taken no less frequently than on an annual basis.

(x) Forward-looking economic inputs

The Bank applies multiple forward-looking global economic scenarios determined with reference to external forecast distributions representative of their view of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected loss in most economic environments. In certain economic environments, additional analysis may be necessary and may result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate. The detailed methodology is disclosed in 'Measurement uncertainty and sensitivity analysis of ECL estimates' in Note 4(b)(v).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies (Cont'd)

(k) Equipment

Equipment, fixtures and fittings, and motor vehicles are stated at cost less accumulated depreciation and any accumulated impairment losses. The related capital work-in-progress is stated at cost and is not depreciated. Depreciation of capital work-in-progress commences when the assets are ready for their intended use. Depreciation of all other equipment is calculated on a straight-line basis to write off the assets over their useful lives as follows:

Office equipment, fixtures and fittings	5 to 20 years
Computer equipment	4 to 5 years
Motor vehicles	5 years

Additions to equipment costing RM-equivalent of USD1,000 and below are expensed to profit or loss in the month of purchase. Assets costing more than this threshold will be capitalised and depreciated accordingly.

The gains or losses on disposal of an item of equipment is determined by comparing the proceeds from disposal with the carrying amount of the equipment and is recognised net within 'Other Operating Income' in the profit or loss.

Equipment is subject to review for impairment if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

(l) Leases

Leases are recognised as a Right of Use (ROU) asset and a corresponding lease liability at the date at which the leased asset is made available for use. ROU asset is presented within 'Other Assets' in the statement of financial position, and is depreciated, over the shorter of the ROU asset's useful economic life and the lease term, on a straight-line basis.

Lease liability is represented in the 'Other Liabilities' in the statement of financial position. Lease payments are allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss as finance expense over the lease term so as to produce a constant period profit rate on the remaining balance of the liability.

In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension or termination option are considered.

Where the discount rate implicit in the lease is unavailable, the incremental borrowing rate is used. This is the rate that the Bank would have to pay to borrow the funds necessary to obtain an asset of a similar value to the ROU asset.

The Bank has elected not to recognise ROU assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to the statement of profit or loss on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies (Cont'd)

(m) Intangible assets

Intangible assets of the Bank represent computer software that have a finite useful life, and are stated at cost less accumulated amortisation and any accumulated impairment losses. Computer software includes both purchased and internally generated software. The cost of internally generated software comprises all directly attributable costs necessary to create, produce and prepare the software to be capable of operating in the manner intended by management. Costs incurred in the ongoing maintenance of software are expensed immediately as incurred.

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The useful lives of purchased software and internally generated software are between 3 and 5 years in general except for core banking applications with useful life of between 3 and 10 years. Intangible assets are subject to impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

(n) Bills payable

Bills payable represents bills payable to various beneficiaries arising from the sale of bank drafts, demand drafts, cashier's orders and certified cheques.

(o) Provisions, contingent liabilities and financial guarantees contracts

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, and contingent liabilities related to legal proceedings or regulatory matters, are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

Liabilities under financial guarantees contracts which are not classified as insurance contracts are recorded initially at their fair value, which is generally the fee received or present value of the fee receivable.

Financial guarantees contracts are subsequently measured at the higher of initial fair value, less cumulative amortisation, and the expected credit loss model under MFRS 9 'Financial instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies (Cont'd)

(p) Employee benefits

(i) Short term employee benefits

Short term employee benefits obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured at the amounts expected to be paid when the liabilities are settled and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees Provident Fund (EPF). Such contributions are recognised as an expense in the statement of profit or loss.

(iii) Termination benefits

Termination benefits where applicable are payable when employment is terminated by the Bank for mutual or voluntary separation. The Bank recognises termination benefits when the Bank recognises costs for a restructuring that is within the scope of MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and involves the payment of termination benefits. In the case of voluntary separation, the termination benefits are estimated based on the number of employees expected to apply and be accepted for the separation.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3 Material Accounting Policies (Cont'd)

(q) Share based payments

The Bank's ultimate holding company operates a number of equity-settled share based payment arrangements with the Bank's employees as compensation for services provided by the employees. Equity-settled share based payment arrangements entitle employees to receive equity instruments of the ultimate holding company, HSBC Holdings plc.

The cost of share-based payment arrangements with employees is measured by reference to the fair value of equity instruments on the date they are granted, and recognised as an expense on a straight-line basis over the vesting period, with a corresponding credit to the equity. The credit to equity is treated as capital contribution as the ultimate holding company is compensating the Bank's employees with no expense to the Bank. The vesting period is the period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied.

Fair value is determined using appropriate valuation models. Vesting conditions include service conditions and performance conditions; any other features of a share-based payment arrangement are non-vesting conditions. Market performance conditions and non-vesting conditions are taken into account when estimating the fair value of equity instruments at the date of grant.

Vesting conditions, other than market performance conditions, are not taken into account in the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction.

Where an award has been modified, as a minimum, the expense of the original award continues to be recognised as if it had not been modified. Where the effect of a modification is to increase the fair value of an award or increase the number of equity instruments, the incremental fair value of the award or incremental fair value of the extra equity instruments is recognised in addition to the expense of the original grant, measured at the date of modification, over the modified vesting period.

Cancellations result from the failure to meet a non-vesting condition during the vesting period, and are treated as an acceleration of vesting recognised immediately in the income statement. Failure to meet a vesting condition by the employee is not treated as a cancellation, and the amount of expense recognised for the award is adjusted to reflect the number of awards expected to vest.

Where the ultimate holding company recharges the Bank for the equity instruments granted, the recharge is recognised over the vesting period.

(r) Share capital and other equity instruments

Ordinary shares and other equity instruments with discretionary dividends are classified as equity according to the substance of the contractual arrangement of the particular instrument. Dividend distributions to holders of an equity instrument is recognised directly in equity.

(s) Earnings per share

The Bank presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholder of the Bank by the weighted average number of shares outstanding during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk

(a) *Introduction and overview*

(i) **Our approach to risk**

The Bank recognises that the primary role of risk management is to help protect our customers, business, colleagues, shareholders and the communities that we serve, while ensuring we are able to support our strategy and provide sustainable growth.

In addition, we recognise the importance of a strong culture, which refers to shared attitudes, values, beliefs and standards that shape behaviours including those related to risk awareness, risk taking and risk management. All our people are responsible for the management of risk, with the ultimate supervisory oversight residing with the Board.

The implementation of our business strategy remains a key focus. As we implement change initiatives, we actively manage execution risks. We also perform periodic risk assessments, including against strategies, to help ensure retention of key personnel for our continued effective operation.

Our risk management framework

We aim to use a comprehensive risk management approach across the organisation and across all risk types, underpinned by the Bank's risk culture and values. This is outlined in our risk management framework, including the key principles and practices that we employ in managing material risks, both financial and non-financial.

The Risk Management Framework (RMF) sets out in a consistent way how we identify, assess and manage the risks that matter the most with respect to our ability to operate, grow and meet external commitments. It translates our strategy, values and commitments into practical actions and risk-aware decisions.

The Global Group Risk and Compliance function is responsible for the HSBC Group's risk management framework. Independent from the business segments, including our sales and trading functions, it provides challenge, oversight and appropriate balance in risk/return decisions. Their responsibility includes establishing global policy, monitoring risk profiles, and identifying and managing forward-looking risk.

Responsibility for minimising both financial and non-financial risk, including regulatory compliance and financial crime, lies with our people. They are required to manage the risks of the business and operational activities for which they are responsible. We maintain adequate oversight of risks through our various specialist risk stewards and the collective accountability held by the Chief Risk and Compliance Officer (CRCO).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(a) Introduction and overview (Cont'd)

(i) Our approach to risk (Cont'd)

Key components of our risk management framework

HSBC values and risk culture		
Risk governance	Non-executive risk governance	The Board approves the risk appetite, plans and performance targets. It sets the 'tone from the top' and is advised by the Risk Committee.
	Executive risk governance	Our executive risk governance structure is responsible for the enterprise-wide management of all risks, including key policies and frameworks for the management of risk within the Bank.
Roles and responsibilities	Three lines of defence model	Our 'three lines of defence' model defines roles and responsibilities for risk management. An independent Risk and Compliance function helps ensure the necessary balance in risk/return decisions.
Processes and tools	Risk appetite	The Bank has processes in place to identify, assess, monitor, manage and report risks to help ensure we remain within our risk appetite and to anticipate, prevent, respond to, and recover from, significant operational disruptions.
	Enterprise-wide risk management tools	
	Active risk management: identification/assessment, monitoring, management and reporting	
	Operational resilience	
Internal controls	Policies and procedures	Policies and procedures define the minimum requirements for the controls required to manage our risks.
	Control activities	Operational and resilience risk management defines minimum standards and processes for managing operational risks and internal controls.
	Systems and infrastructure	The Bank has systems and processes that support the identification, capture and exchange of information to support risk management activities.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(a) Introduction and overview (Cont'd)

(i) Our approach to risk (Cont'd)

Our risk appetite

Our risk appetite defines the level and types of risk that we are willing to take to achieve our strategic objectives, while informing the financial planning process and guiding strategic decision making.

The Board approves the Bank's risk appetite and reviews it regularly to make sure it remains fit for purpose.

Our enterprise-wide risk appetite is expressed holistically through various risk management mechanisms and activities, in both quantitative and qualitative terms and is formally articulated through our Risk Appetite Statement (RAS).

The Bank's risk appetite is established considering:

- alignment with our strategy, purpose, values and external risk environment, reputational and customer needs;
- compliance with applicable laws, regulations and regulatory priorities;
- forward-looking insights into future risk exposure;
- sufficiency of available capital, liquidity and balance sheet leverage to absorb risks;
- capacity and capabilities of people to manage the risk landscape;
- functionality, capacity and resilience of available systems to manage the risk landscape;
- effectiveness of the applicable control environment to mitigate risk; and
- internally and externally disclosed commitments.

Performance against the RAS is reported to the Country Risk Management Meeting (RMM) to support targeted insight and discussion on breaches of risk appetite and any associated mitigating actions. This reporting allows risks to be promptly identified and mitigated, and informs risk-adjusted remuneration to drive a strong risk culture.

Our risk governance

The Board has ultimate supervisory responsibility for the effective management of risk and approves our risk appetite. It is advised on risk-related matters by the Risk Committee (RC). The RC reviews the effectiveness of the Bank's risk management framework and internal controls systems and oversees the approach to conduct, fairness and prevention of financial crime. Through review and independent challenge of reports presented by management at RC meetings, the committee oversees the effectiveness of monitoring, assessment and management of the risk environment as well as the risk management framework.

The CRCO, supported by members of the RMM, holds executive accountability for the ongoing monitoring, assessment and management of the risk environment and the effectiveness of the risk management framework.

Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making.

We use a defined executive risk governance structure to help ensure there is appropriate oversight and accountability of risk, which facilitates reporting and escalation to the RMM.

Our responsibilities

All our people are responsible for identifying and managing risk within the scope of their roles. Roles are defined using the three lines of defence model, which takes into account our business and functional structures as described below.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(a) Introduction and overview (Cont'd)

(i) Our approach to risk (Cont'd)

Three lines of defence

To create a robust control environment to manage risks, we use an activity-based three lines of defence model. This model delineates management accountabilities and responsibilities for risk management and the control environment.

The model underpins our approach to risk management by clarifying responsibility and encouraging collaboration, as well as enabling efficient coordination of risk and control activities.

The three lines of defence are summarised below:

- The first line of defence owns the risks and is responsible for identifying, recording, reporting and managing them in line with risk appetite, and ensuring that the right controls and assessments are in place to mitigate them.
- The second line of defence challenges the first line of defence on effective risk management, and provides advice, guidance and assurance of the first line of defence to ensure it is managing risk effectively.
- The third line of defence is the Internal Audit function, which provides independent assurance that our risk management approach and processes are designed and operating effectively.

Stress testing

The Bank operates a wide-ranging stress testing programme that is a key part of our risk management and capital and liquidity planning. Stress testing provides management with key insights into the impact of severely adverse events, and provides confidence to regulators on the Bank's financial stability.

As well as undertaking regulatory-driven stress tests, the Bank conducts internal stress tests, in order to understand the nature and level of all material risks, quantify the impact of such risks and develop plausible business as usual mitigating actions.

The stress testing programme assesses capital and liquidity strength through a rigorous examination of resilience to external shocks from a range of stress scenarios. They include potential adverse macroeconomic, geopolitical and operational risk events, and other potential events that are specific to the Bank. Stress testing analysis helps management to understand the nature and extent of vulnerabilities to which the Bank is exposed to and informed decisions about preferred capital or liquidity levels.

Separately, reverse stress tests are conducted by the Bank and, where required, in order to understand which potential extreme conditions would make the business model non-viable. Reverse stress testing identifies potential stresses and vulnerabilities which the Bank might face, and helps inform early warning triggers, management actions and contingency plans designed to mitigate risks.

(ii) Material banking risks

All of the Bank's activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Bank has exposure to the following material risks from financial instruments:

- credit risk
- treasury risk
- market risks (includes foreign exchange, profit rate, equity and basis risk)
- model risk

Note 4(b) to 4(e) presents information about the Bank's exposure to each of the above risks as well as the objectives, policies and processes for measuring and managing those risks.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk

(i) Overview

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. Credit risk arises principally from direct financing, trade finance and leasing business, but also from other products, such as guarantees and credit derivatives.

(ii) Credit risk management framework

Key developments in 2025

Credit policies and practices were reviewed and optimised based on the strategy of the business and the emerging risk which is observe from the portfolio. The policies and practices remain guided by HSBC Group and Regional policies and are compliant to the requirement of Bank Negara Malaysia.

Governance and structure

The Bank has established credit risk management and related MFRS 9 processes. The Bank continues to assess the impact of economic developments in key markets on specific customers, customer segments or portfolios. As credit conditions change, the Bank takes mitigating action, including the revision of risk appetites or limits and tenors, as appropriate. In addition, the Bank continues to evaluate the terms under which credit facilities are provided within the context of individual customer requirements, the quality of the relationship, regulatory requirements, market practices and the Bank's market position.

(iii) Credit risk sub-function

Credit approval authorities are delegated by the Board to the CRCO together with the authority to sub-delegate them. The Credit Risk sub-function in Global Risk at HSBC Group is responsible for the key policies and processes for managing credit risk, which include formulating credit policies and risk rating frameworks, guiding the Bank's appetite for credit risk exposures, undertaking independent reviews and objective assessment of credit risk, and monitoring performance and management of portfolios while fostering a culture of responsible financing.

Key risk management processes

MFRS 9 'Financial Instruments' process

The MFRS 9 'Financial Instruments' process focuses on three main areas: modelling, data and forward economic guidance; implementation; and governance.

- **Modelling, data and forward economic guidance**
To address the MFRS 9 requirements the Bank has established modelling and data processes which are subject to internal model risk governance including independent review of significant model developments. A centralised process generates unbiased global economic scenarios, which are reviewed quarterly for consistency with current economic conditions and risks. These scenarios are subject to final review and approval by senior management in a forward economic guidance global business impairment committee.
- **Implementation**
A centralised impairment engine performs the ECL calculation using data from various systems, which is subject to validation checks and enhancements, from a variety of client, finance and risk systems. Where possible, these checks and processes are performed in a globally consistent and centralised manner.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk (Cont'd)

(iii) Credit risk sub-function (Cont'd)

Key risk management processes (Cont'd)

MFRS 9 'Financial Instruments' process (Cont'd)

- **Governance**
Management review forums, including representatives from Credit Risk and Finance. The site and regional approvals are reported up to the global business impairment committee for final approval of the Bank's ECL for the period. Required members of the forum at site level are the CRCO, Head of Wholesale Credit Risk Management, Head of International Wealth and Premier Banking Risk, as well as the Chief Financial Officer and the Financial Controller.

Concentration of exposure

Concentrations of credit risk occurs when multiple counterparties share similar economic traits or operate in the same sectors or geographies, making them collectively vulnerable to changes in economic or political conditions. The Bank has business segments with a broad range of products and operate in a number of geographical markets. To mitigate this risk, the Bank uses various controls such as portfolio and counterparty limits, approval and review processes, and stress testing across industries, countries and business segments.

We monitor concentration of credit risk by sector and geographical location. The analysis of concentration of credit risk from financing and advances is shown in Notes 12(v) and 12(vii). The analysis of concentration of credit risk from the Bank's financial assets is shown in Note 4(b)(vi).

Credit quality of financial instruments

The Bank's risk rating system facilitates the internal ratings-based approach under the adopted Basel framework to support the calculation of minimum credit regulatory capital requirement. The five credit quality classifications each encompass a range of granular internal credit rating grades assigned to wholesale and retail financing businesses, and the external ratings attributed by external agencies to debt securities. For debt securities and certain other financial instruments, external ratings have been aligned to the five quality classifications based upon the mapping of related customer risk rating (CRR) to external credit rating.

- **Wholesale financing**
The CRR 10-grade scale summarises a more granular underlying 23-grade scale of obligor probability of default (PD). All corporate customers are rated using the 10 or 23-grade scale, depending on the degree of sophistication of the Basel approach adopted for the exposure. Each CRR band is associated with an external rating grade by reference to long-run default rates for that grade, represented by the average of issuer-weighted historical default rates. This mapping between internal and external ratings is indicative and may vary over time.
- **Retail financing**
Retail financing credit quality is based on a 12-month point-in-time (PIT) probability-weighted PD.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk (Cont'd)

(iii) Credit risk sub-function (Cont'd)

Key risk management processes (Cont'd)

Credit quality of financial instruments (Cont'd)

- *Credit quality classification*

Credit quality of the debt securities and other bills	External Credit Rating^[1]
Strong	A- and above
Good	BBB+ to BBB-
Satisfactory	BB+ to B and unrated
Sub-standard	B- to C
Impaired	D

Credit quality of the corporate financing/ derivative financial assets/ securities purchased under resale agreements/ deposits and placements with banks and other financial institutions	Internal Credit Rating	12-month Basel probability of default %
Strong	CRR1 - CRR2	0.000 - 0.169
Good	CRR3	0.170 - 0.740
Satisfactory	CRR4 - CRR5	0.741 - 4.914
Sub-standard	CRR6 - CRR8	4.915 - 99.999
Impaired	CRR9 - CRR10	100

Credit quality of the retail financing	Internal Credit Rating	12-month probability of default %
Strong	Band 1 and 2	0.000 - 0.500
Good	Band 3	0.501 - 1.500
Satisfactory	Band 4 and 5	1.501 - 20.000
Sub-standard	Band 6	20.001 - 99.999
Impaired	Band 7	100

^[1] External ratings have been aligned to the five quality classifications. The ratings of Standard and Poor's are cited, with those of other agencies being treated equivalently.

Quality classification definitions:

- 'Strong' exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or low levels of expected loss.
- 'Good' exposures demonstrate a good capacity to meet financial commitments, with low default risk.
- 'Satisfactory' exposures require closer monitoring and demonstrate an average-to-fair capacity to meet financial commitments, with moderate default risk.
- 'Sub-standard' exposures require varying degrees of special attention and default risk is of greater concern.
- 'Credit-impaired' exposures have been assessed as impaired.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk (Cont'd)

(iii) Credit risk sub-function (Cont'd)

Key risk management processes (Cont'd)

Forborne financings and advances

Forbearance measures consist of concessions towards an obligor that is experiencing or is about to experience difficulties in meeting its financial commitments due to financial difficulties.

The Bank continues to classify financings as forborne when we modified the contractual payment terms due to having concerns about the the customers' ability to meet contractual payments when they are due.

Our definition of forborne captures non-payment related concessions, such as covenant waivers.

For details of our policy on forborne financing, see Note 3(j)(v) on the financial statements.

Credit quality of forborne financing

For wholesale financing, where payment-related forbearance measures result in a diminished financial obligation, or if there are other indicators of impairment, the financing will be classified as credit impaired if it is not already so classified. All facilities with a customer, including financings that have not been modified, are considered credit impaired following the identification of a payment-related forborne financing. For retail financing, where a material concession has been granted, the financing will be classified as credit impaired. In isolation, non-payment forbearance measures may not result in the financing being classified as credit impaired unless combined with other indicators of credit impairment. These are classified as performing forborne financings for both wholesale and retail financing.

Wholesale and retail forborne financings are classified as credit-impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, observed over a minimum one-year period, and there are no other indicators of impairment. Any forborne financing not considered credit impaired will remain forborne for a minimum of two years from the date that credit impairment no longer applies.

Forborne financings and recognition of expected credit losses

Forborne financing expected credit loss assessments reflect the higher rates of losses typically experienced with these types of financings such that they are in stage 2 and stage 3. The higher rates are more pronounced in unsecured retail financing requiring further segmentation. For wholesale financing, forborne financing and advances are typically assessed individually. Credit risk ratings are intrinsic to the impairment assessments. The individual impairment assessment takes into account the higher risk of the future non-payment inherent in forborne financings.

Impairment assessment

For details of the impairment policies on financing and advances and financial investments, see Note 3(j).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk (Cont'd)

(iii) Credit risk sub-function (Cont'd)

Key risk management processes (Cont'd)

Write-off of financing and advances

For details of the policy on the write-off of financing and advances, see Note 3(j)(iv).

Unsecured personal facilities, including credit cards, are generally written off at between 180 and 210 days past due except for unsecured restructured facilities which are usually written off at 90 days past due. The standard period runs until the end of the month in which the account becomes 180 days contractually delinquent.

For secured facilities, write-off should occur upon repossession of collateral, receipt of proceeds via settlement, or determination that recovery of the collateral will not be pursued. Any secured assets maintained on the balance sheet beyond 60 months of consecutive delinquency-driven default require additional monitoring and review to assess the prospect of recovery.

In the event of bankruptcy or analogous proceedings, write-off may occur earlier than the maximum periods stated above. Collection procedures may continue after write-off.

(iv) Credit risk profile

The financial assets recorded in each stage have the following characteristics:

Stage 1: These financial assets are unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised.

Stage 2: A significant increase in credit risk has been experienced on these financial assets since initial recognition for which a lifetime ECL is recognised.

Stage 3: There is objective evidence of impairment and the financial assets are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised.

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due (DPD) and are transferred from stage 1 to stage 2.

(v) Credit deterioration of financial instruments

Measurement uncertainty and sensitivity analysis of ECL estimates

The recognition and measurement of ECL involves the use of significant judgement and estimation. We applied four economic scenarios comprising the Upside, Central, Downside and the Downside 2 scenarios. Management assessed the latest macroeconomic expectations for the Central scenario and expectations of economic and geopolitical upside and downside risks for the outer scenarios. The results are probability-weight to determine an unbiased ECL estimate. Management judgemental adjustments are used where modelled ECL does not fully reflect the identified risks and related uncertainty, or to capture significant late breaking events.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk (Cont'd)

(v) Credit deterioration of financial instruments (Cont'd)

Methodology for developing forward looking economic scenarios

At 31 December 2025, four economic scenarios are used to capture the current economic environment and to articulate management's view of the range of potential outcomes. Each scenario is updated with the latest economic forecasts and distributional estimates each quarter.

Three of these scenarios (Upside, Central and Downside) are drawn from consensus forecasts and distributional estimates of the entire range of economic outcomes. The Central scenario is deemed the 'most likely' outcome and usually attracts the largest probability weighting, while the outer scenarios represent the tails of the distribution which are less likely to occur. The Central scenario is created using the average of a panel of external forecasters. Consensus Upside and Downside scenarios are created with reference to forecast probability distributions for select markets that capture economists views of the entire range of outcomes. In the later years of the scenarios, projections revert to long-term consensus trend expectations. In the consensus outer scenarios, reversion to trend expectations is done with reference to historically observed quarterly changes in the values of macroeconomic variables. The fourth scenario, Downside 2, is designed to represent management's view of severe downside risks. It is a globally consistent narrative-driven scenario that explores more extreme economic outcomes than those captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations. They may instead explore alternative states of equilibrium, where economic activity variables moves permanently away from past trends.

The consensus Downside and the consensus Upside scenarios are each calibrated to the consistent with a 10% probability. The Downside 2 is calibrated with a 5% probability. The Central scenario is assigned the remaining 75% probability. This weighting scheme is deemed appropriate for the unbiased estimation of ECL in most circumstances. However, management may depart from this probability-based scenario weighting approach when the economic outlook and forecasts are determined to be particularly uncertain and risks are elevated.

The following table describes key macroeconomic variables and the probabilities assigned in the consensus Central, Upside, Downside and additional Downside scenarios.

	2025				2024			
	Scenario				Scenario			
	Central (%)	Upside (%)	Downside (%)	Downside 2 (%)	Central (%)	Upside (%)	Downside (%)	Downside 2 (%)
GDP growth rate	4.3	5.4	3.0	2.5	4.3	5.5	2.8	1.8
Inflation	2.1	2.2	1.7	1.3	2.4	2.2	2.4	2.4
Unemployment rate	3.3	3.2	3.4	4.0	3.3	3.2	3.4	4.8
Property price growth	2.8	3.4	1.9	(0.5)	3.0	3.5	2.2	(1.9)
Short term profit rate	2.8	3.0	2.4	1.7	2.8	2.7	2.3	2.0
Probability	75.0	10.0	10.0	5.0	75.0	10.0	10.0	5.0

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk (Cont'd)

(v) Credit deterioration of financial instruments (Cont'd)

Critical accounting estimates and judgements

The MFRS9 ECL calculation involved significant judgements, assumptions and estimates, as set out in the Note 2(d). These included selecting and configuring economic scenarios amid changing economic conditions and risks and estimating their effects on ECL, especially when historical conditions are not fully captured by credit risk models

How economic scenarios are reflected in the calculation of ECL

Models are used to reflect economic scenarios on ECL estimates.

HSBC Group has developed a globally consistent methodology for the application of forward economic guidance into the calculation of ECL for wholesale and retail credit risk.

For our wholesale portfolio, a global methodology is used for the estimation of the term structure of probability of default (PD) and loss given default (LGD). For PDs, we consider the correlation of forward economic guidance to default rates for a particular industry in a country. For LGD calculations, we consider the correlation of forward economic guidance to collateral values and realisation rates for a particular country and industry. PDs and LGDs are estimated for the entire term structure of each instrument.

For impaired financings, ECL estimates are derived based on discounted cash flow ('DCF') calculations for internal forward-looking scenarios specific to individual company circumstances. Probability-weighted outcomes are applied, and depending on materiality and status of the customer, the number of scenarios considered will change. Where relevant for the case being assessed, forward economic guidance is incorporated as part of these scenarios. LGD-driven proxy and modelled estimates are used for certain less material cases.

For our retail portfolios, the models are predominantly based on historical observations and correlations with default rates and collateral values. The impact of these scenarios on PD is modelled at a portfolio level, using historical relationships between default rates and macroeconomic variables. These are integrated into MFRS 9 ECL estimates using economic response models or models that contain internal, external and macroeconomic variables. The macroeconomic impact on PD is modelled over a period equal to the remaining maturity of the underlying asset or assets. The impact on LGD is modelled for home financing portfolios by forecasting future financing-to-value (FTV) profiles for the remaining maturity of the asset, by using national level forecasts of the house price index and applying the corresponding LGD expectation relative to the updated forecast collateral values.

Management judgemental adjustments

In the context of MFRS 9, management judgemental adjustments are short-term increases or decreases to the modelled allowance for ECL at either a customer, segment or portfolio level where management believes allowances do not sufficiently reflect the expected credit losses at the reporting date. These relate to risks or uncertainties that are not reflected in the models or to any late breaking events, with significant uncertainty, subject to management review and challenge. Management judgemental adjustments impacts are considered for both gross balances and allowance for ECL when determining whether a significant increase in credit risk has occurred and is allocated to an appropriate stage in accordance with the internal adjustments' framework.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk (Cont'd)

(v) Credit deterioration of financial instruments (Cont'd)

Management judgemental adjustments (Cont'd)

Management judgmental adjustments are reviewed under the governance process for MFRS 9. Management's review and challenge focuses on the rationale and adjustments amounts and, where significant, was subject to a further review by the second line of defence. Internal frameworks establish the conditions where some management judgemental should no longer be required and as such are considered as part of the governance process. This internal governance process regularly reviews management judgemental adjustments and, where possible, mitigates these through a model recalibration or redevelopment. Management judgemental adjustment drivers evolves as the economic environment changes and new risks emerge. In addition, 'Other adjustments' are considered to address process limitations, data or model deficiencies. The total adjustments amount to modelled allowance for ECL therefore comprised both 'Management judgemental adjustments' and 'Other adjustments'.

Economic scenarios sensitivity analysis of ECL estimates

Management considered the sensitivity of the ECL outcome against the economic forecasts as part of the ECL governance process by recalculating the allowances for ECL under each scenario described above for selected portfolios, applying a 100% weighting to each scenario in turn. The weighting is reflected in both the determination of significant increase in credit risk and the measurement of the resulting allowances.

The allowances for ECL calculated for the Upside and Downside scenarios should not be taken to represent the lower and upper limits of possible ECL outcomes. The impact of defaults that might occur in the future under different economic scenarios is captured by recalculating allowances for financings and advances at the reporting date.

There is a particularly high degree of estimation uncertainty in numbers representing more severe risk scenarios when assigned a 100% weighting.

For wholesale credit risk exposures, the sensitivity analysis excludes ECL and financial instruments related to defaulted (stage 3) obligors. The measurement of stage 3 ECL is relatively more sensitive to credit factors specific to the obligor than future economic scenarios, and therefore the effects of macroeconomic factors are not necessarily the key consideration when performing individual assessments of allowance for obligors in default. When compared with the performing portfolio, the defaulted obligors represent a significantly smaller portion of the wholesale exposures, even if accounting for the larger portion of the allowance for ECL. Due to the range and specificity of the credit factors to which the ECL is sensitive, it is not possible to provide a meaningful alternative sensitivity analysis for a consistent set of risks across all defaulted obligors.

For retail credit risk exposures, the sensitivity analysis includes allowance for ECL for financings and advances to customers related to defaulted obligors. This is because the retail ECL for secured home financing portfolios including financings in all stages is sensitive to macroeconomic variables.

Wholesale and retail sensitivity

The wholesale and retail sensitivity analysis is stated inclusive of management judgemental adjustments, as appropriate to each scenario. The results tables exclude small portfolios, and as such cannot be directly compared to retail and wholesale financing presented in other credit risk tables. Additionally, in both the wholesale and retail analysis, the comparative period results for additional/alternative Downside 2 scenarios are not directly comparable to the current period, because they reflect different risk relative with the consensus scenarios for the period end.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk (Cont'd)

(v) Credit deterioration of financial instruments (Cont'd)

Wholesale analysis

MFRS 9 ECL sensitivity to future economic conditions ^[1]

ECL coverage of financial instruments subject to significant measurement uncertainty ^[2]	31 Dec 2025	31 Dec 2024
Reported ECL (RM'000)	12,356	20,092
Gross carrying value/nominal amount ^[3] (RM'000)	24,730,292	24,752,082
Reported ECL Coverage (%)	0.05%	0.08%
<i>Coverage Ratios by Scenario (%)</i>		
Consensus central scenario	0.05%	0.07%
Consensus upside scenario	0.04%	0.06%
Consensus downside scenario	0.07%	0.14%
Alternative (downside 2) scenario	0.13%	0.37%

^[1]Excludes ECL and financial instruments relating to defaulted obligors because the measurement of ECL is relatively more sensitive to credit factors specific to the obligor than future economic scenario.

^[2]Includes off balance sheet financial instruments that are subject to significant measurement uncertainty.

^[3]Includes low credit risk financial instruments such as Debt instruments at FVOCI which have low ECL coverage ratios under all the above scenarios. Coverage ratios on financing and advances to customers including financing commitments and financial guarantees are typically higher.

Retail analysis

MFRS 9 ECL sensitivity to future economic conditions ^[1]

ECL coverage of financing and advances ^[2]	31 Dec 2025	31 Dec 2024
Reported ECL (RM'000)	142,025	188,469
Drawn Amount (RM'000)	5,529,508	5,709,167
Reported ECL Coverage (%)	2.57%	3.30%
<i>Coverage Ratios by Scenario (%)</i>		
Consensus central scenario	2.55%	3.26%
Consensus upside scenario	2.53%	3.01%
Consensus downside scenario	2.75%	3.32%
Alternative (downside 2) scenario	3.08%	4.38%

^[1]ECL sensitivities excludes portfolios using less complex modelling approaches.

^[2]ECL sensitivity includes only on balance sheet financial instruments to which MFRS 9 impairment requirements are applied.

(vi) Credit quality

Credit quality of financial instruments

The Bank assesses credit quality of all financial instruments that are subject to credit risk. The credit quality of financial instruments is a point-in-time assessment of the probability of default (PD), whereas stages 1 and 2 are determined based on relative deterioration of credit quality since initial recognition. Accordingly, for non-credit impaired financial instruments, there is no direct relationship between the credit quality assessment and stages 1 and 2, though typically the lower credit quality bands exhibit a higher proportion in stage 2.

The five credit quality classifications each encompasses a range of granular internal credit rating grades assigned to wholesale and retail financing businesses and the external ratings attributed by external agencies to debt securities, as shown in the table below on the following page.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk (Cont'd)

(vi) Credit quality (Cont'd)

Distribution of financial assets by credit quality

(RM'000)	Gross Carrying Amount						ECL	Net
	Strong	Good	Satisfactory	Sub-standard	Credit Impaired	Total		
At 31 December 2025								
Cash and short-term funds	5,776,600	–	593	–	–	5,777,193	(3)	5,777,190
Reverse sell and buy back agreement	284,247	–	–	–	–	284,247	–	284,247
Deposits and placements with banks and other financial institutions	412,571	–	–	–	–	412,571	–	412,571
Financial assets at FVTPL	–	–	–	–	–	–	–	–
Financial assets at FVOCI	1,620,648	–	–	–	–	1,620,648	(174)	1,620,474
Financial investments at amortised cost	1,929,615	100,000	350,295	–	–	2,379,910	(222)	2,379,688
Financing and advances to customers held at amortised cost	4,847,504	3,512,643	3,852,927	537,097	247,159	12,997,330	(203,516)	12,793,814
<i>of which:</i>								
- retail	1,868,040	1,665,370	1,704,305	332,571	190,732	5,761,018	(145,196)	5,615,822
- corporate and commercial	2,979,464	1,847,273	2,148,622	204,526	56,427	7,236,312	(58,320)	7,177,992
Derivatives financial assets	615,223	5,399	14,507	1,567	–	636,696	–	636,696
Other financial assets	150,377	–	–	–	–	150,377	–	150,377
Irrevocable financing commitments and financial guarantees	3,514,000	2,300,000	1,068,000	46,000	6,000	6,934,000	(2,000)	6,932,000

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk (Cont'd)

(vi) Credit quality (Cont'd)

Distribution of financial assets by credit quality (Cont'd)

(RM'000)	Gross Carrying Amount						ECL	Net
	Strong	Good	Satisfactory	Sub-standard	Credit Impaired	Total		
At 31 December 2024								
Cash and short-term funds	2,592,403	–	–	–	–	2,592,403	(4)	2,592,399
Deposits and placements with banks and other financial institutions	200,000	–	–	–	–	200,000	–	200,000
Financial assets at FVTPL	20,621	–	–	–	–	20,621	–	20,621
Financial assets at FVOCI	2,263,370	–	–	–	–	2,263,370	(198)	2,263,172
Financial investments at amortised cost	1,666,040	305,661	20,000	–	–	1,991,701	(308)	1,991,393
Financing and advances to customers held at amortised cost	5,397,096	3,177,367	4,993,064	300,262	509,979	14,377,768	(266,275)	14,111,493
<i>of which:</i>								
- retail	1,993,164	1,398,149	1,860,630	158,715	427,981	5,838,639	(188,266)	5,650,373
- corporate and commercial	3,403,932	1,779,218	3,132,434	141,547	81,998	8,539,129	(78,009)	8,461,120
Derivatives financial assets	338,526	13,509	10,994	–	–	363,029	–	363,029
Other financial assets	92,899	–	–	–	–	92,899	–	92,899
Irrevocable financing commitments and financial guarantees	4,350,000	1,336,000	1,610,000	77,000	20,000	7,393,000	(4,000)	7,389,000

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk (Cont'd)

(vi) Credit quality (Cont'd)

Credit impaired financings (stage 3)

The Bank determines that a financial instrument is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or profit are past due for more than 90 days;
- there are other indications that the customer is unlikely to pay, such as when a concession has been granted to the customer for economic or legal reasons relating to the customer's financial condition; and
- the financing and advance is otherwise considered to be in default. If such unlikelihood to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due. Therefore, the definitions of credit impaired and default are aligned as far as possible so that stage 3 represents all financing and advances that are considered defaulted or otherwise credit impaired.

Collateral and other credit enhancements

Although collateral can be an important mitigant of credit risk, it is the Bank's practice to lend on the basis of the customer's ability to meet their obligations out of their cash flow resources rather than placing primary reliance on collateral and other credit risk enhancements. Depending on the customer's standing and the type of product, facilities may be provided without any collateral or other credit enhancements. For other financing, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of default, the Bank may utilise the collateral as a source of repayment.

Financing is made on the basis of the customer's capacity to repay, as opposed to placing primary reliance on credit risk mitigation. Mitigation of credit risk is nevertheless a key aspect of effective risk management and in the Bank, takes many forms, the most common method of which is to take collateral. The principal collateral types employed by the Bank are as follows:

- under the residential and real estate business; home financing over residential and financed properties;
- under certain Islamic specialised financing and leasing transactions (such as machinery financing) where physical assets form the principal source of facility repayment, physical collateral is typically taken;
- in the commercial and industrial sectors, charges over business assets such as premises, stock and debtors;
- facilities provided to small and medium enterprises are commonly granted against guarantees by their owners/directors;
- guarantees from third parties can arise where facilities are extended without the benefit of any alternative form of security, such as where the Bank issues a bid or performance bond in favour of a non-customer at the request of another bank;
- under the institutional sector, certain trading facilities are supported by charges over financial instruments such as cash, debt securities and equities; and
- financial collateral in the form of marketable securities is used in much of the over-the-counter (OTC) derivatives activities and in the Bank's securities financing business (securities financing and borrowing or repos and reverse repos).

The Bank does not disclose the fair value of collateral held as security or other credit enhancements on financing and advances that are past due but not impaired as it is not practicable to do so.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk (Cont'd)

(vi) Credit quality (Cont'd)

Collateral and other credit enhancements (Cont'd)

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for impaired advances and financing for the Bank as at 31 December 2025 are 52.2% (2024: 47.9%).

The financial effect of collateral held for other remaining on-balance sheet financial assets is not significant.

Collateral especially properties are made available for sale in an orderly manner, with the proceeds used to reduce or repay the outstanding indebtedness. If excess funds arise after the debt/financing has been repaid, they are made available either to repay other secured lenders/financier with lower priority or are returned to the customer. The Bank does not generally occupy repossessed properties for its business use.

Derivatives

The Bank participates in transactions exposing us to counterparty credit risk. Counterparty credit risk is the risk of financial loss if the counterparty to a transaction defaults before satisfactorily settling it. It arises principally from over-the-counter (OTC) derivatives and securities financing transactions and is calculated in both the trading and non-trading books. Transactions vary in value by reference to a market factor such as profit rate, exchange rate or asset price.

As part of the risk management practices arising from derivatives activity, the Bank will enter into legally enforceable arrangements with its counterparties. The Bank will either (a) enter into a master agreement which (i) provides for a contractual framework within which dealing activity across a full range of OTC products is conducted, and (ii) contractually binds both parties to apply close-out netting across all outstanding transactions covered by the master agreement if either party defaults or another pre-agreed termination event occurs, or (b) specifically in respect of FX forward-i only, the Bank will enter into a master Wa'ad (undertaking) arrangement with its counterparties.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(b) Credit risk (Cont'd)

(vi) Credit quality (Cont'd)

Offsetting financial assets and liabilities

The disclosures set out in the table below include financial assets and financial liabilities that are subject to an enforceable master netting agreement, irrespective of whether they are offset in the statement of financial position. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and liability simultaneously (the offset criteria). During the financial year, no financial assets or financial liabilities were offset in the statement of financial position because the master agreement or master Wa'ad referred to in para above do not meet the criteria for offsetting in the statement of financial position. The master agreement or master Wa'ad referred to in para above create for the parties to the agreement, a right of set off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank, or its counterparties. Financial instruments subject to offsetting, enforceable master netting agreements and similar agreements are shown as follows:

Description	(i)	(ii)	(iii) = (i) + (ii)	(iv)		(v) = (iii) - (iv)
	Gross amounts of recognised assets	Gross amounts offset in the statement of financial position	Net amount of assets presented in the statement of financial position	Gross amounts not offset in the statement of financial position		Net amount
	RM'000	RM'000	RM'000	Financial instruments RM'000	Cash collateral RM'000	RM'000
2025						
Reverse sell and buy back agreement	284,247	–	284,247	284,247	–	–
Derivative financial assets	636,696	–	636,696	–	–	636,696
Derivative financial liabilities	667,453	–	667,453	–	–	667,453
2024						
Derivative financial assets	363,029	–	363,029	–	–	363,029
Derivative financial liabilities	395,751	–	395,751	–	–	395,751

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk

Overview

Treasury risk is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements, including the risk to our earnings or capital due to structural foreign exchange exposures and changes in market profit rates.

Treasury risk arises from changes to the respective resources and risk profiles driven by customer behaviour, management decisions or the external environment.

Approach and policy

The main objective in the management of treasury risk is to maintain appropriate levels of capital, liquidity, funding, foreign exchange and market risk to support business strategy, and meet regulatory and stress testing-related requirements. The approach to treasury management is driven by our strategic and organisational requirements, taking into account the regulatory, economic and commercial environment. We aim to maintain a strong capital and liquidity base to support the risks inherent in our business and invest in accordance with our strategy, meeting regulatory requirements at all times. Our policy is underpinned by our risk management framework, our internal capital adequacy assessment process (ICAAP) and our internal liquidity adequacy assessment process (ILAAP). The risk framework incorporates a number of measures aligned to our assessment of risks for both internal and regulatory purposes.

Governance and structure

The Board approves the policy and risk appetite for capital risk, liquidity and funding risk, and profit rate risk in the banking book. It is supported and advised by the Risk Committee (RC).

The Asset, Liability and Capital Management (ALCM) sub-function manages capital, liquidity and funding risk on an on-going basis and provides support to the Asset and Liability Management Committee (ALCO), and is overseen by the Treasury Risk Management sub-function (TRM) and the Risk Management Meeting (RMM).

The ALCM sub-function also manages profit rate risk in the banking book, maintains the transfer pricing framework and informs the ALCO of the overall banking book profit rate exposure. Banking book profit rate positions may be transferred to be managed by the Markets Treasury business, within the market risk limits approved by the Board.

The Treasury Risk Management sub-function carries out independent review, challenge and assurance of the appropriateness of the risk management activities undertaken by ALCM and Markets Treasury. Internal Audit provides independent assurance that risk is managed effectively.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(i) Capital Risk

Capital management

The Bank's approach to capital management is driven by its strategic and organisational requirements, taking into account the regulatory, economic and commercial environment in which the Bank operates.

It is the Bank's objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. The policy on capital management is underpinned by a capital management framework, which enables the Bank to manage its capital in a consistent manner.

The Bank's capital management process is articulated in its ICAAP and annual capital plan which are approved by the Board. The ICAAP is an assessment of the Bank's capital position, outlining both regulatory and internal capital resources and requirements resulting from our business model, strategy, risk profile and management, performance and planning, risks to capital, and the implications of stress testing. The capital plan is drawn up with the objective of maintaining both an appropriate amount of capital and an optimal mix between the different components of capital.

In accordance with Capital Management Framework, capital generated by subsidiaries in excess of planned requirements is returned to the parent companies, normally by way of dividends.

The principal forms of capital are included in the following balances on the balance sheet: share capital, other equity instruments, retained profits, other reserves and subordinated liabilities.

The Bank's regulatory capital is analysed in two tiers:

- Tier 1 capital is divided into Common Equity Tier 1 (CET1) Capital and Additional Tier 1 (AT1) Capital. CET1 Capital includes ordinary share capital, retained earnings, reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes. AT1 Capital includes qualifying preference shares issued by the Bank.
- Tier 2 capital, which includes impairment allowances equal to 12-month and lifetime expected credit losses for non-credit impaired financing (commonly known as stage 1 and 2 provisions) and regulatory reserve.

Externally imposed capital requirements

The Bank is required to comply with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) Guideline for the purpose of computing regulatory capital adequacy ratios. Under the said Guideline, the Bank is required to maintain the minimum capital adequacy ratios for Common Equity Tier 1 (CET1), Tier 1 and Total Capital Ratios of 4.5%, 6.0% and 8.0% respectively.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(i) Capital Risk (Cont'd)

Basel III

The banking institutions in Malaysia are also required to maintain capital buffers above the minimum capital adequacy ratios. The capital buffer requirements comprise Capital Conservation Buffer (CCB) of 2.5%, and the Countercyclical Capital Buffer (CCyB) ranging between 0% to 2.5%. CCB is intended to build up capital buffers by individual banking institutions during normal times that can be drawn down during stress periods while CCyB is intended to protect the banking sector as a whole from the build-up of systemic risk during an economic upswing when aggregate credit growth tends to be excessive.

In line with the regulatory requirements, the Bank has also set further buffers to reflect risks not included in the regulatory capital calculation, arising from internal assessment of risks and the results of stress tests.

Leverage ratio

Basel III introduces a simple non risk-based leverage ratio as a complementary measure to the risk-based Capital Adequacy Framework. It aims to constrain the build-up of excess leverage in the banking sector, introducing additional safeguards against model risk and measurement errors. The ratio is a volume-based measure calculated as Basel III Tier 1 Capital divided by Total on- and off-balance sheet exposures.

The Bank is required to comply with BNM Leverage Ratio Framework which includes the implementation of the leverage ratio framework in Malaysia with the minimum leverage ratio requirement of 3%.

(ii) Liquidity and funding risk

Overview

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet their obligations when they fall due. Liquidity risk arises from mismatches in the timing of cash flows. Funding risk is the risk that the Bank cannot raise funding or can only do so at excessive cost.

The Bank maintains a diversified and stable funding base comprising core retail and corporate customer deposits and institutional balances. This is augmented by wholesale funding and portfolios of highly liquid assets. The objective of the Bank's liquidity and funding management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market access is coordinated and cost effective.

Current accounts and savings deposits payable on demand or at short notice form a significant part of HSBC Group's funding, and the Bank places considerable importance on maintaining their stability. For deposits, stability depends upon preserving depositor confidence in the Bank's capital strength and liquidity, and on competitive and transparent pricing. In aggregate, the Bank is net liquidity provider to the interbank market, placing significantly more funds with other banks than it borrows.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(ii) Liquidity and funding risk (Cont'd)

Framework

The management of liquidity and funding is primarily carried out through HSBC Group's liquidity and funding risk framework (LFRF) and BNM's Liquidity Coverage Ratio and Net Stable Funding Ratio Framework. The Bank is required to meet internal minimum requirements and any applicable regulatory requirements at all times. These requirements are assessed through the ILAAP, which ensures there are robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons, including intra-day. The ILAAP informs the validation of risk tolerance and the setting of risk appetite. It also assesses the capability to manage liquidity and funding effectively. Limits are proposed by Asset, Liability and Capital Management (ALCM) through the RMM and approved by the Board. These limits vary to take account of the depth and liquidity of the local market in which the Bank operates. The Bank maintains strong liquidity positions and manage the liquidity profile of the assets, liabilities and commitments to ensure that cash flows are appropriately balanced and all obligations are met when due.

The Asset and Liability Committee (ALCO) is responsible for managing all ALCM issues including liquidity and funding risk management. Compliance with liquidity and funding requirements is monitored by ALCO through the following processes:

- maintaining compliance with relevant regulatory requirements of the operating entity;
- projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- monitoring liquidity and funding ratios against internal and regulatory requirements;
- maintaining a diverse range of funding sources with adequate back-up facilities;
- managing the concentration and profile of term funding;
- managing contingent liquidity commitment exposures within predetermined limits;
- maintaining debt financing plans;
- monitoring of depositor concentration in order to avoid undue reliance on large individual depositors and ensuring a satisfactory overall funding mix; and
- maintaining liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises, while minimising adverse long-term implications for the business.

Management of liquidity and funding risk

The HSBC Group's LFRF uses the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) regulatory framework as a foundation, but adds extra metrics, limits and overlays to address the risks that we consider are not adequately reflected by the regulatory framework.

Funding and liquidity plans form part of the financial resource plan that is approved by the Board. The critical Board-level appetite measures are the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), in addition to an internal liquidity metric (ILM). An appropriate funding and liquidity profile is managed through a wider set of measures:

- a minimum LCR requirement;
- a minimum NSFR requirement or other appropriate metric;
- an internal liquidity metric (ILM);
- a minimum liquidity requirement in material currencies;
- a legal entity depositor concentration limit;
- cumulative term funding maturity concentrations limit;
- liquidity metrics to monitor minimum requirement by currency;
- intra-day liquidity;
- the application of liquidity funds transfer pricing; and
- forward-looking funding assessments.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(ii) Liquidity and funding risk (Cont'd)

Liquidity risk

The following tables summarise the Bank's exposure to liquidity risk. The asset and liabilities at carrying amount are allocated to time bands by reference to the remaining contractual maturity and/or their behavioural profile.

31 December 2025	Non-trading book					Non-specific maturity	Trading book	Total
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	5,777,190	–	–	–	–	–	–	5,777,190
Reverse sell and buy back agreement	–	–	284,247	–	–	–	–	284,247
Deposits and placements with banks and other financial institutions	212,571	–	200,000	–	–	–	–	412,571
Financial assets at FVTPL	–	–	–	–	–	–	–	–
Financial investments at FVOCI	–	20,041	393,366	1,207,241	–	–	–	1,620,648
Financial investments at amortised cost	–	380,407	291,365	1,357,621	350,295	–	–	2,379,688
Financing and advances	2,487,449	1,072,650	1,479,749	3,121,623	4,632,343	–	–	12,793,814
Derivative financial assets	–	–	–	–	–	–	636,696	636,696
Others ^[1]	94,264	3,018	10,797	44,490	8,539	207,675	–	368,783
Total assets	8,571,474	1,476,116	2,659,524	5,730,975	4,991,177	207,675	636,696	24,273,637
LIABILITIES AND EQUITY								
Deposits from customers	10,041,731	2,157,688	1,999,079	190,119	–	–	–	14,388,617
Deposits and placements from banks and other financial institutions	120,612	1,000,000	1,827,744	–	–	–	–	2,948,356
Structured liabilities designated at FVTPL	43,565	73,264	584,111	899,337	–	–	–	1,600,277
Bills payable	12,217	–	–	–	–	–	–	12,217
Derivative financial liabilities	–	–	–	–	–	–	667,453	667,453
Others ^[2]	403,040	14,337	22,767	6,075	–	621,769	–	1,067,988
Total liabilities	10,621,165	3,245,289	4,433,701	1,095,531	–	621,769	667,453	20,684,908
Equity	–	–	–	–	–	3,588,729	–	3,588,729
Total liabilities and equity	10,621,165	3,245,289	4,433,701	1,095,531	–	4,210,498	667,453	24,273,637
Net maturity mismatches	(2,049,691)	(1,769,173)	(1,774,177)	4,635,444	4,991,177	(4,002,823)	(30,757)	–
Commitments and contingencies	14,416,470	9,802,201	21,807,149	2,546,801	624,262	–	–	49,196,883

^[1] Others comprises other assets, statutory deposits with Bank Negara Malaysia, equipment and deferred tax assets.

^[2] Others comprises other liabilities and provision for taxation.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(ii) Liquidity and funding risk (Cont'd)

Liquidity risk (Cont'd)

31 December 2024	Non-trading book					Non-specific maturity RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000			
ASSETS								
Cash and short-term funds	2,592,399	–	–	–	–	–	–	2,592,399
Reverse sell and buy back agreement	–	–	–	–	–	–	–	–
Deposits and placements with banks and other financial institutions	–	–	200,000	–	–	–	–	200,000
Financial assets at FVTPL	–	–	–	–	–	–	20,621	20,621
Financial investments at FVOCI	199,523	–	1,306,570	757,277	–	–	–	2,263,370
Financial investments at amortised cost	–	–	503,336	1,282,396	205,661	–	–	1,991,393
Financing and advances	2,844,242	1,740,107	2,077,815	2,723,267	4,726,062	–	–	14,111,493
Derivative financial assets	–	–	–	–	–	–	363,029	363,029
Others ^[1]	969	–	14,773	33,797	9,738	323,800	44,102	427,179
Total assets	5,637,133	1,740,107	4,102,494	4,796,737	4,941,461	323,800	427,752	21,969,484
LIABILITIES AND EQUITY								
Deposits from customers	9,180,419	1,940,367	2,074,667	250,357	–	–	–	13,445,810
Deposits and placements from banks and other financial institutions	32,593	348,889	1,978,617	–	–	–	–	2,360,099
Structured liabilities designated at FVTPL	23,266	99,963	451,614	1,104,824	–	–	–	1,679,667
Bills payable	9,187	–	–	–	–	–	–	9,187
Derivative financial liabilities	–	–	–	–	–	–	395,751	395,751
Others ^[2]	280,697	20,223	24,017	8,869	–	351,425	–	685,231
Total liabilities	9,526,162	2,409,442	4,528,915	1,364,050	–	351,425	395,751	18,575,745
Equity	–	–	–	–	–	3,393,739	–	3,393,739
Total liabilities and equity	9,526,162	2,409,442	4,528,915	1,364,050	–	3,745,164	395,751	21,969,484
Net maturity mismatches	(3,889,029)	(669,335)	(426,421)	3,432,687	4,941,461	(3,421,364)	32,001	–
Commitments and contingencies	15,852,944	8,215,179	17,974,167	2,567,843	331,583	–	–	44,941,716

^[1] Others comprises other assets, statutory deposits with Bank Negara Malaysia, equipment and deferred tax assets.

^[2] Others comprises other liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(ii) Liquidity and funding risk (Cont'd)

Cash flows payable by the Bank under financial liabilities by remaining contractual maturities

The balances in the tables below will not agree directly with the balances in the statement of financial position as the table incorporates, on an undiscounted basis, all cash flows relating to principal and future coupon payments. In addition, financing and other credit-related commitments and financial guarantees and similar contracts are generally not recognised on the statement of financial position.

Cash flows payable in respect of customer accounts are primarily contractually repayable on demand or at short notice. However, in practice, short term deposit balances remain stable as inflows and outflows broadly match and a significant portion of financing commitments expire without being drawn upon.

RM'000	On Demand	Due within 3 months	Due between 3 months to 12 months	Due between 1 to 5 years	Due after 5 years	Total
At 31 December 2025						
Non-derivative liabilities						
Deposits from customers	7,484,441	4,747,615	2,033,114	210,388	–	14,475,558
Deposits and placements from banks and other financial institutions	–	2,309,452	679,384	–	–	2,988,836
Structured liabilities designated at fair value through profit or loss (FVTPL)	43,596	73,420	589,076	937,559	–	1,643,651
Bills payable	12,217	–	–	–	–	12,217
Other liabilities	500,367	52,583	30,706	51,283	369,645	1,004,584
Financing and other credit-related commitments	8,609,157	204,906	2,675,832	483,226	–	11,973,121
Financial guarantees and similar contracts	169,209	328,962	683,617	638,183	195,062	2,015,033
	16,818,987	7,716,938	6,691,729	2,320,639	564,707	34,113,000
Derivative liabilities						
Gross settled derivatives						
- Inflow	–	(8,790,391)	(8,953,229)	(27,128)	–	(17,770,748)
- Outflow	–	9,145,951	9,176,954	76,022	–	18,398,927
Net settled derivatives	–	53	124	(39)	–	138

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(ii) Liquidity and funding risk (Cont'd)

Cash flows payable by the Bank under financial liabilities by remaining contractual maturities (Cont'd)

RM'000	On Demand	Due within 3 months	Due between 3 months to 12 months	Due between 1 to 5 years	Due after 5 years	Total
At 31 December 2024						
Non-derivative liabilities						
Deposits from customers	6,521,068	4,641,037	2,117,801	283,965	–	13,563,871
Deposits and placements from banks and other financial institutions	–	2,070,765	320,222	–	–	2,390,987
Structured liabilities designated at fair value through profit or loss (FVTPL)	23,284	100,200	455,904	1,157,303	–	1,736,691
Bills payable	9,187	–	–	–	–	9,187
Other liabilities	366,038	39,682	29,569	50,198	143,391	628,878
Financing and other credit-related commitments	8,942,998	282,067	1,983,662	398,158	–	11,606,885
Financial guarantees and similar contracts	315,438	187,614	714,198	598,815	212,669	2,028,734
	<u>16,178,013</u>	<u>7,321,365</u>	<u>5,621,356</u>	<u>2,488,439</u>	<u>356,060</u>	<u>31,965,233</u>
Derivative liabilities						
Gross settled derivatives						
- Inflow	–	(8,042,503)	(6,321,327)	(81,339)	(13,721)	(14,458,890)
- Outflow	–	8,231,672	6,477,014	149,809	15,018	14,873,513
Net settled derivatives	–	157	760	15	–	932

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(iii) Profit Rate Risk in the Banking Book

Assessment and risk appetite

Profit Rate Risk in the Banking Book is the risk of an adverse impact to earnings or capital due to changes in market profit rates that affect the banking book positions. The risk arises either from timing mismatches in the repricing of non-traded assets and liabilities, an imperfect correlation between changes in the rates earned and paid on different instruments with otherwise similar repricing characteristics; as well as from option derivative positions or from optional elements embedded in the assets, liabilities and/or off-balance sheet items, where customer can alter the level and timing of their cash flows. In its management of the risk, the Bank aims to mitigate the impact of future profit rate movements which could reduce future net profit income or its net worth, while balancing the cost of hedging activities to the current revenue stream. Monitoring the sensitivity of the projected net financing income and of the present value of expected net cash flows under varying profit rate scenarios is a key part of this.

In order to manage structural profit rate risk, non-traded assets and liabilities are transferred to Markets Treasury (MKTY) based on their repricing and maturity characteristics. For assets and liabilities with no defined maturity or repricing characteristics, behaviouralisation is used to assess the profit rate risk profile. MKTY manages the banking book profit rate positions transferred to it within the approved limits. ALCO is responsible for monitoring and reviewing the overall structural profit rate risk position. Profit rate behaviouralisation policies have to be formulated in line with the Bank's behaviouralisation policies and approved annually by ALCO.

Sensitivity of net financing income

A principal part of our management of non-traded profit rate risk is to monitor the sensitivity of expected net financing income (NFI) under varying profit rate scenarios (simulation modelling), where all other economic variables are held constant.

NFI sensitivity reflects the group's sensitivity of earnings due to changes in market profit rates. Projected NFI sensitivity figures represent the effect of pro forma movements in projected yield curves based on a constant balance sheet size and structure. The exception to this is where the size of the balances changes materially or repricing is deemed profit rate sensitive, for example early prepayment of fixed-rate financings. These sensitivity calculations do not incorporate actions that would be taken by MKTY or in the business that originate the risk to mitigate the effect of profit rate movements.

Sensitivity of economic value of equity

Economic value of equity (EVE) represents the present value of the future banking book cash flows that could be distributed to equity providers under a managed run-off scenario. This equates to the current book value of equity plus the present value of future NII in this scenario. EVE can be used to assess the economic capital required to support profit rate risk in the banking book.

An EVE sensitivity represents the expected movement in EVE due to pre-specified movements in profit rates, where all other economic variables are held constant. EVE sensitivity is monitored as a percentage of Tier 1 capital resources.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(iii) Profit Rate Risk in the Banking Book (Cont'd)

Sensitivity of projected net finance income

The profit rate sensitivities set out in the tables below are illustrative only and are based on simplified scenarios.

Change in projected net finance income in next 12 months arising from a shift in profit rates of:

	RM'000			
	31 Dec 25 *		31 Dec 24	
Basis point parallel shift in yield curve	+100bps	-100bps	+100bps	-100bps
RM	55,647	(26,111)	45,666	(46,860)
USD	5,259	(5,533)	5,454	(5,449)
Others	1,800	(1,886)	1,416	(1,411)
	62,706	(33,530)	52,536	(53,720)

Sensitivity of projected economic value of equity

Change in projected economic value of equity arising from a shift in profit rates of:

	RM'000			
	31 Dec 25 *		31 Dec 24	
Basis point parallel shift in yield curve	+200bps	-200bps	+200bps	-200bps
RM	(107,791)	62,223	(87,147)	101,194
USD	(1,237)	908	1,309	(1,059)
Others	919	(2,508)	1,597	(1,401)
	(108,109)	60,623	(84,241)	98,734

* The EVE computation was refined during 2025 and applied from the 31 December 2025 reporting date to better capture the risk to the sensitivity.

Sensitivity of reported reserves in 'other comprehensive income' to profit rate movements

Sensitivity of reported reserves in 'other comprehensive income' to profit rate movements are monitored on a monthly basis by assessing the expected reduction in valuation of FVOCI portfolios to parallel movements of plus or minus 100 basis points in all yield curves.

	RM'000			
	31 Dec 25		31 Dec 24	
Basis point parallel shift in yield curve	+100bps	-100bps	+100bps	-100bps
RM	(29,807)	29,807	(28,639)	28,639

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(iii) Profit Rate Risk in the Banking Book (Cont'd)

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. The following table summarises the Bank's exposure to the profit rates risk. The assets and liabilities at carrying amount are allocated to time bands by reference to the earlier of the next contractual repricing dates and maturity dates.

31 December 2025	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000				
ASSETS									
Cash and short-term funds	5,672,724	–	–	–	–	104,469	–	5,777,193	3.21
- ECL	–	–	–	–	–	(3)	–	(3)	–
Reverse sell and buy back agreement	–	–	284,247	–	–	–	–	284,247	3.00
Deposits and placements with banks and other financial institutions	212,571	–	200,000	–	–	–	–	412,571	3.28
Financial investments at FVOCI	–	20,041	393,367	1,207,240	–	–	–	1,620,648	3.29
Financial investments at amortised cost	–	380,407	291,365	1,357,843	350,295	–	–	2,379,910	3.90
- ECL	–	–	–	–	–	(222)	–	(222)	–
Financing and advances	–	–	–	–	–	–	–	–	–
- performing	3,587,993	7,153,292	1,456,381	406,739	145,766	–	–	12,750,171	5.34
- impaired	–	–	–	–	–	247,159	–	247,159	–
- ECL	–	–	–	–	–	(203,516)	–	(203,516)	–
Derivative financial assets	–	–	–	–	–	–	636,696	636,696	–
Other assets	76,977	–	–	–	–	73,400	–	150,377	–
Total financial assets	9,550,265	7,553,740	2,625,360	2,971,822	496,061	221,287	636,696	24,055,231	
LIABILITIES									
Deposits from customers	8,823,234	2,157,688	1,999,079	190,119	–	1,218,497	–	14,388,617	2.04
Deposits and placements from banks and other financial institutions	1,290,612	1,000,000	657,744	–	–	–	–	2,948,356	3.29
Structured liabilities designated at FVTPL	43,565	73,264	584,111	899,337	–	–	–	1,600,277	0.85
Bills payable	–	–	–	–	–	12,217	–	12,217	–
Derivative financial liabilities	–	–	–	–	–	–	667,453	667,453	–
Other liabilities	–	–	–	–	–	–	–	–	–
- provision for credit commitments	–	–	–	–	–	38,943	–	38,943	–
- others	–	–	–	–	–	545,034	–	545,034	–
Total financial liabilities	10,157,411	3,230,952	3,240,934	1,089,456	–	1,814,691	667,453	20,200,897	
Total profit sensitivity gap	(607,146)	4,322,788	(615,574)	1,882,366	496,061	(1,593,404)	(30,757)	3,854,334	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(c) Treasury risk (Cont'd)

(iii) Profit Rate Risk in the Banking Book (Cont'd)

31 December 2024	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000				
ASSETS									
Cash and short-term funds	2,508,427	–	–	–	–	83,976	–	2,592,403	3.72
- ECL	–	–	–	–	–	(4)	–	(4)	–
Deposits and placements with banks and other financial institutions	–	–	200,000	–	–	–	–	200,000	3.87
Financial assets at FVTPL	–	–	–	–	–	–	20,621	20,621	3.31
Financial investments at FVOCI	199,523	–	1,306,570	757,277	–	–	–	2,263,370	3.13
Financial investments at amortised cost	–	–	503,336	1,282,704	205,661	–	–	1,991,701	3.68
- ECL	–	–	–	–	–	(308)	–	(308)	–
Financing and advances	–	–	–	–	–	–	–	–	–
- performing	4,738,291	8,159,163	362,957	465,897	141,481	–	–	13,867,789	5.68
- impaired	–	–	–	–	–	509,979	–	509,979	–
- ECL	–	–	–	–	–	(266,275)	–	(266,275)	–
Derivative financial assets	–	–	–	–	–	–	363,029	363,029	–
Other assets	–	–	–	–	–	48,797	44,102	92,899	–
Total financial assets	7,446,241	8,159,163	2,372,863	2,505,878	347,142	376,165	427,752	21,635,204	
LIABILITIES									
Deposits from customers	7,797,492	1,940,367	2,074,667	250,357	–	1,382,927	–	13,445,810	2.36
Deposits and placements from banks and other financial institutions	1,702,592	348,889	308,618	–	–	–	–	2,360,099	3.76
Structured liabilities designated at FVTPL	23,266	99,963	451,614	1,104,824	–	–	–	1,679,667	0.94
Bills payable	–	–	–	–	–	9,187	–	9,187	–
Derivative financial liabilities	–	–	–	–	–	–	395,751	395,751	–
Other liabilities	–	–	–	–	–	–	–	–	–
- provision for credit commitments	–	–	–	–	–	28,000	–	28,000	–
- others	–	–	–	–	–	410,505	–	410,505	–
Total financial liabilities	9,523,350	2,389,219	2,834,899	1,355,181	–	1,830,619	395,751	18,329,019	
Total profit sensitivity gap	(2,077,109)	5,769,944	(462,036)	1,150,697	347,142	(1,454,454)	32,001	3,306,185	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(d) Market risk

(i) Overview

Market risk is the risk of adverse financial impact on trading activities arising from changes in market parameters such as profit rates, foreign exchange rates, asset prices, volatilities, correlations and credit spreads.

(ii) Market risk management

Key developments in 2025

There were no material changes to our policies and practices for the management of market risk in 2025.

Governance and structure

The following diagram summarises the main business areas where trading market risks reside, and the market risk measures used to monitor and limit exposures.

Risk types	Trading risk <ul style="list-style-type: none"> • Foreign exchange and commodities • Profit rates • Credit spreads • Equities
Global business	<ul style="list-style-type: none"> • Global Banking and Markets (GBM) • Markets and Securities Services (MSS)
Risk measure	Value at Risk (VaR) Sensitivity Stress Testing

The objective of our risk management policies and measurement techniques is to manage and control market risk exposures to optimise return on risk while maintaining a market profile consistent with our established risk appetite.

Market risk is managed and controlled through limits approved by the Bank's Board of Directors and Senior Management. These limits are allocated across business lines and legal entities. The Bank has an independent market risk management and control sub-function, which is responsible for measuring, monitoring and reporting market risk exposures against limits on a daily basis. The Bank is required to assess the market risks arising in its business and to transfer them either to its Markets and Securities Services or Markets Treasury for management, or to separate books managed under the supervision of ALCO. The Traded Risk function enforces the controls around trading in permissible instruments approved as well as changes that follow completion of the new product approval process. Traded Risk also restricts trading in the more complex derivatives products to entities with appropriate levels of product expertise and robust control systems.

Key risk management processes

Monitoring and limiting market risk exposures

Our objective is to manage and control market risk exposures while maintaining a market profile consistent with our risk appetite.

We use a range of tools to monitor and limit market risk exposures including sensitivity analysis, VaR and stress testing.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(d) Market risk (Cont'd)

(ii) Market risk management (Cont'd)

Key risk management processes (Cont'd)

Sensitivity analysis

Sensitivity analysis measures the impact of individual market factor movements on specific instruments or portfolios including profit rates, foreign exchange rates, credit spreads and equity prices. We use sensitivity measures to monitor the market risk positions within each risk type. Granular sensitivity limits are set for trading desks with consideration of market liquidity, customer demand and capital constraints, among other factors.

Value at risk (VaR)

VaR is a technique for estimating potential losses on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The use of VaR is integrated into market risk management and is calculated for all trading positions regardless of how we capitalise them. Where we do not calculate VaR explicitly, we use alternative tools as summarised in the Stress Testing section below.

Our models are predominantly based on historical simulation that incorporates the following features:

- historical market rates and prices, which are calculated with reference to foreign exchange rates, commodity prices, profit rates, equity prices and the associated volatilities;
- potential market movements that are calculated with reference to data from the past two years; and
- calculations to a 99% confidence level and using a one-day holding period.

The models also incorporate the effect of option features on the underlying exposures. The nature of the VaR models means that an increase in observed market volatility will lead to an increase in VaR without any changes in the underlying positions.

A summary of the Trading VaR position of the Bank's trading portfolio at the reporting date is as follows:

RM'000	At 31 December 2025	Average	Maximum	Minimum
Foreign currency risk	41	24	166	4
Profit rate risk	193	179	377	78
Equity risk	–	–	–	–
Credit spread risk	–	–	–	–
Overall	195	180	376	81

RM'000	At 31 December 2024	Average	Maximum	Minimum
Foreign currency risk	16	29	237	6
Profit rate risk	200	382	755	135
Equity risk	–	3	52	–
Credit spread risk	–	–	15	–
Overall	204	385	759	131

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(d) Market risk (Cont'd)

(ii) Market risk management (Cont'd)

Value at risk (VaR) (Cont'd)

VaR model limitations

Although a valuable guide to risk, VaR is used with awareness of its limitations. For example:

- the use of historical data as a proxy for estimating future market movement may not encompass all potential market events, particularly those that are extreme in nature. As the model is calibrated on the last 500 business days, it does not adjust instantaneously to a change in the market regime.
- the use of a one-day holding period for risk management purposes of trading books assumes that this short period is sufficient to hedge or liquidate all positions.
- the use of a 99% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence;
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

Risk not in VaR framework

The risks not in VaR (RNIV) framework captures material market risks that are not adequately covered in the VaR model.

Stress testing

Stress testing is an important procedure that is integrated into our market risk management framework to evaluate the potential impact on portfolio values of more extreme, although plausible, events or movements in a set of financial variables. In such scenarios, losses can be much greater than those predicted by VaR modelling. Stress testing and reverse stress testing provide senior management with insights regarding the 'tail risk' beyond VaR.

Stress testing is implemented at legal entity, regional and overall HSBC Group levels. A set of scenarios is used consistently across all regions within the HSBC Group. The market risk stress testing incorporates both historical and hypothetical events. Market risk reverse stress tests are designed to identify vulnerabilities in our portfolios by looking for scenarios that lead to loss levels considered severe for the relevant portfolio. These scenarios may be local or idiosyncratic in nature and complement the systematic top-down stress testing.

The risk appetite around potential stress losses for the group is set and monitored against limits.

Trading portfolios

Trading portfolios comprise positions held for client servicing and market-making, with the intention of short-term resale and/or to hedge risks resulting from such positions.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(d) Market risk (Cont'd)

(ii) Market risk management (Cont'd)

Foreign exchange risk

Foreign exchange risk arises as a result of movements in the relative value of currencies. The Bank controls the foreign exchange risk within the trading portfolio by limiting the open exposure to individual currencies, and on an aggregate basis.

	RM'000			
	31 Dec 25		31 Dec 24	
Appreciation/depreciation	+1%	-1%	+1%	-1%
Impact to profit after tax	50	(50)	(12)	12

Change in foreign exchange rate has no significant impact to other comprehensive income for the financial year ended 31 December 2025 and 31 December 2024.

The Bank measures the foreign exchange sensitivity based on the foreign exchange net open positions (including foreign exchange structural position) under an adverse movement in all foreign currencies against the functional currency – RM. The result implies that the Bank may be subject to additional translation (losses)/gains if the RM appreciates against other currencies and vice versa.

(e) Model risk

(i) Overview

Model risk is the risk of potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions.

Model risk arises in both financial and non-financial contexts whenever business decision making includes reliance on models.

(ii) Key developments in 2025

In 2025, the Bank continued to make improvements in our model risk management processes amid of regulatory changes at HSBC Group and HBAP level in model requirements.

Initiatives during the year included:

- Updated our Model Risk Management Framework to meet the enhanced regulatory requirements, where a programmed of work was initiated to adopt these changes across our model landscape;
- Completed a full review of Model Tiering across the organisation, assessing the materiality and complexity of all models, which will drive the level of oversight required at model level;
- introduced a new framework to govern and manage the risks associated with Deterministic Quantitative Methods, these are complex and material calculators which present similar risk as models;
- Following feedback from the PRA and HKMA on a number of our model submissions for internal ratings-based (IRB) models, a programme of work was delivered to address and redevelop a number of the IRB models for wholesale credit;
- The regional Independent Model Review (IMR) team completed the submission of independent validation of models for HKMA and PRA approval including the first tranche of models for the Fundamental Review of the Trading Book.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4 Risk (Cont'd)

(e) *Model risk (Cont'd)*

(ii) Key developments in 2025 (Cont'd)

Initiatives during the year included:

- The regional IMR team enhanced our process for independent validation of models, accounting for new generative Artificial Intelligence (AI) techniques;
- Worked closely with the Businesses and Functions in developing a governance framework to manage the range of risks Artificial Intelligence and Machine Learning techniques can introduce;
- Continued to carry out regular review on model inventory completeness and accuracy, and increased awareness of model landscape and model limitations across the business lines in-country; and
- Conducted model risk refresher session across the Bank to strengthen the business ownership and management of model risk and the connection between model risk holders and model developing areas.

(iii) Governance

The HBAP Model Risk Committee (MRC) provides oversight of models used in HBAP (including the Bank in Malaysia) and focuses on local delivery and requirements. The Committee is chaired by the HSBC Group's CRCO and the Regional Heads of Businesses, senior executives from Risk, Finance and Compliance are members in these meetings. Authorised sub-forums operating under the remit of the HBAP MRC, oversee model risk management activities based on associated types of models.

(iv) Key risk management processes

A variety of modelling approaches, including regression, simulation, sampling, machine learning and judgemental scorecards for a range of business applications were used for a range of business applications. These activities include customer selection, product pricing, financial crime transaction monitoring, creditworthiness evaluation and financial reporting.

The Bank's model risk management policies and procedures were regularly reviewed and required the First Line of Defence to demonstrate comprehensive and effective controls based on a library of model risk controls provided by Model Risk Management.

Model Risk Management also reports on model risk to senior management and the group Risk Committee on a regular basis through the use of the risk map, risk appetite, top and emerging risks and regular key updates.

The effectiveness of these processes, including the Regional model oversight committee structure, are regularly assessed to ensure clear authority, coverage and escalations. This contributed to fostering appropriate understanding and ownership of model risk within the Businesses and Functions.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5 Use of estimates and judgements

The results of the Bank are sensitive to the accounting policies, assumptions and estimates that underline the preparation of its financial statements. The material accounting policies used in the preparation of the financial statements are described in Note 3.

The accounting policies that are deemed critical to the Bank's results and financial positions, in terms of the materiality of the items to which the policy is applied, and which involve a high degree of judgement including the use of assumptions and estimation, are discussed below.

(a) *Impairment of financing and advances*

The Bank's accounting policy for losses arising from the impairment of customer financing and advances is described in Note 3(j). The calculation of the Bank's ECL under MFRS 9 requires a number of judgements, assumptions and estimates to be made. The most significant are set out below:

Judgements:

- Defining what is considered to be a significant increase in credit risk
- Determining the lifetime and point of initial recognition of cash line-i and credit cards
- Selecting and calibrating the PD, LGD and EAD models, which support the calculations, including making reasonable and supportable judgements about how models react to current and future economic conditions
- Selecting model inputs and economic forecasts, including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased ECL
- Making management adjustments to account for late breaking events, model and data limitations and deficiencies and expect credit judgements.
- Selecting applicable recovery strategies for certain wholesale credit-impaired financing

Estimates:

- Note 4(b)(v) sets out the assumptions used in determining ECL and provides an indication of the sensitivity of the result to the application of different weightings being applied to different economic assumptions

(b) *Fair value of financial instruments carried at fair value*

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, in cases where the Bank manages a group of financial assets and financial liabilities on the basis of its net exposure to either market risks or credit risk, the Bank measures the fair value of the group of financial instruments on a net basis, but presents the underlying financial assets and liabilities separately in the financial statements, unless they satisfy the offsetting criteria as described in Note 3(f)(iv).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following table sets out the financial instruments carried at fair value.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5 Use of estimates and judgements (Cont'd)

(b) Fair value of financial instruments carried at fair value (Cont'd)

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
2025				
Financial assets at FVTPL (Note 9)	–	–	–	–
Financial investments at FVOCI (Note 10)	1,620,648	–	–	1,620,648
Derivative financial assets (Note 15)	5	636,095	596	636,696
	1,620,653	636,095	596	2,257,344
Structured liabilities designated at FVTPL (Note 22)	–	1,505,592	94,685	1,600,277
Derivative financial liabilities (Note 15)	1,272	658,871	7,310	667,453
	1,272	2,164,463	101,995	2,267,730
2024				
Financial assets at FVTPL (Note 9)	–	20,621	–	20,621
Financial investments at FVOCI (Note 10)	1,672,199	591,171	–	2,263,370
Derivative financial assets (Note 15)	881	348,995	13,153	363,029
	1,673,080	960,787	13,153	2,647,020
Structured liabilities designated at FVTPL (Note 22)	–	1,458,217	221,450	1,679,667
Derivative financial liabilities (Note 15)	566	377,466	17,719	395,751
	566	1,835,683	239,169	2,075,418

(i) Control framework

Fair values are subject to a control framework designed to ensure that they are either determined, or validated, by a function independent of the risk-taker.

Where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilised. For inactive markets, the Bank sources alternative market information, with greater weight given to information that is considered to be more relevant and reliable. Examples of the factors considered are price observability, instrument comparability, consistency of data sources, underlying data accuracy and timing of prices.

For fair values determined using valuation models, the control framework includes development or validation by independent support functions of the model logic, inputs, model outputs and adjustments. Valuation models are subject to a process of due diligence before becoming operational and are calibrated against external market data on an ongoing basis.

Changes in fair value are generally subject to a profit and loss analysis process and are disaggregated into high-level categories including portfolio changes, market movements and other fair value adjustments.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5 Use of estimates and judgements (Cont'd)

(b) Fair value of financial instruments carried at fair value (Cont'd)

(ii) Determination of fair value

Fair values are determined according to the following hierarchy:

- Level 1 – Valuation technique using quoted market price

These are financial instruments with quoted prices for identical instruments in active markets that the Bank can access at the measurement date.

- Level 2 – Valuation technique using observable inputs

These are financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

- Level 3 – Valuation technique with significant unobservable inputs

These are financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

The judgement as to whether a market is active may include, but is not restricted to, the consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. The bid-offer spread represents the difference in prices at which a market participant would be willing to buy compared with the price at which they would be willing to sell. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the instrument requires additional work during the valuation process.

(iii) Valuation techniques

Valuation techniques incorporate assumptions about factors that other market participants would use in their valuations. A range of valuation techniques is employed, dependent upon the instrument type and available market data. Most sophisticated valuation techniques are based upon discounted cash flow analysis, in which expected future cash flows are calculated and discounted to present value using a discounting curve. Prior to consideration of credit risk, the expected future cash flows may be known, as would be the case for the fixed leg of a profit rate swap, or may be uncertain and require projection, as would be the case for the floating leg of an profit rate swap. Projection utilises market forward curves, if available. In option models, the probability of different potential future outcomes must be considered. In addition, the values of some products are dependent upon more than one market factor, and in these cases it will typically be necessary to consider how movements in one market factor may impact the other market factors. The model inputs necessary to perform such calculations include profit rate yield curves, exchange rates, volatilities, correlations, prepayment and default rates.

The majority of valuation techniques employ only observable market data. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable, and for them the measurement of fair value is more judgemental. An instrument in its entirety is classified as valued using significant unobservable inputs if, in the opinion of management, a significant proportion of the instrument's inception profit or greater than 5% of the instrument's carrying value is driven by unobservable inputs. 'Unobservable' in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value (consensus pricing data may, for example, be used). All fair value adjustments are included within the levelling determination. Structured notes issued and certain other hybrid instrument liabilities are included within structured liabilities and are measured at fair value. The credit spread applied to these instruments is derived from the spreads at which the Bank issues structured notes.

Gains and losses arising from changes in the credit spread of liabilities issued by the Bank, recorded in other comprehensive income, reverse over the contractual life of the debt, provided that the debt is not paid at a premium or a discount.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5 Use of estimates and judgements (Cont'd)

(b) Fair value of financial instruments carried at fair value (Cont'd)

(iv) Fair value adjustments

We adopt the use of fair value adjustments when we take into consideration additional factors not incorporated within the valuation model that would otherwise be considered by a market participant. We classify fair value adjustments as either 'risk-related' or 'model related'. Movements in the level of fair value adjustments do not necessarily result in the recognition of profits or losses within the income statement. For example, as models are enhanced, fair value adjustments may no longer be required. Similarly, fair value adjustments will decrease when the related positions are unwound, but this may not result in profit or loss.

Bid-offer

MFRS 13 requires use of the price within the bid-offer spread that is most representative of fair value. Valuation models will typically generate mid-market values. The bid-offer adjustment reflects the extent to which bid-offer cost would be incurred if substantially all residual net portfolio market risks were closed using available hedging instruments or by disposing of, or unwinding the position.

Uncertainty

Certain model inputs may be less readily determinable from market data, and/or the choice of model itself may be more subjective. In these circumstances, an adjustment may be necessary to reflect the likelihood that market participants would adopt more conservative values for uncertain parameters and/or model assumptions, than those used in the Bank's valuation model.

Credit valuation adjustment (CVA) and Debit valuation adjustment (DVA)

The CVA is an adjustment to the valuation of over-the-counter (OTC) derivative contracts to reflect the possibility that the counterparty may default and the Bank may not receive the full market value of the transactions.

The DVA is an adjustment to the valuation of OTC derivative contracts to reflect the possibility that the Bank may default, and that the Bank may not pay the full market value of the transactions.

The Bank calculates a separate CVA and DVA for each legal entity, and for each counterparty to which the entity has exposure. With the exception of central clearing parties, all third-party counterparties are included in the CVA and DVA calculations, and these adjustments are not netted across entities.

The Bank calculates the CVA by applying the PD of the counterparty, conditional on the non-default of the Bank, to the Bank's expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default. Conversely, the Bank calculates the DVA by applying the PD of the Bank, conditional on the non-default of the counterparty, to the expected positive exposure of the counterparty to the Bank and multiplying the result by the loss expected in the event of default. Both calculations are performed over the life of the potential exposure.

For most products the Bank uses a simulation methodology, which incorporates a range of potential exposures over the life of the portfolio, to calculate the expected positive exposure to a counterparty. The simulation methodology includes credit mitigants, such as counterparty netting agreements and collateral agreements with the counterparty.

The methodologies do not, in general, account for 'wrong-way risk'. Wrong way risk is an adverse correlation between the counterparty's probability of default and the mark-to-market value of the underlying transaction. The risk can either be general, perhaps related to the currency of the issuer country, or specific to the transaction concerned. When there is significant wrong-way risk, a trade-specific approach is applied to reflect this risk in the valuation.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5 Use of estimates and judgements (Cont'd)

(b) Fair value of financial instruments carried at fair value (Cont'd)

(iv) Fair value adjustments (Cont'd)

Funding fair value adjustment (FFVA)

The FFVA is calculated by applying future market funding spreads to the expected future funding exposure of any uncollateralised component of the OTC derivative portfolio. The expected future funding exposure is calculated by a simulation methodology, where available and is adjusted for events that may terminate the exposure, such as the default of the Bank or the counterparty. The FFVA and DVA are calculated independently.

Model limitation

Models used for portfolio valuation purposes may be based upon a simplifying set of assumptions that do not capture all material market characteristics. In these circumstances, model limitation adjustments are adopted.

Inception profit (Day 1 profit or loss reserves)

Inception profit adjustments are adopted where the fair value estimated by a valuation model is based on one or more significant unobservable inputs.

(v) Reconciliation of fair value measurements in Level 3 of the fair value hierarchy

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 financial instruments, measured at fair value using a valuation technique with significant unobservable inputs:

	2025			2024		
	Derivative financial assets	Derivative financial liabilities	Structured liabilities	Derivative financial assets	Derivative financial liabilities	Structured liabilities
RM'000						
Balance at 1 January	13,153	17,719	221,450	161	31,927	1,158,497
Total gains or losses						
- In profit or loss	(3,221) ^[1]	(12,142) ^[2]	4,826 ^[1]	17,341 ^[1]	9,659 ^[1]	44,245 ^[1]
- in OCI	(33) ^[1]	(652) ^[2]	(2,194) ^[2]	–	–	–
Issues	–	–	60,354	–	–	156,704
Settlements	(4,230)	19,067	(517)	(6,327)	(12,275)	(610,624)
Transfer into Level 3	231	2,967	56,801	2,385	5,670	193,018
Transfer out of Level 3	(5,304)	(19,649)	(246,035)	(407)	(17,262)	(720,390)
Balance at 31 December	596	7,310	94,685	13,153	17,719	221,450

^[1] Denotes losses in the Profit or Loss or OCI

^[2] Denotes gains in the Profit or Loss or OCI

Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period. Transfers into and out of levels of the fair value hierarchy are primarily attributable to changes in observability of valuation inputs and price transparency.

For structured liabilities, realised and unrealised gains and losses are presented in profit or loss under 'Net Expense from Financial Liabilities designated at Fair Value'.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5 Use of estimates and judgements (Cont'd)

(b) Fair value of financial instruments carried at fair value (Cont'd)

(v) Reconciliation of fair value measurements in Level 3 of the fair value hierarchy (Cont'd)

Total gains or losses included in profit or loss for the financial year in the above tables are presented in the statement of profit or loss as follows:

2025 RM'000	Derivative financial assets	Derivative financial liabilities	Structured liabilities
Total gains or losses included in profit or loss for the financial year ended:			
- Net trading income	(4,550)^[1]	(13,753)^[2]	4,826^[1]
Total gains or losses included in profit or loss for assets and liabilities held at the end of the financial year			
- Net trading income	1,329^[2]	1,611^[1]	–
2024 RM'000			
Total gains or losses included in profit or loss for the financial year ended:			
- Net trading income	2,855 ^[2]	(5,709) ^[2]	42,898 ^[1]
Total gains or losses included in profit or loss for assets and liabilities held at the end of the financial year			
- Net trading income	14,486 ^[2]	15,368 ^[1]	1,347 ^[1]

^[1] Denotes losses in the Profit or Loss

^[2] Denotes gains in the Profit or Loss

(vi) Quantitative information about significant unobservable inputs in Level 3 valuations

Level 3 fair values are estimated using unobservable inputs for the financial assets and liabilities. The following table shows the valuation techniques used in the determination of fair values within Level 3 at Bank basis for the current year, as well as the key unobservable inputs used in the valuation models.

Type of financial instrument	Valuation technique	Key unobservable inputs	Range of estimates for unobservable input
Structured liabilities	Option model	Long term equity volatility	2025: 8.85% to 9.00% 2024: NIL
		Equity/equity index correlation	2025: 0.52 2024: 0.53
		Dividend and repo	2025: 3,551.90 to 4,620.86 2024: 4.72 to 4,674.88
Equity derivatives	Option model	Long term equity volatility	2025: 8.40% to 63.23% 2024: 23.40% to 50.30%
		Equity/equity index correlation	2025: 0.53 2024: 0.52
		Dividend and repo	2025: 3,551.90 to 4,620.86 2024: 1,925.89 to 4,026.16
Cross currency swap	Discounted cashflow model	Cross currency interest rate basis	2025: -0.24% to -1.26% 2024: -0.61% to -1.73%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5 Use of estimates and judgements (Cont'd)

(b) Fair value of financial instruments carried at fair value (Cont'd)

(vii) Key unobservable inputs to Level 3 financial instruments

The key unobservable inputs to Level 3 financial instruments include volatility and correlation for structured notes and deposits valued using option models, and private equity investments. In the absence of an active market, the fair value of private equity and strategic investments is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors, as well as by reference to market valuations for similar entities quoted in an active market, or the price at which similar companies have changed ownership.

(c) Fair values of financial assets and liabilities not measured at fair value

The fair value of each financial asset and liability presented in the statement of financial position of the Bank approximates the carrying amount as at the reporting date except for the following:

	31 Dec 2025 Carrying amount RM'000	31 Dec 2025 Fair value RM'000	31 Dec 2024 Carrying amount RM'000	31 Dec 2024 Fair value RM'000
Financial assets				
Financial investments at amortised cost	2,379,688	2,392,120	1,991,393	1,995,752
Financing and advances	12,793,814	12,844,118	14,111,493	14,134,913
Financial liabilities				
Deposits from customers	14,388,617	14,395,743	13,445,810	13,450,874
Deposits and placements from banks and other financial institutions	2,948,356	2,948,356	2,360,099	2,360,099

The methods and assumptions used in estimating the fair values of financial instruments other than those already mentioned in Note 3(f)(v) are as follows:

- **Cash and short-term funds**
- **Deposits and placements with banks and other financial institutions**
- **Bills payable**

The carrying amounts approximate fair values due to their relatively short-term nature or reprice to current market rates frequently.

(i) Financing and advances

To determine the fair value of financing and advances to banks and customers, financing and advances are segregated, as far as possible, into portfolios of similar characteristics. Fair values are based on observable market transactions when available. When they are unavailable, fair values are estimated using valuation models incorporating a range of input assumptions. These assumptions may include: value estimates from third-party brokers reflecting over-the-counter trading activity; forward-looking discounted cash flow models, taking account of expected customer prepayment rates, using assumptions that the Bank believes are consistent with those that would be used by market participants in valuing such financing; recent origination pricing for similar loans; new business rates estimates for similar financing; and trading inputs from other market participants including observed primary and secondary trades. From time to time, the Bank may engage a third-party valuation specialist to measure the fair value of a pool of financing.

The fair values of financing and advances reflect expected credit losses at the reporting date and estimates of market participants' expectations of credit losses over the life of the financing and advances, and the fair value effect of repricing between origination and the reporting date. For credit impaired financing and advances, fair value is estimated by discounting the future cash flows over the time period they are expected to be recovered.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5 Use of estimates and judgements (Cont'd)

(c) Fair values of financial assets and liabilities not measured at fair value (Cont'd)

(ii) Financial investments at amortised costs

The fair values of listed financial investments are determined using bid market prices. The unlisted financial investments is short term in nature, hence the carrying amount is a reasonable approximation of its fair value.

(iii) Deposits from customers

Deposits and placements from banks and other financial institutions

The fair values of on-demand deposits are approximated by their carrying value. For deposits with longer term maturities, fair values are estimated using discounted cash flows, applying current rates offered for deposits or similar remaining maturities.

Fair value hierarchy

The fair value of each financial asset and liability presented in the statement of financial position of the Bank approximates the carrying amount as at the reporting date except for the following:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Total carrying amount RM'000
31 Dec 2025					
Financial assets					
Financial investments at amortised cost	1,941,842	450,278	–	2,392,120	2,379,688
Financing and advances	–	–	12,844,118	12,844,118	12,793,814
Financial liabilities					
Deposits from customers	–	14,395,743	–	14,395,743	14,388,617
Deposits and placements from banks and other financial institutions	–	2,948,356	–	2,948,356	2,948,356
31 Dec 2024					
Financial assets					
Financial investments at amortised cost	1,620,219	375,533	–	1,995,752	1,991,393
Financing and advances	–	–	14,134,913	14,134,913	14,111,493
Financial liabilities					
Deposits from customers	–	13,450,874	–	13,450,874	13,445,810
Deposits and placements from banks and other financial institutions	–	2,360,099	–	2,360,099	2,360,099

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

6 Cash and Short-Term Funds

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Cash and balances with banks and other financial institutions	192,786	190,942
Money at call and interbank placements with original maturities of three months or less	5,584,404	2,401,457
	5,777,190	2,592,399

Money at call and interbank placements with original maturities of three months or less is within stage 1 allocation (12-month ECL) with RM3,000 ECL as at 31 December 2025 (31 December 2024: RM4,000).

7 Reverse sell and buy back agreement

Securities purchased under resale agreements (reverse repos) are treated as collateralised financing and the amounts financed are reported as assets, measured at amortised cost. The balance is within Stage 1 allocation (12-month ECL) with no ECL required for the Bank as at 31 December 2025 and 31 December 2024. The fair value of securities bought under reverse sell and buy back agreement can be found in Note 37.

8 Deposits and Placements with Banks and Other Financial Institutions

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Licensed banks	412,571	200,000

The balance is within stage 1 allocation (12-month ECL) with no ECL required for the Bank as at 31 December 2025 and 31 December 2024.

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

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Money market instruments:		
Malaysian Government Islamic treasury bills	—	20,621

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Money market instruments:		
Malaysian Government Islamic Sukuk	1,620,648	1,672,199
Malaysian Government Islamic treasury bills	–	591,171
	<u>1,620,648</u>	<u>2,263,370</u>

Financial investments at FVOCI are within stage 1 allocation (12-month ECL) with RM174,000 ECL as at 31 December 2025 (31 December 2024: RM198,000). The carrying amount of financial investments at FVOCI is equivalent to their fair value. The ECL is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

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

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Maturing within one year	413,408	1,506,093
More than one year to three years	1,207,240	394,690
More than three years to five years	–	362,587
	<u>1,620,648</u>	<u>2,263,370</u>

11 Financial Investments at Amortised Cost

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Money market instruments:		
Malaysian Government Islamic Sukuk	1,929,409	1,615,860
Unquoted:		
Corporate Sukuk	450,279	375,533
	<u>2,379,688</u>	<u>1,991,393</u>

Financial investments at amortised cost are within stage 1 allocation (12-month ECL) with RM222,000 ECL as at 31 December 2025 (31 December 2024: RM 308,000).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

12 Financing and Advances

(i) By type and Shariah contracts

At amortised cost	Sale-based	Lease-based	Equity-based	Ujrah	Total
	contracts	contracts	contracts		
	Commodity	Ijarah Thumma	Diminishing		
	Murabahah	Al-Bai	Musharakah		
31 Dec 2025	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	69,908	–	–	–	69,908
Term financing:					
House financing	–	–	3,678,593	–	3,678,593
Hire purchase receivables	–	106,461	–	–	106,461
Factoring receivables	100,028	–	–	–	100,028
Syndicated term financing	582,474	–	–	–	582,474
Other term financing	3,021,088	–	551,250	–	3,572,338
Trust receipts	689,529	–	–	–	689,529
Bills receivables	1,537,063	–	–	–	1,537,063
Staff financing-i	640	–	218	–	858
Credit cards-i	1,212,729	–	–	15,563	1,228,292
Revolving financing	1,429,139	–	–	–	1,429,139
Other financing	–	–	2,647	–	2,647
Gross financing and advances	8,642,598	106,461	4,232,708	15,563	12,997,330
Less: ECL					(203,516)
Total net financing and advances					12,793,814

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

12 Financing and Advances (Cont'd)

(i) By type and Shariah contracts (Cont'd)

At amortised cost	Sale-based contracts	Lease-based contracts	Equity-based contracts	Ujrah	Total
31 Dec 2024	Commodity Murabahah RM'000	Ijarah Thumma Al-Bai RM'000	Diminishing Musharakah RM'000	RM'000	RM'000
Cash line-i	69,824	–	–	–	69,824
Term financing:					
House financing	–	–	3,668,873	–	3,668,873
Hire purchase receivables	–	137,726	–	–	137,726
Syndicated term financing	1,335,376	–	–	–	1,335,376
Other term financing	3,382,793	–	637,626	–	4,020,419
Trust receipts	612,767	–	–	–	612,767
Claims on customers under acceptance credits	77,305	–	–	–	77,305
Bills receivables	1,284,380	–	–	–	1,284,380
Staff financing-i	691	–	234	–	925
Credit cards-i	–	–	–	1,231,611	1,231,611
Revolving financing	1,935,860	–	–	–	1,935,860
Other financing	–	–	2,702	–	2,702
Gross financing and advances	<u>8,698,996</u>	<u>137,726</u>	<u>4,309,435</u>	<u>1,231,611</u>	<u>14,377,768</u>
Less: ECL					<u>(266,275)</u>
Total net financing and advances					<u>14,111,493</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

12 Financing and Advances (Cont'd)

(ii) By type of customer

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Domestic non-bank financial institutions	146,471	237,457
Domestic business enterprises:		
Small medium enterprises	748,029	913,630
Others	3,936,259	5,409,159
Government and statutory bodies	152,043	–
Individuals	5,220,192	5,352,434
Other domestic entities	328	517
Foreign entities/individuals	2,794,008	2,464,571
	<u>12,997,330</u>	<u>14,377,768</u>

(iii) By profit rate sensitivity

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Fixed rate:		
Hire purchase receivables	106,461	137,726
Other financing	3,940,638	3,765,308
Variable rate:		
Base Rate/Base Financing Rate	3,362,906	3,724,661
Cost-plus	5,587,325	6,750,073
	<u>12,997,330</u>	<u>14,377,768</u>

(iv) By residual contractual maturity

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Maturing within one year	5,107,793	6,768,795
More than one year to three years	1,661,867	1,376,319
More than three years to five years	1,464,060	1,399,465
Over five years	4,763,610	4,833,189
	<u>12,997,330</u>	<u>14,377,768</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

12 Financing and Advances (Cont'd)

(v) By sector

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Agriculture, hunting, forestry & fishing	712	3,608
Mining and quarrying	65,961	136,381
Manufacturing	1,281,788	1,604,991
Electricity, gas and water	296,401	96,385
Construction	748,537	827,206
Real estate	856,167	1,220,309
Wholesale & retail trade, restaurants & hotels	983,953	1,020,830
Transport, storage and communication	650,887	304,321
Finance, takaful and business services	2,178,574	1,025,609
Household - Retail	5,761,018	5,838,639
Others ^[1]	173,332	2,299,489
	12,997,330	14,377,768

(vi) By purpose

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Purchase of landed property:		
Residential	3,678,809	3,669,108
Non-residential	405,975	491,198
Purchase of transport vehicles	546	637
Purchase of fixed assets excluding land & building	106,824	138,190
Consumption credit	1,978,922	2,042,900
Construction	583,922	622,207
Working capital	6,090,289	5,435,162
Others ^[1]	152,043	1,978,366
	12,997,330	14,377,768

^[1] From 2025, foreign entities customers are now reported in the respective sectors/purposes.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

12 Financing and Advances (Cont'd)

(vii) By geographical distribution

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Northern Region	1,203,373	1,265,921
Southern Region	1,422,246	1,908,705
Central Region	10,154,254	10,942,982
Eastern Region	217,457	260,160
	<u>12,997,330</u>	<u>14,377,768</u>

Concentration by location for financing and advances is based on the location of the customer.

The Northern region consists of the states of Perlis, Kedah, Penang, Perak, Pahang, Kelantan and Terengganu.

The Southern region consists of the states of Johor, Melaka and Negeri Sembilan.

The Central region consists of the states of Selangor, Federal Territory of Kuala Lumpur and Federal Territory of Putrajaya.

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

(viii) Assets under Management

The details of assets under management in respect of the Syndicated Investment Account Financing (SIAF)/ Investment Agency Account (IAA) financing are as below. The exposures and the corresponding risk weighted amount are reported in investors' financial statements.

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Total gross financing and advances	2,367,526	2,143,325
Less: ECL	(176)	(281)
Total net financing and advances	<u>2,367,350</u>	<u>2,143,044</u>
<i>Maturity not exceeding one year</i>	690,285	–
<i>Maturity exceeding one year</i>	83,873	89,591
Total commitments and contingencies	<u>774,158</u>	<u>89,591</u>
Total restricted investment accounts	<u>3,141,508</u>	<u>2,232,635</u>
Risk weighted assets (RWA) of restricted investment accounts	<u>2,003,013</u>	<u>1,222,086</u>

The SIAF/IAA arrangement is based on the Wakalah principle where HBMY, solely or together with other financial institutions provide the funds, whilst the assets are managed by the Bank (as the Wakeel or agent). However, in the arrangement, the profits of the underlying assets are recognised by HBMY and the other financial institutions proportionately in relation to the funding provided in the syndication arrangement. At the same time, risks on the financing are also proportionately borne by HBMY and the other financial institutions. Hence, the underlying assets and allowance for impairment arising thereon, if any, are proportionately recognised and accounted for by HBMY and the other financial institutions.

The recognition and derecognition treatments of the above are in accordance to Note 3(f).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

13 Impaired Financing

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

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Gross carrying amount as at 1 January	509,979	613,449
Transfer within stages	(187,501)	(7,082)
Financing	11,702	1,570
Written-off	(87,021)	(97,958)
Gross carrying amount as at 31 December	<u>247,159</u>	<u>509,979</u>

(ii) By contract

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Commodity Murabahah (cost-plus)	118,773	254,861
Diminishing Musharakah (profit and loss sharing)	121,088	247,618
Ujrah (fee-based)	7,298	7,500
	<u>247,159</u>	<u>509,979</u>

(iii) By sector

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Agriculture, hunting, forestry & fishing	–	4
Manufacturing	1,293	–
Electricity, gas and water	43,508	56,985
Construction	434	19,141
Mining and quarrying	876	–
Wholesale & retail trade, restaurants & hotels	5,262	1,791
Transport, storage and communication	880	4,077
Finance, takaful and business services	4,174	–
Household - retail	190,732	427,981
	<u>247,159</u>	<u>509,979</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

13 Impaired Financing (Cont'd)

(iv) By purpose

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Purchase of landed property:		
Residential	112,781	233,671
Non-residential	2,478	3,625
Consumption credit	76,575	190,685
Construction	–	1,570
Working capital	55,325	80,428
	247,159	509,979

(v) By geographical distribution

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Northern Region	21,839	27,490
Southern Region	14,232	38,741
Central Region	210,344	437,393
Eastern Region	744	6,355
	247,159	509,979

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Expected credit loss (ECL) allowances

(i) Movements in ECL allowances for financing and advances

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

	Stage 1 12- month ECL not credit impaired RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Balance at 1 January 2025	26,215	96,996	143,064	266,275
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	36,282	(33,045)	(3,237)	-
- Transferred to stage 2	(1,865)	39,294	(37,429)	-
- Transferred to stage 3	(203)	(2,880)	3,083	-
New financial assets originated or purchased	6,018	-	-	6,018
Net remeasurement due to changes in credit risk and assets derecognised	(42,065)	(10,688)	78,816	26,063
Asset written-off	-	-	(87,021)	(87,021)
Others	-	-	(7,819)	(7,819)
Balance at 31 December 2025	24,382	89,677	89,457	203,516
Balance at 1 January 2024	33,776	117,217	197,873	348,866
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	38,050	(33,784)	(4,266)	-
- Transferred to stage 2	(3,819)	6,568	(2,749)	-
- Transferred to stage 3	(305)	(3,884)	4,189	-
New financial assets originated or purchased	5,127	-	-	5,127
Net remeasurement due to changes in credit risk and assets derecognised	(46,614)	10,879	50,353	14,618
Asset written-off	-	-	(97,958)	(97,958)
Others	-	-	(4,378)	(4,378)
Balance at 31 December 2024	26,215	96,996	143,064	266,275

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

The total ECL allowances decreased by RM62.7 million compared to the balance at the beginning of the year. This net decrease was mainly contributed by asset written-off (RM87.0 million) and partly offset by net remeasurement due to changes in credit risk and assets derecognised (RM26.1 million).

- 12-month ECL not credit impaired (Stage 1) - decreased by RM1.8 million primarily due to net remeasurement due to changes in credit risk and assets derecognised, partially offset by migration of financing and advances from Stage 2 and Stage 3 and new financial assets originated or purchased.
- Lifetime ECL not credit-impaired (Stage 2) - decreased by RM7.3 million, primarily due to migration of financing and advances from Stage 1 and 3 and net remeasurement due to changes in credit risk and assets derecognised.
- Lifetime ECL credit-impaired (Stage 3) - decreased by RM53.6 million, primarily due to asset written-off and migration of financing and advances to Stage 1 and 2, partially offset by net remeasurement due to changes in credit risk and assets derecognised.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

14 Expected credit loss (ECL) allowances (Cont'd)

(ii) Movements in ECL allowances for financing commitments

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

	Stage 1 12- month ECL not credit impaired RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Balance at 1 January 2025	2,333	1,438	24,229	28,000
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	460	(460)	–	–
- Transferred to stage 2	(196)	196	–	–
- Transferred to stage 3	(5)	–	5	–
New financial assets originated or purchased	169	–	–	169
Net remeasurement due to changes in credit risk and assets derecognised	(1,282)	(689)	12,773	10,802
Others	–	–	(28)	(28)
Balance at 31 December 2025	1,479	485	36,979	38,943
Balance at 1 January 2024	2,733	2,003	27,749	32,485
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to stage 1	347	(347)	–	–
- Transferred to stage 2	(86)	86	–	–
- Transferred to stage 3	(1)	–	1	–
New financial assets originated or purchased	255	–	–	255
Net remeasurement due to changes in credit risk and assets derecognised	(915)	(304)	(3,621)	(4,840)
Others	–	–	100	100
Balance at 31 December 2024	2,333	1,438	24,229	28,000

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Derivative Financial Instruments

Details of derivative financial instruments outstanding are as follows:

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts:

	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year	>1 - 5 Years	> 5 Years	Total	Up to 1 Year	>1 - 5 Years	> 5 Years	Total	Up to 1 Year	>1 - 5 Years	> 5 Years	Total
31 Dec 2025	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	31,962,615	5,076	–	31,967,691	595,511	10	–	595,521	596,217	–	–	596,217
- Swaps	267,451	78,580	–	346,031	3,684	5,335	–	9,019	3,645	4,885	–	8,530
Profit rate related contracts												
- Swaps	508,240	317,025	429,200	1,254,465	250	2,691	3,842	6,783	245	7	–	252
- Options	281,857	60,760	–	342,617	–	–	–	–	2,030	206	–	2,236
Equity related contracts												
- Options purchased	333,974	963,951	–	1,297,925	21,751	3,622	–	25,373	33,503	26,715	–	60,218
Total	33,354,137	1,425,392	429,200	35,208,729	621,196	11,658	3,842	636,696	635,640	31,813	–	667,453

The Bank does not have any hedging instrument as at 31 December 2025.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15 Derivative Financial Instruments (Cont'd)

	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year	>1 - 5 Years	> 5 Years	Total	Up to 1 Year	>1 - 5 Years	> 5 Years	Total	Up to 1 Year	>1 - 5 Years	> 5 Years	Total
31 Dec 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	27,703,044	–	–	27,703,044	310,429	–	–	310,429	294,877	–	–	294,877
- Swaps	509,595	103,886	118,914	732,395	9,384	5,474	7,637	22,495	9,432	5,320	6,386	21,138
- Options	4,699	–	–	4,699	115	–	–	115	115	–	–	115
Profit rate related contracts												
- Swaps	820,173	333,756	–	1,153,929	928	2,196	–	3,124	662	464	–	1,126
- Options	42,937	358,240	–	401,177	35	–	–	35	445	10,881	–	11,326
Equity related contracts												
- Options purchased	535,865	774,988	–	1,310,853	2,857	23,974	–	26,831	16,249	50,920	–	67,169
Total	29,616,313	1,570,870	118,914	31,306,097	323,748	31,644	7,637	363,029	321,780	67,585	6,386	395,751

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16 Other Assets

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Settlements	76,977	44,102
Income receivable	10,231	10,203
Profit receivable	46,523	37,842
Amount due from holding company	16,646	752
ROU assets ^[1]	21,013	20,683
Other receivables	27,778	13,873
	199,168	127,455

^[1] ROU assets comprise solely properties. There were RM Nil leases terminated by the Bank during the financial year (2024: Nil). Existing leases that were subjected to modification during the financial year for the Bank were RM6,474,000 (2024: RM18,367,000).

Lease related expenses and cash outflows during the financial year:

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Finance expense	1,074	1,139
Expense related to short-term leases (Included in establishment related expenses)	31	9
Cash outflow for leases payments	7,328	7,148

17 Statutory Deposits with Bank Negara Malaysia

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

In 2025, BNM has reduced the Statutory Reserve Requirement (SRR) Ratio requirement from 2% to 1% effective 16 May 2025.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18 Equipment

2025	Office equipment, fixtures and fittings	Computer equipment	Motor vehicles	Work in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Cost					
Balance at 1 January	32,832	8,988	301	102	42,223
Additions	775	1,114	–	260	2,149
Written off	(4)	(17)	–	–	(21)
Reclassification	362	–	–	(362)	–
Balance at 31 December	33,965	10,085	301	–	44,351
Accumulated depreciation					
Balance at 1 January	30,151	7,512	301	–	37,964
Charge for the financial year	963	609	–	–	1,572
Written off	(4)	(17)	–	–	(21)
Balance at 31 December	31,110	8,104	301	–	39,515
Net book value at 31 December	2,855	1,981	–	–	4,836
2024					
Cost					
Balance at 1 January	31,570	9,050	301	32	40,953
Additions	1,084	–	–	326	1,410
Written off	(46)	(62)	–	–	(108)
Reclassification	240	16	–	(256)	–
Other movements	(16)	(16)	–	–	(32)
Balance at 31 December	32,832	8,988	301	102	42,223
Accumulated depreciation					
Balance at 1 January	29,181	6,736	296	–	36,213
Charge for the financial year	1,016	838	5	–	1,859
Written off	(46)	(62)	–	–	(108)
Balance at 31 December	30,151	7,512	301	–	37,964
Net book value at 31 December	2,681	1,476	–	102	4,259

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 Deferred Tax Assets

The amounts, prior to offsetting are summarised as follows:

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Deferred tax assets	47,052	42,939
Deferred tax liabilities	(7,384)	(5,435)
	<u>39,668</u>	<u>37,504</u>

Deferred tax assets and liabilities are offset where there is a legally enforceable right to set-off current tax assets against current tax liabilities.

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Deferred tax assets		
- settled more than 12 months	20,865	24,372
- settled within 12 months	26,187	18,567
Deferred tax liabilities		
- settled more than 12 months	(5,563)	(3,805)
- settled within 12 months	(1,821)	(1,630)
	<u>39,668</u>	<u>37,504</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 Deferred Tax Assets (Cont'd)

Movement in temporary differences during the financial year (Cont'd)

2025

	As at 1 Jan 2025			<i>Recognised in</i>		As at 31 Dec 2025		
	<i>Deferred Tax Assets</i>	<i>Deferred Tax Liabilities</i>	<i>Net Deferred Tax</i>			<i>Recognised in income statement</i>	<i>other comprehensive income</i>	<i>Deferred Tax Assets</i>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for accrued expenses	17,772	–	17,772	4,127	–	21,899	–	21,899
Property and equipment capital allowances	–	(438)	(438)	196	–	–	(242)	(242)
ROU assets	–	(4,965)	(4,965)	(79)	–	–	(5,044)	(5,044)
Financing and advances	15,166	–	15,166	(547)	–	14,619	–	14,619
Deferred income	4,481	–	4,481	572	–	5,053	–	5,053
Lease liabilities	5,430	–	5,430	51	–	5,481	–	5,481
Own credit reserve	90	–	90	–	(782)	–	(692)	(692)
FVOCI reserve	–	(32)	(32)	–	(1,374)	–	(1,406)	(1,406)
Net Deferred Tax	42,939	(5,435)	37,504	4,320	(2,156)	47,052	(7,384)	39,668

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 Deferred Tax Assets (Cont'd)

Movement in temporary differences during the financial year (Cont'd)

2024

	As at 1 Jan 2024			<i>Recognised in in income statement</i>	<i>Recognised in other comprehensive income</i>	As at 31 Dec 2024		
	<i>Deferred Tax Assets</i>	<i>Deferred Tax Liabilities</i>	<i>Net Deferred Tax</i>			<i>Deferred Tax Assets</i>	<i>Deferred Tax Liabilities</i>	<i>Net Deferred Tax</i>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for accrued expenses	15,733	–	15,733	2,039	–	17,772	–	17,772
Property and equipment capital allowances	–	(906)	(906)	468	–	–	(438)	(438)
ROU assets	–	(4,747)	(4,747)	(218)	–	–	(4,965)	(4,965)
Financing and advances	16,932	–	16,932	(1,766)	–	15,166	–	15,166
Deferred income	5,429	–	5,429	(948)	–	4,481	–	4,481
Lease liabilities	5,217	–	5,217	213	–	5,430	–	5,430
Own credit reserve	1,423	–	1,423	–	(1,333)	90	–	90
FVOCI reserve	767	–	767	–	(799)	–	(32)	(32)
Net Deferred Tax	45,501	(5,653)	39,848	(212)	(2,132)	42,939	(5,435)	37,504

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20 Deposits From Customers

(i) By type of deposit

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
At amortised cost		
Non-Mudharabah Fund		
Demand deposits		
- Qard	3,993,836	3,405,688
Savings deposits		
- Qard	3,252,883	3,062,283
Term deposits		
- Commodity Murabahah	6,904,176	6,924,742
- Qard*	237,722	53,097
	14,388,617	13,445,810

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

The maturity structure of term deposits is as follows:

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Due within six months	5,985,495	5,683,993
More than six months to one year	966,436	1,043,657
More than one year to three years	141,513	169,570
More than three years to five years	48,454	80,619
	7,141,898	6,977,839

(ii) By type of customer

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Government and statutory bodies	7,888	11,616
Business enterprises	3,896,172	2,953,947
Individuals	5,923,300	5,747,991
Foreign entities/individuals	3,720,279	3,767,942
Others	840,978	964,314
	14,388,617	13,445,810

21 Deposits and Placements from Banks and Other Financial Institutions

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Non-Mudharabah Fund		
Licensed bank	2,913,265	2,327,508
Bank Negara Malaysia	35,073	9,249
Other financial institutions	18	23,342
	2,948,356	2,360,099

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22 Structured Liabilities Designated at Fair Value through profit or loss (FVTPL)

At fair value	31 Dec 2025 RM'000	31 Dec 2024 RM'000
Structured liabilities		
- Tawarruq	1,600,277	1,679,667

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

23 Other Liabilities

	Note	31 Dec 2025 RM'000	31 Dec 2024 RM'000
Settlements		296,161	88,028
Amounts due to holding company		364,790	246,492
Profit payable		62,057	70,802
Deferred income		21,055	18,673
Marginal deposit		16,291	11,912
Accrued expenses		80,111	63,862
Lease liabilities		22,847	22,625
Other creditors	(a)	120,920	94,304
Provision on financing and credit related commitments	(b)	38,943	28,000
		1,023,175	644,698

(a) Other creditors

Included in other creditors is income from Shariah non-compliant activities. The income is to be distributed to charity organisations approved by the Shariah Committee. There are four Shariah Non-Compliant events identified during the financial year (2024: One event).

Source and use of charity funds	31 Dec 2025 RM'000	31 Dec 2024 RM'000
Balance at 1 January	602	117
Shariah non-compliant income for the financial year ^[1]	2,954	612
Contribution to non-profit organisations ^[2]	(402)	(127)
Balance at 31 December	3,154	602

^[1] Income received from transactions in nostro accounts and from financing and advances.

^[2] Does not include fund refunded to customers of RM641,334 made during the financial year (2024: RM129,490).

(b) Refer to Note 14(ii) for movement in provision.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24 Share Capital and Other Equity

	31 Dec 2025		31 Dec 2024	
	Number of Shares ('000)	RM'000	Number of Shares ('000)	RM'000
Share capital, issued and fully paid				
<u>Ordinary shares of RM0.50 each</u>				
At 1 January / 31 December	100,000	660,000	100,000	660,000
Other equity ^[1]				
Additional Tier 1 USD Wakalah Financing Facility		501,063		501,063
Additional Tier 1 MYR Wakalah Financing Facility		495,000		–
Total share capital and other equity		1,656,063		1,161,063

[1] The Additional Tier 1 USD and MYR Wakalah Financing Facilities (the Facilities) were issued by the Bank to its immediate holding company, HSBC Bank Malaysia Berhad (HBMY).

The Facilities qualify as Additional Tier 1 capital of the Bank as per the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by Bank Negara Malaysia (BNM). The Facilities will be perpetual with no fixed maturity and may be callable at the option of the Bank after a period of five years, subject to prior approval from BNM. The expected returns generated from the Wakalah investments pursuant to the disbursement of the Facilities are payable on a semi-annual basis (at the full discretion of the Bank at all times). The Facilities have no step up features, or any other terms that may create an expectation that the option for prepayment will be exercised. The Facilities meet the requirements of equity classification as per MFRS 132 'Financial instruments: Presentation'.

Issuance date	Nominal value	Issuance cost	Dividend rate
19 August 2022	RM501.1 million	–	SOFR plus 137 basis points per annum
24 October 2025	RM500.0 million	RM5.0 million	3-month KLIBOR plus 68 basis points per annum

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

25 Reserves

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Non-distributable		
FVOCI Reserve	4,630	301
Own credit reserve ^[1]	2,190	(285)
Capital contribution reserve ^[2]	283	326
Regulatory reserves ^[3]	68,100	67,000
	75,203	67,342
Distributable		
Retained profits	1,857,463	2,165,334
	1,932,666	2,232,676

^[1] Changes in fair value relating to the Bank's own credit risk are recognised in other comprehensive income. This is arising from structured product.

^[2] The capital contribution reserve is maintained to record the amount relating to share options granted to employees of the Bank directly by HSBC Holdings plc.

^[3] The regulatory reserve is maintained in compliance with paragraph 10.9 of BNM's policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions issued on 29 April 2022, to maintain, in aggregate, expected credit losses for non-credit-impaired exposures and regulatory reserve of no less than 1.0% of total credit exposures, net of expected credit losses for credit-impaired exposures.

The regulatory reserve is debited against retained profits.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26 Income Derived from Investment of Depositors' Funds and Others

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Income derived from investment of:		
(i) Term deposit	499,032	543,521
(ii) Other deposits	371,021	357,181
	870,053	900,702
(i) Income derived from investment of term deposits		
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	376,001	436,839
- Recoveries from impaired financing	12,348	15,617
Financial investments at FVOCI	33,606	36,930
Money at call and deposit with financial institutions	70,047	54,732
Financial investments at amortised cost	47,278	32,689
	539,280	576,807
<u>Other operating income</u>		
Realised gain from dealing in foreign currency	34,269	25,936
Unrealised (loss)/gain from dealing in foreign currency	(8,672)	7,304
Realised gain on financial assets at FVTPL	-	18
Realised gain/(loss) from trading in derivatives	26,662	(1,074)
Gain on disposal of financial investments at FVOCI	1	-
Unrealised gain from trading in derivatives	8,544	7,088
Financing income from financial assets at FVTPL	26	1,251
Net expense from financial liabilities designated at FVTPL	(101,078)	(73,809)
	(40,248)	(33,286)
	499,032	543,521

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
(ii) Income derived from investment of other deposits		
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	232,464	252,751
- Recoveries from impaired financing	7,634	9,036
Financial investments at FVOCI	20,777	21,367
Money at call and deposit with financial institutions	43,307	31,667
Financial investments at amortised cost	29,230	18,914
	333,412	333,735
<u>Other operating income</u>		
Realised gain from dealing in foreign currency	21,187	15,006
Unrealised (loss)/gain from dealing in foreign currency	(5,361)	4,226
Realised gain on financial assets at FVTPL	-	10
Realised gain/(loss) from trading in derivatives	16,484	(621)
Unrealised gain from trading in derivatives	5,283	4,101
Financing income from financial assets at FVTPL	16	724
	37,609	23,446
	371,021	357,181

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

27 Income Derived from Investment of Shareholder's Funds

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
<u>Finance income:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	96,000	107,576
- Recoveries from impaired financing	3,153	3,846
Financial investments at FVOCI	8,580	9,094
Money at call and deposit with financial institutions	17,884	13,478
Financial investments at amortised cost	12,071	8,050
	137,688	142,044
<u>Other operating income</u>		
Fee commission ^[1]	116,118	101,010
Realised gain from dealing in foreign currency	8,750	6,388
Unrealised (loss)/gain from dealing in foreign currency	(2,214)	1,799
Realised gain on financial assets at FVTPL	-	4
Realised gain/(loss) from trading in derivatives	6,806	(264)
Unrealised gain from trading in derivatives	2,181	1,745
Financing income from financial assets at FVTPL	7	308
Shared-service fees from holding company	782	951
Other income	407	572
	132,837	112,513
	270,525	254,557

^[1] The above fees and commissions were derived from the following major contributors:

Service charges and fees	20,366	19,882
Credit cards	31,772	30,982
Credit facilities	10,322	11,354
Agency fee	29,820	30,561

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

28 ECL Written-back

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Net increase in ECL	41,873	28,003
Recoveries	(57,839)	(61,080)
Written off	3	40
Total ECL written-back	(15,963)	(33,037)

Breakdown of the ECL is disclosed by financial instruments type are as follow:

(i) Financing and advances

Net increase in ECL	31,007	32,455
Recoveries	(57,839)	(61,080)
Written off	3	40
Total ECL written-back	(26,829)	(28,585)

(ii) Money at call and interbank placements with original maturities of three months or less

Net increase/(release) in ECL	4	(30)
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(iii) Financing commitments

Net increase/(release) in ECL	10,971	(4,585)
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(iv) Financial investment at FVOCI

Net (release)/increase in ECL	(23)	88
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(v) Financial investments at amortised costs

Net (release)/increase in ECL	(86)	75
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29 Income Attributable to Depositors

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
<u>Non-Mudharabah Fund</u>		
- Deposits from customers	254,595	297,089
- Deposits and placements of banks and other financial institutions	87,864	67,572
- Lease liabilities	1,073	1,139
- Others	596	406
	344,128	366,206

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Operating Expenses

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Personnel expenses	40,437	38,235
Promotion and marketing related expenses	7,688	7,864
Establishment related expenses	14,808	26,474
General administrative expenses	28,738	26,307
Related company charges	198,435	200,318
	290,106	299,198
Personnel expenses		
Salaries, allowances and bonuses	31,259	30,117
Employees Provident Fund contributions	5,480	5,380
Share based payment	93	12
Other staff related costs	3,605	2,726
	40,437	38,235
Establishment related expenses		
Depreciation of equipment	1,572	1,859
Depreciation of ROU assets	6,144	17,460
Information technology costs	2,590	2,602
General repairs and maintenance	3,478	2,442
Utilities	933	1,019
Others	91	1,092
	14,808	26,474
General administrative expenses		
Auditors' remuneration		
- Statutory audit fees	177	173
- Regulatory related fees	57	56
- Non-audit fee	54	54
Professional fees ^[1]	2,263	1,521
Communication	1,312	1,244
Others	24,875	23,259
	28,738	26,307

^[1] Included in professional fees are fees paid to the Shariah Committee members of the Bank:

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Fees	650	637
Assoc. Prof. Dr. Ziyaad Mahomed	138	135
Dr. Aida binti Othman	95	102
Encik Aminuddin Abu Bakar	127	119
Dr. Mohamed Ashraf bin Mohamed Iqbal	94	92
Dr. Muhammad Syahmi bin Mohd Karim	102	98
Dato' Prof. Emeritus Dr. Ahmad Hidayat Buang	94	91

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 Operating Expenses (Cont'd)

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Related company charges	198,435	200,318
Of which by:		
(i) Type of service		
- Information technology related cost	42,331	49,423
- Non information technology related cost	156,104	150,895
(ii) Country/ territory		
- Malaysia	196,443	198,668
- Others	1,992	1,650

31 Tax Expense

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Malaysian income tax		
- Current year	132,440	127,500
- Prior year	(2,398)	(1,453)
Total current tax recognised in profit or loss	130,042	126,047
Deferred tax:		
Origination and reversal of temporary differences		
- Current year	(4,320)	212
Total deferred tax recognised in profit or loss	(4,320)	212
Total income tax expense	125,722	126,259

A numerical reconciliation between tax expense and the accounting profit multiplied by the applicable tax rate is as follows:

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Profit before tax	522,307	522,892
Income tax using Malaysian tax rate	125,354	125,494
Non-deductible expenses	2,766	2,236
Tax exempt income	-	(18)
Over provision in respect of prior years	(2,398)	(1,453)
Tax expense	125,722	126,259

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32 Earnings per share

The earnings per ordinary share have been calculated based on profit for the financial year and 100,000,000 (2024: 100,000,000) number of ordinary shares in issue during the financial year. The Bank has no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares.

33 Significant Related Party Transactions and Balances

For the purpose of these financial statements, parties are considered to be related to the Bank if:

- (i) the Bank has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial or operational decisions, or vice versa, or
- (ii) where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The related parties of the Bank comprise:

- (i) the Bank's immediate holding bank (hereinafter referred to as parent), and ultimate holding company;
- (ii) subsidiary and associated companies of the Bank's ultimate holding companies; and
- (iii) key management personnel who are defined as those person having authority and responsibility for planning, directing and controlling the activities of the Bank, either directly or indirectly. Key management personnel consist of all members of the Board of Directors and certain senior management of the Bank, including their close family members.
- (iv) Transactions, arrangements and agreements that are entered into by the Bank with companies that may be controlled/jointly controlled by the key management personnel of the Bank and their close family members.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Significant Related Party Transactions and Balances (Cont'd)

(a) The significant transactions and outstanding balances of the Bank with its related parties are as follows:

	31 Dec 2025			31 Dec 2024		
	Parent RM'000	Other related companies RM'000	Key management personnel RM'000	Parent RM'000	Other related companies RM'000	Key management personnel RM'000
<u>Income</u>						
Finance income on deposits and placements with banks and other financial institutions	12,130	–	–	7,117	–	–
Finance income from financing and advances	–	–	–	–	–	–
Fees and commission	4,022	1,412	–	2,317	1,684	–
Net trading income/(expense)	540,603	73,280	–	63,849	10,255	–
Other income	782	101	–	951	121	–
	557,537	74,793	–	74,234	12,060	–
<u>Expenditure</u>						
Profit attributable to deposits and placements from banks and other financial institutions	87,662	4,894	53	67,419	18,988	42
Fees and commission	–	2,190	–	–	1,151	–
Operating expenses	185,002	13,433	–	191,545	8,773	–
	272,664	20,517	53	258,964	28,912	42

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Significant Related Party Transactions and Balances (Cont'd)

(a) The significant transactions and outstanding balances of the Bank with its related parties are as follows (cont'd):

	31 Dec 2025			31 Dec 2024		
	Parent RM'000	Other related companies RM'000	Key management personnel RM'000	Parent RM'000	Other related companies RM'000	Key management personnel RM'000
<u>Amount due from</u>						
Deposits and placements with banks and other financial institutions (including cash and short term funds)	400,000	77,625	–	200,000	94,768	–
Financing and advances	–	–	73	–	–	59
Derivative financial assets	600,933	–	–	229,098	–	–
Other assets	17,805	96	–	1,443	107	–
	1,018,738	77,721	73	430,541	94,875	59
<u>Amount due to</u>						
Deposits and placements from banks and other financial institutions	2,906,924	276,125	–	2,327,508	182,480	–
Deposits from customers	–	–	1,244	–	–	1,180
Derivative financial liabilities	78,047	–	–	192,900	–	–
Other liabilities	427,183	6,495	–	294,994	3,918	–
	3,412,154	282,620	1,244	2,815,402	186,398	1,180

All transactions between the Bank and its related parties are made in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Significant Related Party Transactions and Balances (Cont'd)

(b) Key management personnel and other material risk takers' remuneration

i) The remuneration of CEO and Directors

The remuneration of the members of the Board of Directors/CEO of HSBC Amanah Malaysia Berhad, charged to the statements of profit or loss and other comprehensive income during the financial year are as follows:

2025

	Salaries and bonuses RM'000	Other short- term employee benefits RM'000	Shared- based payment RM'000	Fees RM'000	Total RM'000
Executive Directors					
Dato' Omar Siddiq bin Amin Noer Rashid	–	–	–	–	–
Non-Executive Directors					
Datin Che Teh Ija binti Mohd Jalil	–	–	–	244	244
Lim Tiang Siew	–	–	–	191	191
Datuk Md Arif bin Mahmood	–	–	–	169	169
Ng Ing Peng	–	–	–	176	176
	–	–	–	780	780
CEO					
Raja Amir Shah bin Raja Azwa	1,270	299	69	–	1,638
	1,270	299	69	–	1,638

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Significant Related Party Transactions and Balances (Cont'd)

(b) Key management personnel and other material risk takers' remuneration (Cont'd)

i) The remuneration of CEO and Directors (Cont'd)

2024

	Salaries and bonuses RM'000	Other short- term employee benefits RM'000	Shared- based payment RM'000	Fees RM'000	Total RM'000
Executive Directors					
Dato' Omar Siddiq bin Amin Noer Rashid	–	–	–	–	–
Non-Executive Directors					
Datin Che Teh Ija binti Mohd Jalil	–	–	–	233	233
Lim Tiang Siew	–	–	–	178	178
Datuk Md Arif bin Mahmood	–	–	–	160	160
Ng Ing Peng	–	–	–	166	166
	–	–	–	737	737
CEO					
Raja Amir Shah bin Raja Azwa	1,233	294	32	–	1,559
	1,233	294	32	–	1,559

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 Significant Related Party Transactions and Balances (Cont'd)

(b) Key management personnel and other material risk takers' remuneration (Cont'd)

ii) The remuneration of senior management and other material risk takers

Senior management consists of certain Executive Committee (EXCO) members for the Bank.

Other material risk taker refers to an employee who is not a member of the EXCO but falls under the Bank's material risk taker definition, and shall include:

- (i) officer who can materially commit or control significant amounts of the Bank's resources or whose actions are likely to have a significant impact on its risk profile; or
- (ii) officer who is among the most highly remunerated officers in the Bank.

The Bank does not have any other material risk takers as at 31 December 2025 and 31 December 2024.

Total Remuneration

Senior Management	31 Dec 2025		31 Dec 2024	
	Unrestricted RM'000	Deferred RM'000	Unrestricted RM'000	Deferred RM'000
<u>Fixed remuneration</u>				
Cash	3,193	–	3,483	–
<u>Variable remuneration</u>				
Cash	1,759	–	1,898	–
Shares and share-linked instruments	–	143	–	140
	1,759	143	1,898	140
Total Senior Management's Remuneration	4,952	143	5,381	140

Number of officers having received a variable remuneration during the financial year: 10 (2024: 9).

Other than the above, no senior management nor other material risk takers received any guaranteed bonuses, sign-on awards and severance payments.

Deferred Remuneration

Senior Management	31 Dec 2025 RM'000	31 Dec 2024 RM'000
<u>Outstanding deferred remuneration</u>		
Cash	–	–
Shares and share-linked instruments	377	253
	377	253
Deferred remuneration paid out	130	113

Total amount of outstanding deferred and retained remuneration exposed to ex-post explicit and implicit adjustments as at 31 December 2025 for senior management is RM614,000 (2024: RM427,000).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34 Credit exposure to connected parties

The credit exposures of the Bank to connected parties, as defined by Bank Negara Malaysia's Guidelines on Credit Transactions and Exposures with Connected Parties' are as follows:

	31 Dec 2025 RM'000	31 Dec 2024 RM'000
Aggregate value of outstanding credit exposures to connected parties	231,171	579,139
As a percentage of total credit exposures	<u>0.8%</u>	<u>2.3%</u>

35 Capital Adequacy

	31 Dec 2025 RM'000	31 Dec 2024 RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up ordinary share capital	660,000	660,000
Retained profits	1,857,463	2,165,334
Other reserves	75,203	67,342
Regulatory adjustments	<u>(114,880)</u>	<u>(106,472)</u>
Total CET1 capital	2,477,786	2,786,204
Tier 1 capital		
Additional Tier 1 capital	<u>996,063</u>	501,063
Total Tier 1 capital	<u>3,473,849</u>	<u>3,287,267</u>
Tier 2 capital		
General provisions	<u>160,355</u>	169,599
Total Tier 2 capital	<u>160,355</u>	169,599
Capital base	<u>3,634,204</u>	<u>3,456,866</u>
<u>Before deducting proposed dividend</u>		
CET1 Capital Ratio	17.889%	18.582%
Tier 1 Capital Ratio	25.081%	21.923%
Total Capital Ratio	26.239%	23.055%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 Capital Adequacy (Cont'd)

	31 Dec 2025	31 Dec 2024
<u>After deducting proposed dividend</u>		
CET1 Capital Ratio	17.427%	17.788%
Tier 1 Capital Ratio	24.619%	21.130%
Total Capital Ratio	25.777%	22.261%

The total capital and capital adequacy ratios have been computed in accordance with the BNM's Capital Adequacy Framework for Islamic Banks related to Capital Components and Risk-Weighted Assets. HBMS has adopted Standardised Approach for Credit Risk and Market Risk, and Operational Risk. With effect from 1 January 2025, the RWA for Operational Risk has been computed based on the Capital Adequacy Framework (Operational Risk) issued on 15 December 2023, in line with Basel III standards (2024: Basic Indicator Approach for Operational Risk, under Basel II).

Breakdown of RWA in the various categories of risk weights:

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Total RWA for credit risk	12,828,362	13,567,959
Total RWA for market risk	61,261	94,899
Total RWA for operational risk	960,931	1,331,441
	<u>13,850,554</u>	<u>14,994,299</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36 Commitments and Contingencies

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

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

	31 Dec 2025	31 Dec 2024
Principal amount	RM'000	RM'000
Direct credit substitutes	17,583	31,514
Transaction-related contingent items	1,943,537	1,840,490
Short-term self-liquidating trade-related contingencies	53,913	156,730
Formal standby facilities and credit lines		
- Maturity not exceeding one year	1,162,283	1,310,260
- Maturity exceeding one year	4,204,036	3,617,525
Other unconditionally cancellable commitments	3,428,525	3,390,370
Unutilised credit card lines	3,178,277	3,288,730
Equity related contracts		
- Less than one year	333,974	535,865
- One year to less than five years	963,951	774,988
Profit rate related contracts		
- Less than one year	790,097	863,110
- One year to less than five years	377,785	691,996
- Over five years	429,200	–
Foreign exchange related contracts		
- Less than one year	32,230,066	28,217,338
- One year to less than five years	83,656	103,886
- Over five years	–	118,914
	49,196,883	44,941,716

37 Securities Under Reverse Sell and Buy Back Agreement

In the normal course of business, Bank sells assets to raise liabilities and accept assets for resale. During the year, assets and collateral accepted were mainly from reverse sell and buy back agreements.

	31 Dec 2025	31 Dec 2024
	RM'000	RM'000
Fair value of assets and collateral accepted		
- Securities bought under reverse sell and buy back agreement	307,650	–

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

38 Equity-based compensation

The Bank participated in the following equity settled share compensation plans operated by the HSBC Group for the acquisition of HSBC Holdings plc shares.

HSBC Share Plan and Share Match Schemes

The HSBC Share Plan is intended to align the interests of executives with those of shareholders by linking executive awards to the creation of superior shareholder value. This is achieved by focusing on predetermined targets. An assessment of performance over the relevant period ending on 31 December is used to determine the amount of the award to be granted. Deferred awards generally require employees to remain in employment over the vesting period and are not subject to performance conditions after the grant date. Deferred share awards generally vest over a period of three years or more. Vested shares may be subject to a retention requirement (restriction) post-vesting. The cost of the conditional awards is recognised by reference to the fair value of equity instruments at the start of the financial year the award relates to each of the respective vesting date and recognised as an expense on a straight-line basis.

The Share Match Schemes was first introduced in Malaysia in 2014. Eligible HSBC employees will acquire HSBC Holdings ordinary shares. Shares are purchased in the market each quarter up to a maximum value of £750 or the equivalent in local currency over a period of one year. Matching awards are added at a ratio of one free share for every three purchased. Matching awards vest subject to continued employment and the retention of the purchased shares for a maximum period of two years and nine months.

	31 Dec 2025	31 Dec 2024
	Number	Number
	('000)	('000)
Balance at 1 January	6	11
Granted in the financial year	2	4
Released in the financial year	(2)	(4)
Cancelled in the financial year	(1)	(1)
Transferred out in the financial year	(1)	(4)
Balance at 31 December	4	6
Compensation cost recognised during the financial year	93	12

The weighted average purchase price for all shares purchased by HSBC for awards under the HSBC Share Plan and the Share Match Schemes is £7.49 (2024: £5.36). The weighted average fair value of the HSBC share at 31 December 2025 was £6.33 (2024: £5.31). The weighted average remaining vesting period as at 31 December 2025 for shares granted during the financial year was 0.94 years (2024: 1.05 years).