

HSBC AMANAH MALAYSIA BERHAD
(Company No. 200801006421 (807705-X))
(Incorporated in Malaysia)
Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures
As at 30 June 2025

CHIEF EXECUTIVE OFFICER'S ATTESTATION

I, Raja Amir Shah bin Raja Azwa, being the Chief Executive Officer of HSBC Amanah Malaysia Berhad, do hereby state that, in my opinion, the Pillar 3 Interim Disclosures set out on pages 2 to 24 have been prepared according to the Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), and are accurate and complete.

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RAJA AMIR SHAH BIN RAJA AZWA

Chief Executive Officer
17 July 2025

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures

The Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures at 30 June 2025 do not include all of the information required for full (Basel II) Pillar 3 Disclosures, and should be read in conjunction with the unaudited condensed interim financial statements of HSBC Amanah Malaysia Berhad (the Bank) for the financial period ended 30 June 2025 as well as its audited financial statements for the year ended 31 December 2024 and the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures as at 31 December 2024.

The tables attached in the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures provide an understanding of the quantitative changes relating to Pillar 3 Disclosures of the Bank since the financial year ended 31 December 2024. There are no material changes relating to qualitative disclosures during the interim reporting period.

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 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 capital or liquidity levels.

Stress testing and scenario analysis form an integral part of Internal Capital Adequacy Assessment Process (ICAAP) to demonstrate that the Bank's capital position remains sufficient to sustain operations during an economic downturn.

Governance

The Stress Test Working Group (STWG) will actively manage and drive cohesion and consistency across all stress testing activities, including the execution of enterprise wide stress tests and enhancements to stress testing and data capability. Stress test results and the proposed mitigating actions will be recommended by Risk Management Meeting (RMM) or Executive Committee (EXCO) and Risk Committee (RC) to the Board for approval.

Capital structure

The Bank's regulatory capital comprises of 2 categories - Tier 1 and Tier 2.

- Tier 1 capital^[1] is divided into Common Equity Tier 1 (CET1) Capital and Additional Tier 1 (AT1) Capital. CET1 Capital includes ordinary share capital^[2], retained earnings, reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes, while AT1 Capital includes Wakalah Financing Facility.
- Tier 2 capital^[1], which includes impairment allowances equal to 12-months and lifetime expected credit losses for non-credit impaired financing (commonly known as Stage 1 and 2 provisions) and regulatory reserve.

Refer to Note 33 of the unaudited condensed interim financial statements as at 30 June 2025 for the total capital ratio and Tier 1 capital ratio, and risk weighted assets for credit risk, market risk and operational risk.

^[1] Refer to Note 33 of the unaudited condensed interim financial statements as 30 June 2025 for the amount and breakdown of capital components.

^[2] Refer to Note 26 of the unaudited condensed interim financial statements as at 30 June 2025 for further details on ordinary share capital. All ordinary shares in issue confer identical rights in respect of capital, dividends and voting.

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

1) RWA and Capital Requirement

The table below discloses the gross and net exposures, RWA and capital requirements for credit risk, market risk and operational risk of the Bank at reporting date.

30 Jun 2025

(RM'000)

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	8,834,267	8,834,267	299,088	23,927
PSEs	829,379	412,586	158,332	12,667
Banks, DFIs & MDBs	635,105	516,848	104,349	8,348
Corporates	6,542,373	6,459,546	6,126,512	490,121
Regulatory Retail	2,020,571	2,012,126	1,586,330	126,906
House Financing	3,653,800	3,653,800	1,383,406	110,672
Higher Risk Assets	2,634	2,476	3,713	297
Other Assets	162,710	162,710	60,652	4,852
Securitisation Exposure	300,709	300,709	225,532	18,043
Defaulted Exposures	255,355	254,949	299,329	23,946
Total for On-Balance Sheet Exposures	23,236,903	22,610,017	10,247,243	819,779
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	1,405,448	386,902	133,088	10,647
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,689,397	3,584,212	2,514,157	201,133
Defaulted Exposures	5,524	5,524	8,108	649
Total for Off-Balance Sheet Exposures	5,100,369	3,976,638	2,655,353	212,429
Total On and Off-Balance Sheet Exposures ^[1]	28,337,272	26,586,655	12,902,596	1,032,208
Market Risk (Standardised Approach)				
	<u>Long position</u>	<u>Short position</u>		
Profit Rate Risk	1,694,138	3,466,065	(1,771,927)	73,726
Foreign Currency Risk	4,522	1,373	4,522	362
	1,698,660	3,467,438	(1,767,405)	78,248
Operational Risk (Standardised Approach)	-	-	-	943,581
Total RWA and Capital Requirement	-	-	-	13,924,425
				1,113,954

^[1] The variance between Gross Exposures and Net Exposures represents the 'Total On and Off-Balance Sheet Exposures covered by Eligible Collateral'. Refer to Note (3) (ii) Credit risk mitigation (CRM) within this disclosure document.

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

1) RWA and Capital Requirement (Cont'd)

31 Dec 2024

(RM'000)

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	6,576,216	6,576,216	250,292	20,023
PSEs	641,935	641,935	210,553	16,844
Banks, DFIs & MDBs	913,317	913,317	367,358	29,389
Corporates	7,241,183	7,170,792	6,591,643	527,331
Regulatory Retail	2,080,617	2,072,270	1,634,396	130,752
House Financing	3,612,240	3,612,240	1,347,803	107,824
Higher Risk Assets	2,700	2,546	3,818	305
Other Assets	132,406	132,406	48,430	3,874
Securitisation Exposure	206,143	206,143	154,607	12,369
Defaulted Exposures	265,096	264,996	292,274	23,382
Total for On-Balance Sheet Exposures	21,671,853	21,592,861	10,901,174	872,093
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	893,926	366,275	120,403	9,632
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,705,593	3,594,983	2,537,787	203,023
Defaulted Exposures	6,073	6,073	8,595	688
Total for Off-Balance Sheet Exposures	4,605,592	3,967,331	2,666,785	213,343
Total On and Off-Balance Sheet Exposures ^[1]	26,277,445	25,560,192	13,567,959	1,085,436
Market Risk (Standardised Approach)				
	<u>Long position</u>	<u>Short position</u>		
Profit Rate Risk	1,807,029	3,471,020	(1,663,991)	92,850
Foreign Currency Risk	2,049	880	2,049	164
	1,809,078	3,471,900	(1,661,942)	94,899
Operational Risk (Basic Indicator Approach)				
	-	-	-	1,331,441
Total RWA and Capital Requirement	-	-	-	14,994,299
				1,199,543

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

OTC - Over the counter

^[1] The variance between Gross Exposures and Net Exposures represents the 'Total On and Off-Balance Sheet Exposures covered by Eligible Collateral'. Refer to Note (3) (ii) CRM within this disclosure document.

Refer to Note 33 of the unaudited condensed interim financial statements as at 30 June 2025 for disclosure on RWA breakdown by various risk categories.

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

2) Risk Weight Profile and RWA

The tables below are disclosures on risk weights profile and RWA for credit risk of the Bank at reporting date.

30 Jun 2025

(RM'000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, DFIs & MDBs	Corporates	Regulatory Retail	House Financing	Higher Risk Assets	Other Assets	Securitisation		
0%	7,338,829	-	-	49,683	10,899	-	-	102,059	-	7,501,470	-
20%	1,495,438	738,559	556,351	650,637	-	-	-	-	-	3,440,985	688,197
35%	-	-	-	-	-	3,682,346	-	-	-	3,682,346	1,288,821
50%	-	80,716	105,783	266,113	6,184	333,926	-	-	-	792,722	396,361
75%	-	-	-	-	2,370,012	101,889	-	-	300,709	2,772,610	2,079,458
100%	-	138,862	-	7,522,182	370,608	197,745	-	60,652	-	8,290,049	8,290,049
150%	-	-	-	99	85,422	17,023	3,929	-	-	106,473	159,710
Total										26,586,655	12,902,596
Average Risk Weight	3%	34%	25%	92%	80%	41%	150%	37%	75%	49%	

31 Dec 2024

(RM'000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, DFIs & MDBs	Corporates	Regulatory Retail	House Financing	Higher Risk Assets	Other Assets	Securitisation		
0%	5,344,757	-	-	51,874	12,484	-	-	83,976	-	5,493,091	-
20%	1,251,460	865,443	401,391	715,975	-	-	-	-	-	3,234,269	646,854
35%	-	-	-	-	-	3,642,234	-	-	-	3,642,234	1,274,782
50%	-	90,666	705,211	613,919	9,485	372,851	-	-	-	1,792,132	896,066
75%	-	-	-	-	2,426,343	113,828	-	-	206,143	2,746,314	2,059,736
100%	-	149,617	-	7,805,941	418,668	152,759	-	48,430	-	8,575,415	8,575,415
150%	-	-	-	16,540	34,989	21,163	4,045	-	-	76,737	115,106
Total										25,560,192	13,567,959
Average Risk Weight	4%	33%	37%	90%	79%	40%	150%	37%	75%	53%	

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

3) Credit Risk

Table 1: Geographical distribution of financing and advances breakdown by type

		30 Jun 2025				
RM'000		Northern	Southern	Central	Eastern	Total
Cash line-i		21,985	21,053	35,568	-	78,606
Term financing						
House financing		434,276	372,802	2,803,641	85,808	3,696,527
Syndicated term financing		25,243	-	741,485	-	766,728
Hire purchase receivables		26,454	66,166	23,319	11,756	127,695
Other term financing		240,790	409,765	2,990,892	93,182	3,734,629
Bills receivables		131,136	292,722	349,857	-	773,715
Trust receipts		68,004	28,458	674,709	-	771,171
Staff financing-i		243	-	627	-	870
Credit cards-i		214,342	208,318	746,267	48,326	1,217,253
Revolving financing		146,106	222,309	1,274,364	-	1,642,779
Other financing		375	310	2,036	53	2,774
		1,308,954	1,621,903	9,642,765	239,125	12,812,747

		31 Dec 2024				
RM'000		Northern	Southern	Central	Eastern	Total
Cash line-i		20,326	18,427	31,071	-	69,824
Term financing						
House financing		438,384	384,093	2,757,304	89,092	3,668,873
Syndicated term financing		28,853	-	1,306,523	-	1,335,376
Hire purchase receivables		36,302	62,472	24,072	14,880	137,726
Other term financing		256,456	573,000	3,085,594	105,369	4,020,419
Bills receivables		128,901	325,844	829,498	137	1,284,380
Trust receipts		49,971	9,051	553,745	-	612,767
Claims on customers under acceptance credits		25,189	13,391	38,311	414	77,305
Staff financing-i		262	-	663	-	925
Credit cards-i		216,565	207,270	757,519	50,257	1,231,611
Revolving financing		64,465	314,854	1,556,541	-	1,935,860
Other financing		247	303	2,141	11	2,702
		1,265,921	1,908,705	10,942,982	260,160	14,377,768

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

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

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

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

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

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

3) Credit Risk (Cont'd)

Table 2: Geographical distribution of impaired financing and advances breakdown by type

	30 Jun 2025				
RM'000	Northern	Southern	Central	Eastern	Total
Cash line-i	4,484	-	1,081	-	5,565
Term financing					
House financing	17,781	21,018	146,513	2,028	187,340
Other term financing	4,435	2,761	64,237	349	71,782
Bills receivables	-	-	2,908	-	2,908
Trust receipts	-	-	242	-	242
Credit cards-i	1,439	1,213	3,584	496	6,732
Revolving credit	-	-	53,709	-	53,709
Other financing	274	229	1,651	48	2,202
	28,413	25,221	273,925	2,921	330,480

	31 Dec 2024				
RM'000	Northern	Southern	Central	Eastern	Total
Cash line-i	-	1	1,806	-	1,807
Term financing					
House financing	21,993	32,197	176,045	3,437	233,672
Other term financing	4,160	4,663	176,432	2,102	187,357
Bills receivables	-	-	10,670	-	10,670
Trust receipts	-	-	9,858	-	9,858
Credit cards-i	1,145	1,662	3,886	808	7,501
Revolving credit	-	-	56,826	-	56,826
Other financing	192	218	1,870	8	2,288
	27,490	38,741	437,393	6,355	509,979

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

3) Credit Risk (Cont'd)

Table 3: Residual contractual maturity of financing and advances breakdown by type

		30 Jun 2025				
		Maturing within one year	More than one year to three years	More than three years to five years	More than five years	Total
RM'000						
	Cash line-i	78,606	-	-	-	78,606
	Term financing					
	House financing	22,017	9,473	19,855	3,645,182	3,696,527
	Syndicated term financing	577,192	74,213	9,630	105,693	766,728
	Hire purchase receivables	7,950	71,170	48,575	-	127,695
	Other term financing	383,504	1,040,789	1,128,889	1,181,447	3,734,629
	Bills receivables	760,160	13,555	-	-	773,715
	Trust receipts	761,414	-	9,757	-	771,171
	Staff financing-i	-	51	488	331	870
	Credit cards-i	1,217,253	-	-	-	1,217,253
	Revolving financing	1,642,779	-	-	-	1,642,779
	Other financing	2,774	-	-	-	2,774
		5,453,649	1,209,251	1,217,194	4,932,653	12,812,747

		31 Dec 2024			
RM'000	Maturing within one year	More than one year to three years	More than three years to five years	More than five years	Total
Cash line-i	69,824	-	-	-	69,824
Term financing					
House financing	22,107	9,278	18,792	3,618,696	3,668,873
Syndicated term financing	921,183	305,615	-	108,578	1,335,376
Hire purchase receivables	9,804	77,273	50,649	-	137,726
Other term financing	601,240	984,032	1,329,843	1,105,304	4,020,419
Bills receivables	1,284,380	-	-	-	1,284,380
Trust receipts	612,767	-	-	-	612,767
Claims on customers under acceptance credits	77,305	-	-	-	77,305
Staff financing-i	12	121	181	611	925
Credit cards-i	1,231,611	-	-	-	1,231,611
Revolving financing	1,935,860	-	-	-	1,935,860
Other financing	2,702	-	-	-	2,702
	6,768,795	1,376,319	1,399,465	4,833,189	14,377,768

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

3) Credit Risk (Cont'd)

Table 4: Distribution of financing and advances by sector, breakdown by type

30 Jun 2025												
RM'000												
Cash line-i	House financing	Syndicated term financing	Hire purchase receivables	Other term financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff financing-i	Credit cards-i	Revolving financing	Other financing	Total
Agricultural, hunting, forestry and fishing	-	-	983	-	-	-	-	-	-	-	-	983
Mining and quarrying	1,119	-	-	3	19,004	-	-	-	-	106,770	-	126,896
Manufacturing	19,818	-	83,841	59,509	480,523	487,069	96,131	-	-	122,293	-	1,349,184
Electricity, gas and water	-	-	-	138,852	-	-	-	-	-	85,649	-	224,501
Construction	23,417	-	227,151	260	210,171	96,751	1,542	-	-	265,940	6	825,238
Real estate	-	-	350,043	-	830,096	-	-	-	-	122,822	-	1,302,961
Wholesale & retail trade and restaurants & hotels	6,860	-	-	8,764	126,267	129,847	552,099	-	-	75,350	-	899,187
Transport, storage and communication	923	-	-	29,331	123,579	12,736	7,925	-	-	85,019	38	259,551
Finance, takaful and business services	14,638	-	-	100	336,650	1,147	-	-	-	355,382	-	707,917
Household-retail	7	3,696,527	-	-	898,809	8	-	870	1,217,253	-	2,730	5,816,204
Others	11,824	-	105,693	28,748	589,679	27,153	113,474	-	-	423,554	-	1,300,125
	78,606	3,696,527	766,728	127,695	3,734,629	773,715	771,171	-	870	1,217,253	1,642,779	12,812,747

31 Dec 2024												
RM'000												
Cash line-i	House financing	Syndicated term financing	Hire purchase receivables	Other term financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff financing-i	Credit cards-i	Revolving financing	Other financing	Total
Agricultural, hunting, forestry and fishing	1	-	1,247	2,360	-	-	-	-	-	-	-	3,608
Mining and quarrying	1,550	-	-	4	19,792	-	1,961	-	-	113,074	-	136,381
Manufacturing	15,060	-	97,101	739,590	513,177	41,745	28,356	-	-	99,438	-	1,604,991
Electricity, gas and water	-	-	-	3,817	-	-	-	-	-	92,568	-	96,385
Construction	12,640	-	208,515	267,314	113,416	9,856	4,887	-	-	210,218	-	827,206
Real estate	-	-	350,042	829,540	-	-	-	-	-	40,727	-	1,220,309
Wholesale & retail trade and restaurants & hotels	11,753	-	-	126,051	242,826	435,559	41,420	-	-	152,604	-	1,020,830
Transport, storage and communication	4,100	-	-	134,793	14,390	21,256	292	-	-	92,112	20	304,321
Finance, takaful and business services	12,803	-	-	327,694	122	-	389	-	-	684,194	-	1,025,609
Household-retail	2	3,668,873	-	934,546	-	-	-	925	1,231,611	-	2,682	5,838,639
Others	11,915	-	679,718	654,710	380,657	104,351	-	-	-	450,925	-	2,299,489
	69,824	3,668,873	1,335,376	4,020,419	1,284,380	612,767	77,305	925	1,231,611	1,935,860	2,702	14,377,768

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

(f) Risk management (Cont'd)

3) Credit Risk (Cont'd)

Table 5: Distribution of impaired financing and advances by sector, breakdown by type

30 Jun 2025								
RM'000								
Cash line-i	House financing	Other term financing	Bills receivables	Trust receipts	Credit cards-i	Revolving financing	Other financing	Total
Electricity, gas and water	-	-	-	-	-	53,709	-	53,709
Construction	951	-	263	-	-	-	4	1,218
Wholesale & retail trade and restaurants & hotels	-	-	3,717	2,094	242	-	-	6,053
Transport, storage and communication	-	-	414	814	-	-	38	1,266
Finance, takaful and business services	4,614	-	599	-	-	-	-	5,213
Household-retail	-	187,340	66,789	-	-	6,732	2,160	263,021
	5,565	187,340	71,782	2,908	242	6,732	2,202	330,480

31 Dec 2024								
RM'000								
Cash line-i	House financing	Other term financing	Bills receivables	Trust receipts	Credit cards-i	Revolving financing	Other financing	Total
Agricultural, hunting, forestry and fishing	4	-	-	-	-	-	-	4
Electricity, gas and water	159	-	-	-	-	56,826	-	56,985
Construction	1,644	-	944	6,695	9,858	-	-	19,141
Wholesale & retail trade and restaurants & hotels	-	-	-	1,791	-	-	-	1,791
Transport, storage and communication	-	-	1,878	2,184	-	-	15	4,077
Household-retail	-	233,672	184,535	-	-	7,501	2,273	427,981
	1,807	233,672	187,357	10,670	9,858	7,501	2,288	509,979

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

3) Credit Risk (Cont'd)

Table 6: All past due financing and advances breakdown by sector ^[1]

	30 Jun 2025	31 Dec 2024
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	-	1
Manufacturing	7,842	6,968
Electricity, gas and water	53,709	56,554
Construction	3,283	4,383
Real estate	1,142	253
Wholesale & retail trade and restaurants & hotels	2,540	3,082
Transport, storage and communication	38	1,893
Finance, takaful and business services	5,495	427
Household-retail	510,002	535,984
Others	-	517
	584,051	610,062

Table 7: All past due financing and advances breakdown by geographical location ^[1]

	30 Jun 2025	31 Dec 2024
	RM'000	RM'000
Northern region	63,936	57,608
Southern region	70,664	74,976
Central region	433,251	464,345
Eastern region	16,200	13,133
	584,051	610,062

^[1] of which the portion of impaired financing and advances breakdown by sector and geographical location is disclosed in Note 17 (iii) and 17 (v) of the unaudited condensed interim financial statement as at 30 June 2025 respectively.

Table 8: Impairment allowance breakdown by sector

	30 Jun 2025	31 Dec 2024
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	6	32
Mining and quarrying	60	39
Manufacturing	4,810	6,482
Electricity, gas and water	53,879	56,989
Construction	3,050	3,689
Real estate	1,492	1,733
Wholesale & retail trade and restaurants & hotels	5,610	4,977
Transport, storage and communication	1,178	2,427
Finance, takaful and business services	2,021	456
Household-retail	181,826	188,266
Others	1,149	1,185
	255,081	266,275

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

3) Credit Risk (Cont'd)

Table 9: Impairment allowance breakdown by geographical location

	30 Jun 2025	31 Dec 2024
	RM'000	RM'000
Northern region	23,884	22,107
Southern region	26,345	28,112
Central region	198,759	209,292
Eastern region	6,093	6,764
	255,081	266,275

The breakdown of financing impairment allowance during the period is disclosed in Note 18 (i) of the unaudited condensed interim financial statements as at 30 June 2025.

Table 10: Net impairment allowance in profit or loss for the period breakdown by sector

<i>(Releases) / Charges</i>	30 Jun 2025	30 Jun 2024
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	(26)	(13)
Mining and quarrying	23	(40)
Manufacturing	(1,673)	(1,655)
Electricity, gas and water	167	(120)
Construction	(638)	952
Real estate	(241)	(734)
Wholesale & retail trade and restaurants & hotels	634	189
Transport, storage and communication	(1,245)	(363)
Finance, insurance/takaful and business services	123	(615)
Household-retail	11,585	(9,345)
Others	(28)	(460)
	8,681	(12,204)

The breakdown of financing net impairment allowance during the period is disclosed in Note 29 (i) of the unaudited condensed interim financial statements as at 30 June 2025.

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

3) Credit Risk (Cont'd)

i) External Credit Assessment Institutions (ECAIs)

The standardised approach requires banks to use risk assessments prepared by ECAIs to determine the risk weightings applied to rated counterparties.

ECAIs are used by the Bank as part of the determination of risk weightings for the following classes of exposure:

- Sovereigns and Central Banks
- Multilateral development banks
- Public sector entities
- Corporates
- Banks

For the purpose of Pillar 3 reporting to BNM, the Bank uses the external credit ratings from the following ECAIs:

- Standard & Poor's Rating Services (S&P)
- Moody's Investors Services (Moody's)
- Fitch Ratings (Fitch)
- RAM Rating Services Berhad (RAM)
- Malaysian Rating Corporation Berhad (MARC)

Data files of external ratings from the nominated ECAIs are matched with the customer records in the Bank's centralised credit database. When calculating the risk-weighted value of any exposure under the standardised approach, the customer in question is identified and matched to a rating, according to BNM's selection rules. The relevant risk weight is then derived using BNM's detailed risk weights and rating categories. All other exposure classes are assigned risk weightings as detailed in BNM Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets).

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

Below are the summary tables of long and short term ratings governing the high level assignment of risk weights under the standardised approach:

Long Term Rating Category		1	2	3	4	5	6	7
Rating Agency	S & P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ and below	Unrated
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	B1 to B3	Caa1 and below	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ and below	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to BB3	B1 to B3	C1 and below	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	C+ and below	Unrated

Short Term Rating Category		1	2	3	4	5
Rating Agency	S & P	A-1	A-2	A-3	Others	Unrated
	Moody's	P-1	P-2	P-3	Others	Unrated
	Fitch	F1+,F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated

Risk Weights Based on Credit Rating of the Counterparty Exposure Class						
Rating Category	Long Term Rating					Short Term Rating
	Sovereigns and Central Banks	Corporates	Banking Institutions			
			Risk weight (original maturity greater than 6 months)	Risk weight (original maturity of 6 months or less)	Risk weight (original maturity of 3 months or less)	
1	0%	20%	20%	20%	20%	20%
2	20%	50%	50%	20%	20%	50%
3	50%	100%	50%	20%	20%	100%
4	100%	100%	100%	50%	20%	150%
5	100%	150%	100%	50%	20%	N/A
6	150%	150%	150%	150%	20%	N/A
7	100%	100%	50%	20%	20%	N/A

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

The rated and unrated exposures according to ratings by ECAIs at reporting date are as follows:

30 Jun 2025

RM '000

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
<u>On and Off Balance Sheet Exposures</u>								
(i) Total rated exposures								
Sovereigns & Central Banks								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	6,940,690	1,495,438	-	-	-	-		8,436,128
PSEs								
- Exposures risk-weighted using ratings of Corporates	480,713	-	276,482	-	-	-		757,195
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	1,060,773	35,858	-	-	-	-		1,096,631
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	13,234	-	-	-	-	-		13,234
- Exposures risk-weighted using ratings of Corporates	651,111	342,549	-	-	-	-		993,660
	9,146,521	1,873,845	276,482	-	-	-		11,296,848
(ii) Total unrated exposures								
							16,101,248	16,101,248
Total Long Term Exposure								
	9,146,521	1,873,845	276,482	-	-	-	16,101,248	27,398,096

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

30 Jun 2025

RM '000

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
<u>On and Off Balance Sheet Exposures</u>						
(i) Total rated exposures						
Sovereigns & Central Banks						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	398,140	-	-		398,140
PSEs						
- Exposures risk-weighted using ratings of Corporates	17,021	-	-	-		17,021
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	503,862	-	-	-		503,862
Corporates						
- Exposures risk-weighted using ratings of Corporates	20,153	-	-	-		20,153
	541,036	398,140	-	-	-	939,176
(ii) Total unrated exposures						
					-	-
Total Short Term Exposures						
	541,036	398,140	-	-	-	939,176
Total Long Term and Short Term Exposures:						
						28,337,272

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2024

RM '000

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
<u>On and Off Balance Sheet Exposures</u>								
(i) Total rated exposures								
Sovereigns & Central Banks								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	4,753,586	1,251,460	-	-	-	-		6,005,046
PSEs								
- Exposures risk-weighted using ratings of Corporates	470,390	-	-	-	-	-		470,390
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	627,348	616,891	-	-	-	-		1,244,239
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	14,891	-	-	-	-	-		14,891
- Exposures risk-weighted using ratings of Corporates	664,868	262,959	-	-	-	-		927,827
	6,531,083	2,131,310	-	-	-	-		8,662,393
(ii) Total unrated exposures							16,282,022	16,282,022
Total Long Term Exposures	6,531,083	2,131,310	-	-	-	-	16,282,022	24,944,415

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2024

RM '000

Exposure Class	Short Term Rating Category					
	1	2	3	4	5	Total
<u>On and Off Balance Sheet Exposures</u>						
(i) Total rated exposures						
Sovereigns & Central Banks						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	591,171	-	-		591,171
PSEs						
- Exposures risk-weighted using ratings of Corporates	28,157	-	-	-		28,157
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	293,796	1,654	112	-		295,562
Corporates						
- Exposures risk-weighted using ratings of Corporates	418,140	-	-	-		418,140
	740,093	592,825	112	-	-	1,333,030
(ii) Total unrated exposures						
					-	-
Total Short Term Exposures	740,093	592,825	112	-	-	1,333,030
Total Long Term and Short Term Exposures						
						26,277,445

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

3) Credit Risk (Cont'd)

ii) Credit Risk Mitigation (CRM)

Financial assets and financial 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 there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The Bank's policy when granting credit facilities is on the basis of the customer's capacity to repay, rather than placing primary reliance on credit risk mitigants. Depending on the customer's standing and the type of product, facilities may be provided unsecured. Mitigation of credit risk is nevertheless a key aspect of effective risk management in the Bank, and takes many forms.

The Bank's general policy is to promote the use of credit risk mitigants, justified by commercial prudence and good practice as well as capital efficiency. Specific, detailed policies cover acceptability, structuring and terms of various types of business with regard to the availability of credit risk mitigants, for example in the form of collateral security, and these policies, together with the determination of suitable valuation parameters, are subject to regular review to ensure that they are supported by empirical evidence and continue to fulfil their intended purpose.

The most common method of mitigating credit risk is to take collateral. The principal collateral types employed by the Bank are as follows:

- under the residential and real estate business, the financed property will be taken as collateral;
- under the Retail Wealth Portfolio Financing-i, liquid marketable securities are accepted as collaterals;
- 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; or by third party credit guarantee institutions;
- guarantees from third parties can arise where facilities are extended without the benefit of any alternative form of security, e.g. where the Bank issues a bid or performance sukuk 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;
- financial collateral in the form of cash and marketable securities are used in much of the over-the-counter (OTC) derivatives activities and in the Bank's securities financing business; and
- netting is used where appropriate, and supported by market standard documentation.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt of cash, securities or equities. Daily settlement limits are established for counterparties to cover the aggregate of all the settlement risk arising from all the transactions involved on a single day. Settlement risk on many transactions, particularly those involving securities and equities, is substantially mitigated by settling through assured payment systems or on a delivery-versus-payment basis.

Policies and procedures govern the protection of the Bank's position from the outset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed documentation permitting the offset of credit balances against debt obligations and through controls over the integrity, current valuation and, if necessary, realisation of collateral security.

The valuation of credit risk mitigants seeks to monitor and ensure that they will continue to provide the secured payment/repayment source anticipated at the time they were taken. The Bank's policy prescribes valuation annually, or more frequently as the need may arise, for impaired accounts. For property taken as collateral for new or additional facilities, a valuation report is required from a panel valuer. For auction purposes, full valuations are compulsory. This is to avoid the risk of the settlement sum being challenged by the customer/charger on the grounds that the correct valuation was not applied.

The appointment of panel valuers is conducted via Vendor Risk Management whereby due diligence is undertaken in accordance with Suppliers Risk Management and Third Party Associated Persons Bribery Risk Assessment and Due Diligence Policy at the origination of the relationship in accordance with Group Third Party Risk Management Policy.

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

3) Credit Risk (Cont'd)

ii) CRM (Cont'd)

The table below shows the on and off balance sheet exposures before and after CRM:

30 Jun 2025
RM'000

Exposure Class	Exposures Before Credit Risk Mitigation	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral
<u>Credit Risk</u>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	8,834,267	-	-
PSEs	829,379	-	416,793
Banks, DFIs & MDBs	635,105	-	118,257
Corporates	6,542,373	291,573	82,827
Regulatory Retail	2,020,571	9,505	8,445
House Financing	3,653,800	-	-
Higher Risk Assets	2,634	-	158
Other Assets	162,710	-	-
Securitisation Exposures	300,709	-	-
Defaulted Exposures	255,355	700	406
Total for On-Balance Sheet Exposures	23,236,903	301,778	626,886
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	1,405,448	-	1,018,546
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,689,397	42,882	105,185
Defaulted Exposures	5,524	-	-
Total for Off-Balance Sheet Exposures	5,100,369	42,882	1,123,731
Total On and Off-Balance Sheet Exposures	28,337,272	344,660	1,750,617

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

3) Credit Risk (Cont'd)

ii) CRM (Cont'd)

The table below shows the on and off balance sheet exposures before and after CRM:

31 Dec 2024
RM'000

Exposure Class	Exposures Before Credit Risk Mitigation	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral
<i><u>Credit Risk</u></i>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	6,576,216	-	-
PSEs	641,935	-	-
Banks, DFIs & MDBs	913,317	-	-
Corporates	7,241,183	290,979	70,391
Regulatory Retail	2,080,617	9,817	8,347
House Financing	3,612,240	-	-
Higher Risk Assets	2,700	-	154
Other Assets	132,406	-	-
Securitisation Exposures	206,143	-	-
Defaulted Exposures	265,096	1,381	100
Total for On-Balance Sheet Exposures	21,671,853	302,177	78,992
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	893,926	-	527,651
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,705,593	57,500	110,610
Defaulted Exposures	6,073	-	-
Total for Off-Balance Sheet Exposures	4,605,592	57,500	638,261
Total On and Off-Balance Sheet Exposures	26,277,445	359,677	717,253

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

OTC - Over the Counter

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

4) Rate of Return Risk

	RM'000			
	30 Jun 2025		31 Dec 2024	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	63,521	(44,946)	45,666	(46,860)
USD	6,091	(6,102)	5,454	(5,449)
Others	2,030	(2,034)	1,416	(1,411)
	71,642	(53,082)	52,536	(53,720)

Sensitivity of projected Economic value of equity

The increase/(decrease) in economic value for upward and downward rate shocks for measuring profit rate risk/rate of return risk in the banking book are set out in the table below.

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

	RM'000			
	30 Jun 2025		31 Dec 2024	
Basis point parallel shift in yield curves	+ 200 bps	- 200 bps	+ 200 bps	- 200 bps
MYR	(64,732)	76,019	(87,147)	101,194
USD	3,734	(3,678)	1,309	(1,059)
Others	1,820	(1,746)	1,597	(1,401)
	(59,178)	70,595	(84,241)	98,734

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

	RM'000			
	30 Jun 2025		31 Dec 2024	
Basis point parallel shift in yield curves	+ 100bps	- 100bps	+ 100bps	- 100bps
MYR	(18,734)	18,734	(28,639)	28,639
	(18,734)	18,734	(28,639)	28,639

5) Liquidity

The Bank monitors and reports Liquidity Coverage Ratio (LCR) based on the Bank Negara Malaysia (BNM) LCR Policy Document dated 25 August 2016 with the focus of ensuring a sufficient buffer of liquid assets that could be easily converted into cash to meet the liquidity needs for the next 30 calendar days.

The LCR% presented below indicate the rolling 12 months average based on BNM's guidelines on Liquidity Risk Disclosure dated 15 October 2024. As of 30 June 2025, the Bank has maintained sound liquidity levels above regulatory requirements.

	RM'000	
	30 Jun 2025	31 Dec 2024
LCR (%)	222	195

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

6) Shariah Governance

Overview

Shariah compliance is a cornerstone and is integral to the stability of Islamic banking and finance industry. An effective Shariah governance policy enhances the diligent oversight accountabilities of the Board of Directors (BOD), the Shariah Committee (SC) and the Management to ensure that the operations and business activities of the IFI remain consistent with Shariah principles and requirements.

To ensure Shariah compliance in all aspects of day-to-day Islamic finance activities, the Malaysian regulatory bodies such as BNM and Securities Commission Malaysia have outlined several laws and regulations on Shariah in particular the provisions on the establishment of a SC and internal Shariah control functions. The SC is an independent Shariah advisory body which plays a vital role in providing Shariah views and decisions and performs an oversight role on Shariah governance implementation related to the IFI's business operations and activities. At the institutional level, the Shariah Department acts as a delegated authority of the SC in providing Shariah advisory to the Management team of the IFI. The Shariah control functions have the role to assist the Management in ensuring that all activities of the IFI are in compliance with the Shariah rules and principles, and expectations for effective Shariah governance arrangements in accordance with the guidelines outlined by Shariah-Regulatory Framework Policy Documents (PDs) and BNM SGPD, respectively. However, the accountability to ensure Shariah compliance remains with the IFI's BOD.

Qualitative Disclosures - Key Components and Core Shariah Functions in Implementing and Monitoring the Shariah Governance Practices as per the SGPD

The governance structure of the Bank and the primary responsibilities of each function are set out below:

a. Board of Directors

To have the ultimate oversight accountability for the institutionalisation of overall Shariah governance framework and Shariah compliance of the Bank.

b. Shariah Committee

To have the oversight responsibility and accountability in providing objective and sound advice or decisions to ensure on the operations, affairs and business activities of the Bank are in compliance with Shariah.

c. CEO and Management

To be primarily responsible over the day-to-day management of the Bank in ensuring compliance with Shariah in all aspects of its operations, affairs and business activities by observing and implementing the Shariah rulings by the Shariah Advisory Council (SAC) of BNM and SAC of Securities Commission Malaysia, as well as decisions of the SC, and to identify and refer any Shariah issues to the SC for its decisions, views and opinions.

d. Shariah Audit

To provide independent assessment on the quality and effectiveness of the Bank's internal control, risk management systems, governance processes as well as the overall compliance of the Bank's operations, businesses, affairs and activities with Shariah.

e. Shariah Risk Management

To coordinate the identification, measurement, monitoring and reporting of Shariah non-compliance risks in the operations, businesses, affairs and activities of the Bank and to formulate and recommend appropriate Shariah non-compliance risk management policies and procedures and risk awareness programmes.

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

6) Shariah Governance (Cont'd)

Qualitative Disclosures - Key Components and Core Shariah Functions in Implementing and Monitoring the Shariah Governance Practices as per the SGPD (Cont'd)

f. Shariah Department

i) Shariah Review

To conduct regular assessment on the compliance of the operations, businesses, affairs and activities of the Bank with Shariah requirements.

To ensure that all procedural guidelines, rules and regulations issued by BNM and other regulatory bodies relating to Shariah as well as internal guidelines, policies and procedures, manuals and all Shariah rules and principles issued by the SC and Shariah Department are adhered to, with due regard to the business needs and Shariah requirements.

ii) Shariah Risk Stewardship

To implement the identification, measurement, monitoring and reporting of Shariah non-compliance risks in the operations, businesses, affairs and activities of the Bank, as well as to formulate and recommend appropriate Shariah compliance controls.

iii) Shariah Research and Advisory

To perform in-depth research as and when required by the SC on Shariah issues and to provide day-to-day Shariah advice and approval on Shariah matters based on the rulings of the SAC and decisions or advice of the SC to the relevant stakeholders, including the Management, product development and business teams as well as the supporting functions.

iv) Shariah Secretariat

To serve and provide operational support for effective functioning of the SC which includes to coordinate, communicate and disseminate information among the SC, the Board and senior management, and to ensure proper dissemination of decisions or advice of the SC within the Bank.

v) Product and Skills Development

To assist/provide operational support to Shariah Department in conducting research and development activities on feasible Shariah compliant structure and solution across all business lines within HBMS.

To assist/provide operational support to Shariah Department in monitoring and overseeing the Shariah knowledge and training within the Bank.

Quantitative Disclosure

a. Shariah Non-Compliance Events:

During the financial period ended 30 June 2025, no actual Shariah non-compliance event has been identified.

b. Shariah Non-Compliance Income:

During the financial period ended 30 June 2025, the following amounts are recorded:

i) RM242,934 income received from Shariah non-compliant activities have been transferred to the Shariah Penalty & Impure Income Account (the Account). The amount in the Account is reported net of income tax liabilities.

ii) RM402,328 was donated from the Account for charitable purposes.

A total of RM129,490 Shariah non-compliance income for the financial year ended 31 December 2024 was refunded directly to the impacted customers.