

**HSBC AMANAH MALAYSIA BERHAD**  
**(Company No. 200801006421 (807705-X))**  
**(Incorporated in Malaysia)**  
**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures**  
**As at 31 December 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 Disclosures set out on pages 2 to 23 have been prepared according to the Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), and are accurate and complete.

.....  
**RAJA AMIR SHAH BIN RAJA AZWA**

Chief Executive Officer  
04 February 2026

**HSBC AMANAH MALAYSIA BERHAD**  
**(Company No. 200801006421 (807705-X))**  
**(Incorporated in Malaysia)**  
**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures**  
**As at 31 December 2025**

---

**(a) Introduction**

HSBC Amanah Malaysia Berhad (the Bank) is principally engaged in the provision of Islamic banking business. At the reporting date, the Bank does not have any subsidiaries.

**(b) Regulatory framework**

The Bank's lead regulator, Bank Negara Malaysia (BNM) sets and monitors capital requirements for the Bank. The Bank is required to comply with the provisions of the Basel II framework in respect of regulatory capital. The Bank adopts the 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).

Basel II is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline. Pillar 3 aims to encourage market discipline by developing a set of disclosure requirements which allow market participants to assess certain specific information on the capital management processes, and risk assessment processes, and hence the capital adequacy of the Bank. Disclosures consist of both quantitative and qualitative information. Banks are required to disclose all their material risks as part of the Pillar 3 framework. All material and non-proprietary information required by Pillar 3 is included in the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures as at 31 December 2025. BNM permits certain Pillar 3 requirements to be satisfied by inclusion within the financial statements. Where this is the case, references are provided to relevant sections in the Financial Statements as at 31 December 2025.

**(c) Transferability of capital and funds**

HSBC Bank Malaysia Berhad, the holding company, is the primary provider of equity capital to the Bank. The Bank manages its own capital to support its planned business growth.

**(d) Internal assessment of capital adequacy**

The Bank assesses the adequacy of its capital by considering the resources necessary to cover unexpected losses arising from discretionary risks, such as credit risk and market risk, or non-discretionary risks, such as operational and reputational risk.

The key objective of Internal Capital Adequacy Assessment Process (ICAAP) is to ensure that sufficient capital is maintained, given the risk profile of the Bank on an ongoing and forward looking basis. The ICAAP permits the setting of target amounts for internal capital consistent to the Bank's risk profile and the environment in which it pursues business.

The ICAAP is an internal assessment of the Bank's capital adequacy given its risk appetite, risk profile and regulatory minimum requirements. The Bank assesses the adequacy of its capital by considering the resources necessary to cover unexpected losses arising from discretionary risks, such as credit risk and market risk, or non-discretionary risks, such as operational and reputational risk. On a forward looking basis, the ICAAP ensures that the Bank's capital position:

- exceeds the minimum regulatory capital requirements as prescribed by the BNM;
- remains sufficient to support the Bank's Risk Appetite and business strategies;
- remains sufficient to support the underlying and projected risk profile; and
- remains sufficient to sustain business growth and in adverse business or economic conditions.

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

---

### **(d) Internal assessment of capital adequacy (Cont'd)**

In order to achieve this, the Bank has a robust ICAAP framework in place which underlines the foundation of its risk and capital management process. It has the following key features:

- a strong and encompassing governance framework;
- a forward-looking risk appetite framework to ensure our business and risk profiles are in line with the Board of Directors' (BOD) expectations;
- a robust capital management, planning and forecasting framework; and
- an internal risk assessment process based on the economic capital and stress testing frameworks to support the Bank's capital adequacy positions.

### **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.

Separately, reverse stress tests are conducted by the Bank 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 to mitigate risks.

### **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 Operating Committee (OPCO) and Risk Committee (RC) to the Board for approval.

### **Risk Appetite**

Risk appetite is a key component of our management of risk. It defines our desired forward-looking risk profile, and informs the strategic and financial planning processes. At HSBC Amanah, risk appetite is managed through a global risk appetite framework and articulated in a risk appetite statement (RAS), which is reviewed and approved by the Board, on the advice of the RC, regularly to make sure it remains fit for purpose.

Our risk appetite provides an objective baseline to guide strategic decision making, helping to ensure that planned business activities provide an appropriate balance of return for the risk assumed, while remaining within acceptable risk levels. It is also integrated within other risk management tools, such as stress testing, to ensure consistency in risk management.

The Bank has a comprehensive RAS tracked and monitored at the RMM, which includes operational risk losses. In addition, the number of open Shariah non-compliant breaches is tracked on a quarterly basis under Key Risk Indicator (KRI) reported together with the RAS.

### **(e) Capital structure**

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

- Tier 1 capital<sup>[1]</sup> is divided into Common Equity Tier 1 (CET1) Capital and Additional Tier 1 (AT1) Capital. CET1 Capital includes ordinary share capital<sup>[2]</sup>, 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 equity instruments issued by the Bank.
- Tier 2 capital<sup>[1]</sup>, 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 35 of the financial statements as at 31 December 2025 for the total capital ratio and Tier 1 capital ratio, and risk weighted assets for credit risk, market risk and operational risk.

<sup>[1]</sup> Refer to Note 35 of the financial statements as at 31 December 2025 for the amount and breakdown of capital components.

<sup>[2]</sup> Refer to Note 24 of the financial statements as at 31 December 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 Disclosures (Cont'd)**

---

### **(f) Risk management**

#### **Risk management framework**

We use a comprehensive risk management approach across the organisation and across all risk types, underpinned by our 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. Non-financial risk in our risk management framework includes, but is not limited to, those risks captured under the Basel Committee on Banking Supervision (BCBS) definition for operational risk.

The framework fosters continuous monitoring of the risk environment, and promotes risk awareness and sound operational and strategic decision making and escalation process. It also ensures we have a consistent approach to monitoring, managing and mitigating the risks we accept and incur in our activities, with clear accountabilities.

The HBMS Risk Management Framework (HRMF) is governed by the Risk Management Meeting of the Bank Management Board and approved by Chief Risk Officer (CRO). The HRMF applies to all the types of risk, both financial and non-financial (including Shariah risk) that we face in our business and operational activities. It is used throughout the Bank, including all Businesses, Functions and Digital Business Services. It is also applicable to HBMS' employees and HBMY's employees servicing the Bank.

The HRMF includes Shariah Risk and Shariah Non-Compliance Risk, which is addressed in the Addendum. The Addendum aims to bridge the gap in the management of the risks faced by the Bank (predominantly in the two risks mentioned) in relation to the Group's RMF.

#### **Culture**

The Bank understands the importance of a strong culture. Our culture refers to our shared attitudes, values and standards that shape behaviours related to risk awareness, risk taking and risk management. It is instrumental in aligning the behaviours of individuals with our attitude to assuming and managing risk, which helps to ensure that our risk profile remains in line with our risk appetite. The fostering of a strong culture is a key responsibility of our senior executives.

Our culture is also reinforced by our approach to remuneration. Individual awards, including those for senior executives, are based on compliance with our Values and the achievement of financial and non-financial objectives, which are aligned to our risk appetite and strategy.

Awareness and training are carried out to instil and promote the Shariah compliance risk culture among the staff in accordance to BNM Shariah Governance Policy Document (SGPD) for Islamic Financial Institutions (IFI). The Board and Management regularly communicate and promote corporate culture on the importance of adherence to Shariah requirements, demonstrating 'tone from the top' and ensure its integration with the Bank's business and risk strategies.

#### **Risk governance**

The Board has ultimate responsibility for the effective management of risk and approves our risk appetite. It is advised on risk-related matters by the Risk Committee. For Shariah Governance, the Board has the ultimate oversight accountability for the institutionalisation of overall Shariah governance framework and Shariah compliance of the Bank.

Executive accountability for the ongoing monitoring, assessment and management of the enterprise wide risk environment, and the effectiveness of the risk management framework resides with the Country CRO, supported by the RMM.

Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making. All employees have a role to play in risk management. These roles are defined using the three lines of defence model, which takes into account our business and functional structures.

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

The Shariah Committee (SC) is established with delegated authorities of the Board of Directors (BOD) to have the oversight responsibility and accountability in providing objective and sound advice or decisions to ensure the Bank's operations, affairs and business activities are in compliance with Shariah. The SC is appointed by the Board and reports to the Board on the Shariah compliance and governance. The SC meeting is held at least once in every two (2) months or whenever required to discharge their duties and responsibilities.

Internally, the Shariah Department acts as a delegated authority of the SC in providing Shariah Advisory to the Management. The Shariah control functions have the role to assist the Management in ensuring the Bank's activities are in compliance with Shariah principles and the regulatory expectations for effective Shariah governance arrangement.

Refer to Note 4 of the financial statements as at 31 December 2025 for the Bank's risk managements policies on the above mentioned risks.

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

**(f) Risk management (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.

31 Dec 2025

(RM'000)

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
<b>Credit Risk (Standardised Approach)</b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	9,303,203	9,303,203	367,881	29,430
PSEs	468,944	468,944	147,847	11,828
Banks, DFIs & MDBs	1,807,130	1,519,957	610,709	48,857
Corporates	5,742,087	5,659,854	5,116,643	409,331
Regulatory Retail	1,965,914	1,957,045	1,523,258	121,861
House Financing	3,664,615	3,664,615	1,390,556	111,244
Higher Risk Assets	2,436	2,277	3,416	273
Other Assets	167,208	167,208	62,739	5,019
Securitisation Exposure	350,792	350,792	263,094	21,048
Defaulted Exposures	239,229	238,820	276,314	22,105
<b>Total for On-Balance Sheet Exposures</b>	<b>23,711,558</b>	<b>23,332,715</b>	<b>9,762,457</b>	<b>780,996</b>
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	1,292,762	324,913	125,132	10,011
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,964,478	3,841,045	2,932,314	234,585
Defaulted Exposures	5,787	5,787	8,459	677
<b>Total for Off-Balance Sheet Exposures</b>	<b>5,263,027</b>	<b>4,171,745</b>	<b>3,065,905</b>	<b>245,273</b>
<b>Total On and Off-Balance Sheet Exposures <sup>[1]</sup></b>	<b>28,974,585</b>	<b>27,504,460</b>	<b>12,828,362</b>	<b>1,026,269</b>
<b>Market Risk (Standardised Approach)</b>				
	<u>Long position</u>	<u>Short position</u>		
Profit Rate Risk	2,911,316	4,510,464	(1,599,148)	55,422
Foreign Currency Risk	777	5,839	5,839	467
	<b>2,912,093</b>	<b>4,516,303</b>	<b>(1,593,309)</b>	<b>61,261</b>
<b>Operational Risk (Standardised Approach)</b>	-	-	-	960,931
<b>Total RWA and Capital Requirement</b>	-	-	-	<b>13,850,554</b>

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

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

**(f) Risk management (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%
<b>Credit Risk (Standardised Approach)</b>				
<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
<b>Total for On-Balance Sheet Exposures</b>	<b>21,671,853</b>	<b>21,592,861</b>	<b>10,901,174</b>	<b>872,093</b>
<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
<b>Total for Off-Balance Sheet Exposures</b>	<b>4,605,592</b>	<b>3,967,331</b>	<b>2,666,785</b>	<b>213,343</b>
<b>Total On and Off-Balance Sheet Exposures <sup>[1]</sup></b>	<b>26,277,445</b>	<b>25,560,192</b>	<b>13,567,959</b>	<b>1,085,436</b>
<b>Market Risk (Standardised Approach)</b>				
	<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
	<b>1,809,078</b>	<b>3,471,900</b>	<b>(1,661,942)</b>	<b>94,899</b>
Operational Risk (Basic Indicator Approach)	-	-	-	1,331,441
<b>Total RWA and Capital Requirement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,994,299</b>

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

OTC - Over the counter

<sup>[1]</sup> 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 35 of the financial statements as at 31 December 2025 for disclosure on RWA breakdown by various risk categories.

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

**(f) Risk management (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.

31 Dec 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%	7,463,795	-	-	46,237	11,512	-	-	104,469	-	7,626,013	-
20%	1,839,407	632,516	543,834	662,061	30,974	-	-	-	-	3,708,792	741,758
35%	-	-	-	-	-	3,655,144	-	-	-	3,655,144	1,279,300
50%	-	163,508	1,113,405	504,340	6,762	352,168	-	-	-	2,140,183	1,070,092
75%	-	-	-	-	2,294,231	102,347	-	-	350,792	2,747,370	2,060,528
100%	-	118,700	-	6,826,020	335,948	184,099	-	62,739	-	7,527,506	7,527,506
150%	-	-	-	1,360	81,780	12,568	3,744	-	-	99,452	149,178
<b>Total</b>										<b>27,504,460</b>	<b>12,828,362</b>
<b>Average Risk Weight</b>	<b>4%</b>	<b>36%</b>	<b>40%</b>	<b>90%</b>	<b>79%</b>	<b>40%</b>	<b>150%</b>	<b>38%</b>	<b>75%</b>	<b>47%</b>	

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
<b>Total</b>										<b>25,560,192</b>	<b>13,567,959</b>
<b>Average Risk Weight</b>	<b>4%</b>	<b>33%</b>	<b>37%</b>	<b>90%</b>	<b>79%</b>	<b>40%</b>	<b>150%</b>	<b>37%</b>	<b>75%</b>	<b>53%</b>	

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

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

**(f) Risk management (Cont'd)**

**3) Credit Risk**

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

RM'000	31 Dec 2025				
	Northern	Southern	Central	Eastern	Total
Cash line-i	19,548	21,317	29,043	-	69,908
Term financing					
House financing	424,412	363,589	2,811,130	79,462	3,678,593
Syndicated term financing	20,736	-	561,738	-	582,474
Factoring receivables	-	-	100,028	-	100,028
Hire purchase receivables	20,774	57,333	19,467	8,887	106,461
Other term financing	205,017	379,400	2,907,530	80,391	3,572,338
Bills receivables	121,465	277,490	1,138,108	-	1,537,063
Trust receipts	26,228	24,216	639,085	-	689,529
Staff financing-i	234	-	624	-	858
Credit cards-i	214,383	211,381	753,864	48,664	1,228,292
Revolving financing	150,202	87,293	1,191,644	-	1,429,139
Other financing	374	227	1,993	53	2,647
	<b>1,203,373</b>	<b>1,422,246</b>	<b>10,154,254</b>	<b>217,457</b>	<b>12,997,330</b>

RM'000	31 Dec 2024				
	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
	<b>1,265,921</b>	<b>1,908,705</b>	<b>10,942,982</b>	<b>260,160</b>	<b>14,377,768</b>

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 Disclosures (Cont'd)**

**(f) Risk management (Cont'd)**

**3) Credit Risk (Cont'd)**

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

		31 Dec 2025				
RM'000		Northern	Southern	Central	Eastern	Total
Cash line-i		4,523	-	434	-	4,957
Term financing						
House financing		12,483	9,996	89,995	304	112,778
Other term financing		3,153	2,665	67,657	190	73,665
Bills receivables		-	-	3,197	-	3,197
Credit cards-i		1,429	1,436	4,085	204	7,154
Revolving credit		-	-	43,508	-	43,508
Other financing		251	135	1,468	46	1,900
		<b>21,839</b>	<b>14,232</b>	<b>210,344</b>	<b>744</b>	<b>247,159</b>

		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
		<b>27,490</b>	<b>38,741</b>	<b>437,393</b>	<b>6,355</b>	<b>509,979</b>

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

**(f) Risk management (Cont'd)**

**3) Credit Risk (Cont'd)**

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

		31 Dec 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	69,908	-	-	-	69,908
	Term financing					
	House financing	21,690	9,301	25,369	3,622,233	3,678,593
	Syndicated term financing	-	572,852	9,622	-	582,474
	Factoring receivables	100,028	-	-	-	100,028
	Hire purchase receivables	5,409	58,842	42,210	-	106,461
	Other term financing	50,282	1,010,857	1,370,279	1,140,920	3,572,338
	Bills receivables	1,520,903	9,980	6,180	-	1,537,063
	Trust receipts	679,483	-	10,046	-	689,529
	Staff financing-i	12	35	354	457	858
	Credit cards-i	1,228,292	-	-	-	1,228,292
	Revolving financing	1,429,139	-	-	-	1,429,139
	Other financing	2,647	-	-	-	2,647
		<b>5,107,793</b>	<b>1,661,867</b>	<b>1,464,060</b>	<b>4,763,610</b>	<b>12,997,330</b>

		31 Dec 2024				
		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	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
		<b>6,768,795</b>	<b>1,376,319</b>	<b>1,399,465</b>	<b>4,833,189</b>	<b>14,377,768</b>

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

**(f) Risk management (Cont'd)**

**3) Credit Risk (Cont'd)**

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

31 Dec 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	-	-	712	-	-	-	-	-	-	-	-	712
Mining and quarrying	1,090	-	-	4	2,766	-	-	-	-	62,101	-	65,961
Manufacturing	19,255	-	62,797	45,867	459,913	443,137	154,393	-	-	96,426	-	1,281,788
Electricity, gas and water	-	-	-	225,950	-	-	-	-	-	70,451	-	296,401
Construction	8,048	-	-	163	160,727	121,060	11,806	-	-	446,733	-	748,537
Real estate	-	-	-	-	774,066	-	-	-	-	82,101	-	856,167
Wholesale & retail trade and restaurants & hotels	6,695	-	-	6,639	188,093	163,263	503,038	-	-	116,225	-	983,953
Transport, storage and communication	679	-	-	25,156	542,097	12,840	20,247	-	-	49,868	-	650,887
Finance, takaful and business services	13,524	-	519,677	-	371,498	772,658	-	-	-	501,217	-	2,178,574
Household-retail	8,437	3,678,593	-	-	842,187	4	-	858	1,228,292	-	2,647	5,761,018
Others*	12,180	-	-	27,924	7,803	21,335	45	-	-	4,017	-	173,332
	<b>69,908</b>	<b>3,678,593</b>	<b>582,474</b>	<b>106,461</b>	<b>3,572,338</b>	<b>1,537,063</b>	<b>689,529</b>	<b>-</b>	<b>858</b>	<b>1,228,292</b>	<b>1,429,139</b>	<b>12,997,330</b>

  

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	70,524	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	360	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	-	-	10,617	126,051	242,826	435,559	41,420	-	152,604	-	1,020,830
Transport, storage and communication	4,100	-	-	37,358	134,793	14,390	21,256	292	-	92,112	20	304,321
Finance, takaful and business services	12,803	-	-	407	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	17,213	654,710	380,657	104,351	-	-	450,925	-	2,299,489
	<b>69,824</b>	<b>3,668,873</b>	<b>1,335,376</b>	<b>137,726</b>	<b>4,020,419</b>	<b>1,284,380</b>	<b>612,767</b>	<b>77,305</b>	<b>925</b>	<b>1,935,860</b>	<b>2,702</b>	<b>14,377,768</b>

\* Effective 31 December 2025, foreign entities customers are reported in its respective sectors.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 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**

	31 Dec 2025								
	RM'000								
	Cash line-i	House financing	Other term financing	Bills receivables	Trust receipts	Credit cards-i	Revolving financing	Other financing	Total
Mining and quarrying	876	-	-	-	-	-	-	-	876
Manufacturing	-	-	1,293	-	-	-	-	-	1,293
Electricity, gas and water	-	-	-	-	-	-	43,508	-	43,508
Construction	434	-	-	-	-	-	-	-	434
Wholesale & retail trade and restaurants & hotels	-	-	2,945	2,317	-	-	-	-	5,262
Transport, storage and communication	-	-	-	880	-	-	-	-	880
Finance, takaful and business services	3,647	-	527	-	-	-	-	-	4,174
Household-retail	-	112,778	68,900	-	-	7,154	-	1,900	190,732
	<b>4,957</b>	<b>112,778</b>	<b>73,665</b>	<b>3,197</b>	<b>-</b>	<b>7,154</b>	<b>43,508</b>	<b>1,900</b>	<b>247,159</b>

	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
	<b>1,807</b>	<b>233,672</b>	<b>187,357</b>	<b>10,670</b>	<b>9,858</b>	<b>7,501</b>	<b>56,826</b>	<b>2,288</b>	<b>509,979</b>

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

**(f) Risk management (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 6: All past due financing and advances breakdown by sector <sup>[1]</sup>**

	<b>31 Dec 2025</b>	<b>31 Dec 2024</b>
	<b>RM'000</b>	<b>RM'000</b>
Agricultural, hunting, forestry and fishing	-	1
Manufacturing	<b>8,244</b>	6,968
Electricity, gas and water	<b>43,508</b>	56,554
Construction	-	4,383
Real estate	-	253
Wholesale & retail trade and restaurants & hotels	<b>2,943</b>	3,082
Transport, storage and communication	<b>1,433</b>	1,893
Finance, takaful and business services	<b>4,158</b>	427
Household-retail	<b>508,922</b>	535,984
Others	-	517
	<b>569,208</b>	<b>610,062</b>

**Table 7: All past due financing and advances breakdown by geographical location <sup>[1]</sup>**

	<b>31 Dec 2025</b>	<b>31 Dec 2024</b>
	<b>RM'000</b>	<b>RM'000</b>
Northern region	<b>63,036</b>	57,608
Southern region	<b>66,141</b>	74,976
Central region	<b>425,258</b>	464,345
Eastern region	<b>14,773</b>	13,133
	<b>569,208</b>	<b>610,062</b>

<sup>[1]</sup> of which the portion of impaired financing and advances breakdown by sector and geographical location is disclosed in Note 13 (iii) and 13 (v) of the financial statements as at 31 December 2025 respectively.

**Table 8: Impairment allowance breakdown by sector**

	<b>31 Dec 2025</b>	<b>31 Dec 2024</b>
	<b>RM'000</b>	<b>RM'000</b>
Agricultural, hunting, forestry and fishing	<b>1</b>	32
Mining and quarrying	<b>3</b>	39
Manufacturing	<b>4,269</b>	6,482
Electricity, gas and water	<b>43,806</b>	56,989
Construction	<b>955</b>	3,689
Real estate	<b>831</b>	1,733
Wholesale & retail trade and restaurants & hotels	<b>5,492</b>	4,977
Transport, storage and communication	<b>734</b>	2,427
Finance, takaful and business services	<b>1,747</b>	456
Household-retail	<b>145,196</b>	188,266
Others	<b>482</b>	1,185
	<b>203,516</b>	<b>266,275</b>

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

**(f) Risk management (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 9: Impairment allowance breakdown by geographical location**

	<b>31 Dec 2025</b>	31 Dec 2024
	<b>RM'000</b>	RM'000
Northern region	<b>17,940</b>	22,107
Southern region	<b>19,822</b>	28,112
Central region	<b>161,350</b>	209,292
Eastern region	<b>4,404</b>	6,764
	<b>203,516</b>	266,275

The breakdown of financing impairment allowance during the period is disclosed in Note 14 (i) of the financial statements as at 31 December 2025.

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

<i>(Releases) / Charges</i>	<b>31 Dec 2025</b>	31 Dec 2024
	<b>RM'000</b>	RM'000
Agricultural, hunting, forestry and fishing	<b>(31)</b>	(11)
Mining and quarrying	<b>(33)</b>	(18)
Manufacturing	<b>(4,919)</b>	(2,740)
Electricity, gas and water	<b>(114)</b>	1,480
Construction	<b>(2,256)</b>	(3,889)
Real estate	<b>(902)</b>	(2,408)
Wholesale & retail trade and restaurants & hotels	<b>517</b>	(3,050)
Transport, storage and communication	<b>(1,350)</b>	709
Finance, insurance/takaful and business services	<b>1,274</b>	(932)
Household-retail	<b>(18,618)</b>	(16,956)
Others	<b>(397)</b>	(770)
	<b>(26,829)</b>	(28,585)

The breakdown of financing net impairment allowance during the period is disclosed in Note 28 (i) of the financial statements as at 31 December 2025.

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

---

### **(f) Risk management (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
- Public sector entities
- Insurance companies, securities firms & fund managers
- Banks, multilateral development banks and development financial institutions
- Corporates
- Securitisation

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 Disclosures (Cont'd)**

**(f) Risk management (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:

**31 Dec 2025**

**(RM '000)**

Exposure Class	Ratings by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	B1 to B3	Caa1 to C	Unrated
	S & P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to BB3	B1 to B3	C1 to D	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	C+ to D	Unrated	
<b>On and Off-Balance-Sheet Exposures</b>								
Sovereign and Central Banks <sup>[1]</sup>	-	-	7,411,147	1,892,056	-	-	-	-
Public Sector Entities	316,868	-	77,784	-	-	-	-	520,072
Banks, MDBs and DFIs	1,432,634	1,026,552	1,026,552	173,268	593	-	-	279,214
Corporates	657,230	482,512	482,512	-	-	-	-	7,102,644
Securitisation	-	-	-	-	-	-	-	350,792

**31 Dec 2024**

**(RM '000)**

Exposure Class	Ratings by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	B1 to B3	Caa1 to C	Unrated
	S & P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to BB3	B1 to B3	C1 to D	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	C+ to D	Unrated	
<b>On and Off-Balance-Sheet Exposures</b>								
Sovereign and Central Banks <sup>[1]</sup>	-	-	4,171,138	2,425,078	-	-	-	-
Public Sector Entities	328,534	88,346	88,346	-	-	-	-	688,845
Banks, MDBs and DFIs	846,163	693,526	693,526	112	-	-	-	94,453
Corporates	709,454	589,751	589,751	-	-	-	-	8,082,190
Securitisation	-	-	-	-	-	-	-	206,143

**Note:**

MDBs - Multilateral Development Banks  
DFIs - Development Financial Institutions  
PSEs - Public Sector Entities

<sup>[1]</sup> Under the Risk Weighted Capital Adequacy Framework (Basel II), exposures denominated and funded in MYR and guaranteed by the Federal Government of Malaysia or BNM are accorded a preferential sovereign risk weight of 0%.

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

---

### **(f) Risk management (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 Disclosures (Cont'd)**

**(f) Risk management (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 2025**

**RM'000**

<b>Exposure Class</b>	<b>Exposures Before Credit Risk Mitigation</b>	<b>Exposures Covered by Guarantees / Credit Derivatives</b>	<b>Exposures Covered by Eligible Financial Collateral</b>
<b><u>Credit Risk</u></b>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	9,303,203	-	-
PSEs	468,944	-	-
Banks, DFIs & MDBs	1,807,130	-	287,173
Corporates	5,742,087	140,755	82,233
Regulatory Retail	1,965,914	32,675	8,869
House Financing	3,664,615	-	-
Higher Risk Assets	2,436	-	159
Other Assets	167,208	-	-
Securitisation Exposures	350,792	-	-
Defaulted Exposures	239,229	4,178	409
<b>Total for On-Balance Sheet Exposures</b>	<b>23,711,558</b>	<b>177,608</b>	<b>378,843</b>
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	1,292,762	-	967,849
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,964,478	150,715	123,433
Defaulted Exposures	5,787	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>5,263,027</b>	<b>150,715</b>	<b>1,091,282</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>28,974,585</b>	<b>328,323</b>	<b>1,470,125</b>

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

**(f) Risk management (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>Credit Risk</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
<b>Total for On-Balance Sheet Exposures</b>	<b>21,671,853</b>	<b>302,177</b>	<b>78,992</b>
<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	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>4,605,592</b>	<b>57,500</b>	<b>638,261</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>26,277,445</b>	<b>359,677</b>	<b>717,253</b>

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 Disclosures (Cont'd)**

**(f) Risk management (Cont'd)**

**3) Credit Risk (Cont'd)**

**iii) Counterparty Credit Risk**

Limits for CCR exposures are assigned within the overall credit risk management process. The credit risk function assigns a limit against each counterparty to cover exposure that may arise as a result of a counterparty default. The magnitude of this limit will depend on the overall risk appetite, type of derivatives and type of Secured Financing Transactions (SFTs) trading undertaken with a counterparty.

Models and methodologies used in the calculation of CCR are overseen and monitored by the Traded Risk Model Oversight Forum. Models are subject to ongoing monitoring and validation. Additionally, they are subject to independent review at inception and on an ongoing basis.

HSBC has established a measure, Cat F, specifically to monitor derivative financing and securities financing transactions at a counterparty level. This is ancillary to the existing Cat B counterparty credit risk measure.

**iv) Securitisation**

The Bank is involved in the investment of Sukuk backed by securitisation by a pool of auto financing. The securitisation transaction entered is subject to independent risk assessment and approval. Special purpose entity has been established and managed by third party and is not controlled by the Bank.

The securitisation exposure is recognised as financial assets at amortised cost in the banking book. The accounting policy on financial instruments measured at amortised cost is disclosed in Note 3(g) of the financial statements as at 31 December 2025.

**31 Dec 2025  
(RM'000)**

Securitisation Exposures by Exposure Type	Exposure Value of Positions Purchased or Retained	Eligible CRM	Exposure after CRM	Risk Weights of Unrated Securitisation Exposures 75% (Look-through)	
				Exposures	Risk Weighted Assets
<b>Traditional Securitisation (Banking book exposures)</b>					
Non-originating Banking Institution					
On Balance Sheet Exposure - Most Senior	<b>350,295</b>	-	<b>350,792</b>	<b>350,792</b>	<b>263,094</b>

**31 Dec 2024  
(RM'000)**

Securitisation Exposures by Exposure Type	Exposure Value of Positions Purchased or Retained	Eligible CRM	Exposure after CRM	Risk Weights of Unrated Securitisation Exposures 75% (Look-through)	
				Exposures	Risk Weighted Assets
<b>Traditional Securitisation (Banking book exposures)</b>					
Non-originating Banking Institution					
On Balance Sheet Exposure - Most Senior	205,661	-	206,143	206,143	154,607

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

**(f) Risk management (Cont'd)**

**4) Rate of Return Risk**

**Sensitivity of projected Net Interest/Finance Income**

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

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

	RM'000			
	31 Dec 2025		31 Dec 2024	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	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)
	<b>62,706</b>	<b>(33,530)</b>	<b>52,536</b>	<b>(53,720)</b>

**Sensitivity of projected Economic value of equity (EVE)**

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 EVE arising from a shift in profit rates of:**

	RM'000			
	31 Dec 2025 *		31 Dec 2024	
Basis point parallel shift in yield curves	+ 200 bps	- 200 bps	+ 200 bps	- 200 bps
MYR	(107,791)	62,223	(87,147)	101,194
USD	(1,237)	908	1,309	(1,059)
Others	919	(2,508)	1,597	(1,401)
	<b>(108,109)</b>	<b>60,623</b>	<b>(84,241)</b>	<b>98,734</b>

\* 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:**

	RM'000			
	31 Dec 2025		31 Dec 2024	
Basis point parallel shift in yield curves	+ 100bps	- 100bps	+ 100bps	- 100bps
MYR	(29,807)	29,807	(28,639)	28,639

**5) Liquidity**

The Bank monitors and reports Liquidity Coverage Ratio (LCR) based on the 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 31 December 2025, the Group has maintained sound liquidity levels above regulatory requirements.

	31 Dec 2025	31 Dec 2024
LCR%, at rolling 12 months average	<b>259</b>	195

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

---

### **(f) Risk management (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 Disclosures (Cont'd)**

---

### **(f) Risk management (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 the control function within the Shariah Department in conducting research and development activities on feasible Shariah compliant structure and solution across all business lines within the Bank.

To assist/provide operational support to the control functions within the 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 31 December 2025, four (4) actual Shariah non-compliance events have been identified.

###### **b. Shariah Non-Compliance Income:**

During the financial period ended 31 December 2025, the following amounts are recorded:

- i) RM2,954,432 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 RM641,334 Shariah non-compliance income for the financial year ended 31 December 2025 (31 December 2024: RM129,490) was refunded directly to the impacted customers.