

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 2024

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), and are accurate and complete.

.....
RAJA AMIR SHAH BIN RAJA AZWA

Chief Executive Officer
17 July 2024

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 2024 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 2024 as well as its audited financial statements for the year ended 31 December 2023 and the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures as at 31 December 2023.

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 2023. 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 2024 for the total capital ratio and Tier 1 capital ratio, and risk weighted assets and capital requirements for credit risk, market risk and operational risk.

^[1] Refer to Note 33 of the unaudited condensed interim financial statements as at 30 June 2024 for the amount and breakdown of capital components.

^[2] Refer to Note 26 of the unaudited condensed interim financial statements as at 30 June 2024 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 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	5,392,279	5,392,279	151,032	12,083
PSEs	764,312	764,312	317,150	25,372
Banks, DFIs & MDBs	1,348,559	1,348,559	497,181	39,774
Corporates	7,468,372	7,378,594	6,752,304	540,184
Regulatory Retail	2,083,480	2,071,114	1,632,442	130,595
House Financing	3,535,397	3,535,397	1,313,198	105,056
Higher Risk Assets	3,138	2,984	4,476	358
Other Assets	135,505	135,505	50,075	4,006
Defaulted Exposures	251,123	251,123	268,568	21,485
Total for On-Balance Sheet Exposures	20,982,165	20,879,867	10,986,426	878,913
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	550,459	227,094	224,012	17,921
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,661,590	3,553,796	2,386,906	190,952
Defaulted Exposures	5,161	5,161	7,609	609
Total for Off-Balance Sheet Exposures	4,217,210	3,786,051	2,618,527	209,482
Total On and Off-Balance Sheet Exposures ^[1]	25,199,375	24,665,918	13,604,953	1,088,395
Market Risk (Standardised Approach)				
	<u>Long position</u>	<u>Short position</u>		
Profit Rate Risk	2,187,951	3,911,081	(1,723,130)	11,804
Foreign Currency Risk	2,205	4,361	4,361	349
	2,190,156	3,915,442	(1,718,769)	12,153
Operational Risk (Basic Indicator Approach)	-	-	-	99,268
Total RWA and Capital Requirement	-	-	-	1,199,816

^[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 2023
(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	6,181,187	6,181,187	303,058	24,245
PSEs	656,208	656,208	213,890	17,111
Banks, DFIs & MDBs	1,099,049	1,099,049	463,840	37,107
Corporates	7,153,458	7,044,371	6,399,044	511,924
Regulatory Retail	2,178,602	2,166,098	1,713,780	137,102
House Financing	3,567,994	3,567,994	1,331,116	106,489
Higher Risk Assets	3,170	3,019	4,529	362
Other Assets	143,275	143,275	43,493	3,479
Defaulted Exposures	279,649	279,649	289,778	23,182
Total for On-Balance Sheet Exposures	21,262,592	21,140,850	10,762,528	861,001
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	443,127	134,852	131,469	10,518
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,695,876	3,592,714	2,590,094	207,208
Defaulted Exposures	5,124	5,124	7,522	602
Total for Off-Balance Sheet Exposures	4,144,127	3,732,690	2,729,085	218,328
Total On and Off-Balance Sheet Exposures ^[1]	25,406,719	24,873,540	13,491,613	1,079,329
Market Risk (Standardised Approach)				
	<u>Long position</u>	<u>Short position</u>		
Profit Rate Risk	2,001,078	3,959,176	(1,958,098)	12,468
Foreign Currency Risk	1,369	2,868	2,868	229
	2,002,447	3,962,044	(1,955,230)	12,697
Operational Risk (Basic Indicator Approach)	-	-	-	93,268
Total RWA and Capital Requirement	-	-	-	1,185,294

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 2024 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 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		
0%	4,657,119	-	-	49,431	17,478	-	-	85,429	4,809,457	-
20%	755,160	751,168	698,505	931,563	-	-	-	-	3,136,396	627,279
35%	-	-	-	-	-	3,664,321	-	-	3,664,321	1,282,512
50%	-	-	855,512	345,442	7,455	301,576	-	-	1,509,985	754,993
75%	-	-	-	-	2,405,676	131,391	-	-	2,537,067	1,902,800
100%	-	395,652	2,375	7,919,009	443,370	140,856	-	50,076	8,951,338	8,951,338
150%	-	-	-	2,435	23,996	26,575	4,348	-	57,354	86,031
Total									24,665,918	13,604,953
Average Risk Weight	3%	48%	37%	90%	79%	40%	150%	37%	55%	

31 Dec 2023
(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		
0%	4,685,899	-	-	50,057	13,894	-	-	99,783	4,849,633	-
20%	1,515,288	675,609	497,369	878,725	-	-	-	-	3,566,991	713,398
35%	-	-	-	-	-	3,650,987	-	-	3,650,987	1,277,845
50%	-	-	817,928	268,567	24,692	274,024	-	-	1,385,211	692,606
75%	-	-	-	-	2,467,004	119,996	-	-	2,587,000	1,940,250
100%	-	259,568	37,105	7,804,925	455,894	165,142	-	43,493	8,766,127	8,766,127
150%	-	-	-	10,103	22,474	30,518	4,496	-	67,591	101,387
Total									24,873,540	13,491,613
Average Risk Weight	5%	42%	40%	90%	79%	40%	150%	30%	54%	

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 2024				
RM'000	Northern	Southern	Central	Eastern	Total
Cash line-i	22,751	22,897	37,105	-	82,753
Term financing					
House financing	445,810	392,833	2,673,134	94,914	3,606,691
Syndicated term financing	31,553	-	1,345,315	-	1,376,868
Hire purchase receivables	41,147	75,500	33,185	17,733	167,565
Other term financing	266,957	469,370	3,241,581	107,701	4,085,609
Bills receivables	110,432	331,044	507,312	-	948,788
Trust receipts	82,375	25,280	674,010	-	781,665
Claims on customers under acceptance credits	80,902	34,956	74,512	364	190,734
Staff financing-i	286	-	651	-	937
Credit cards-i	208,650	198,409	727,124	49,894	1,184,077
Revolving financing	61,480	216,433	1,822,011	-	2,099,924
Other financing	158	278	2,158	29	2,623
	1,352,501	1,767,000	11,138,098	270,635	14,528,234

	31 Dec 2023				
RM'000	Northern	Southern	Central	Eastern	Total
Cash line-i	21,960	21,750	39,498	-	83,208
Term financing					
House financing	456,965	407,154	2,696,197	96,843	3,657,159
Syndicated term financing	33,363	-	1,345,845	-	1,379,208
Hire purchase receivables	49,625	87,781	42,973	18,196	198,575
Other term financing	274,689	429,991	3,154,327	115,495	3,974,502
Bills receivables	48,265	313,923	719,709	-	1,081,897
Trust receipts	46,640	34,569	551,794	-	633,003
Claims on customers under acceptance credits	89,980	33,655	81,702	829	206,166
Staff financing-i	311	1	945	-	1,257
Credit cards-i	221,408	210,297	767,377	53,432	1,252,514
Revolving financing	105,504	224,636	1,569,815	-	1,899,955
Other financing	301	242	2,079	11	2,633
	1,349,011	1,763,999	10,972,261	284,806	14,370,077

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 2024				
RM'000	Northern	Southern	Central	Eastern	Total
Cash line-i	-	4,198	4,182	-	8,380
Term financing					
House financing	24,665	35,961	201,360	4,341	266,327
Hire purchase receivables	5,468	-	-	-	5,468
Other term financing	5,509	6,702	181,569	2,081	195,861
Bills receivables	-	980	3,980	-	4,960
Credit cards-i	1,516	1,456	4,576	221	7,769
Revolving credit	-	-	60,175	-	60,175
Other financing	139	197	1,897	9	2,242
	37,297	49,494	457,739	6,652	551,182

	31 Dec 2023				
RM'000	Northern	Southern	Central	Eastern	Total
Cash line-i	-	3,097	4,673	-	7,770
Term financing					
House financing	25,070	37,788	229,988	4,719	297,565
Hire purchase receivables	6,074	-	172	-	6,246
Other term financing	6,720	7,765	195,268	5,442	215,195
Bills receivables	-	980	13,305	-	14,285
Credit cards-i	1,878	2,057	7,229	572	11,736
Revolving credit	-	-	58,509	-	58,509
Other financing	238	128	1,772	5	2,143
	39,980	51,815	510,916	10,738	613,449

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 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	82,753	-	-	-	82,753
Term financing					
House financing	21,313	8,844	18,797	3,557,737	3,606,691
Syndicated term financing	953,139	280,754	31,553	111,422	1,376,868
Hire purchase receivables	9,289	64,847	90,754	2,675	167,565
Other term financing	183,280	945,552	1,899,635	1,057,142	4,085,609
Bills receivables	948,788	-	-	-	948,788
Trust receipts	781,665	-	-	-	781,665
Claims on customers under acceptance credits	190,734	-	-	-	190,734
Staff financing-i	16	107	159	655	937
Credit cards-i	1,184,077	-	-	-	1,184,077
Revolving financing	2,099,924	-	-	-	2,099,924
Other financing	2,623	-	-	-	2,623
	6,457,601	1,300,104	2,040,898	4,729,631	14,528,234

		31 Dec 2023			
	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	83,208	-	-	-	83,208
Term financing					
House financing	20,555	6,809	24,012	3,605,783	3,657,159
Syndicated term financing	410,082	717,885	136,911	114,330	1,379,208
Hire purchase receivables	10,089	72,561	113,576	2,349	198,575
Other term financing	545,523	810,722	1,423,379	1,194,878	3,974,502
Bills receivables	1,081,897	-	-	-	1,081,897
Trust receipts	633,003	-	-	-	633,003
Claims on customers under acceptance credits	206,166	-	-	-	206,166
Staff financing-i	23	87	295	852	1,257
Credit cards-i	1,252,514	-	-	-	1,252,514
Revolving financing	1,899,955	-	-	-	1,899,955
Other financing	2,633	-	-	-	2,633
	6,145,648	1,608,064	1,698,173	4,918,192	14,370,077

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 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	-	-	1,502	3,198	-	-	-	-	-	-	4,701
Mining and quarrying	2,122	-	-	118	3	19,696	2,408	-	-	25,029	-	49,376
Manufacturing	19,840	-	121,830	100,895	632,351	490,583	112,029	-	-	101,940	-	1,679,058
Electricity, gas and water	-	-	-	-	3,962	-	-	-	-	60,176	-	64,138
Construction	26,600	-	190,478	457	277,102	47,868	52	-	-	502,580	-	1,049,121
Real estate	-	-	350,129	-	838,639	-	-	-	-	40,747	-	1,229,515
Wholesale & retail trade and restaurants & hotels	12,897	-	-	12,782	161,904	229,275	531,250	-	-	161,536	44	1,193,613
Transport, storage and communication	3,944	-	-	28,714	141,705	3,512	25,035	-	-	67,846	8	270,915
Finance, takaful and business services	14,274	-	-	768	358,609	5,536	-	-	-	693,587	-	1,073,450
Household-retail	49	3,606,691	-	-	968,771	-	-	937	1,184,077	-	2,571	5,763,096
Others	3,026	-	714,431	22,329	699,365	152,318	113,299	-	-	446,483	-	2,151,251
82,753	3,606,691	1,376,868	167,565	4,085,609	948,788	781,665	190,734	937	1,184,077	2,099,924	2,623	14,528,234

31 Dec 2023 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	-	-	-	1,751	3,786	-	-	-	-	-	-	5,538
Mining and quarrying	3,699	-	-	3,753	3	21,560	2,573	-	-	31,033	-	62,621
Manufacturing	17,212	-	142,911	119,759	551,401	407,873	97,646	-	-	120,631	30	1,552,366
Electricity, gas and water	-	-	-	-	4,104	-	-	-	-	58,509	-	62,613
Construction	22,267	-	185,527	116	257,567	71,636	550	-	-	491,120	11	1,038,082
Real estate	-	-	350,132	-	801,310	-	-	-	-	116,778	-	1,268,220
Wholesale & retail trade and restaurants & hotels	8,845	-	-	15,866	172,646	236,875	462,240	-	-	117,781	10	1,111,478
Transport, storage and communication	533	-	-	29,711	170,212	7,202	9,332	-	-	45,896	8	263,050
Finance, takaful and business services	17,899	-	-	1,487	344,970	17,437	-	-	-	567,995	-	951,818
Household-retail	3	3,657,159	-	-	1,009,421	-	-	1,257	1,252,514	-	2,574	5,922,928
Others	12,750	-	700,638	26,132	659,082	319,314	63,235	-	-	350,212	-	2,131,363
83,208	3,657,159	1,379,208	198,575	3,974,502	1,081,897	633,003	206,166	1,257	1,252,514	1,899,955	2,633	14,370,077

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

3) Credit Risk (Cont'd)

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

	30 Jun 2024								
	RM'000								
	Cash line-i	House financing	Hire purchase receivables	Other term financing	Bills receivables	Credit cards-i	Revolving financing	Other financing	Total
Agricultural, hunting, forestry and fishing	1	-	-	452	-	-	-	-	453
Manufacturing	5,137	-	-	2,955	-	-	-	-	8,092
Electricity, gas and water	-	-	-	1	-	-	60,175	-	60,176
Construction	2,368	-	-	3,239	11	-	-	-	5,618
Wholesale & retail trade and restaurants & hotels	874	-	5,468	-	980	-	-	44	7,366
Transport, storage and communication	-	-	-	1,879	1,034	-	-	8	2,921
Finance, takaful and business services	-	-	-	-	2,935	-	-	-	2,935
Household-retail	-	266,327	-	187,335	-	7,769	-	2,190	463,621
	8,380	266,327	5,468	195,861	4,960	7,769	60,175	2,242	551,182

	31 Dec 2023								
	RM'000								
	Cash line-i	House financing	Hire purchase receivables	Other term financing	Bills receivables	Credit cards-i	Revolving financing	Other financing	Total
Agricultural, hunting, forestry and fishing	-	-	-	452	-	-	-	-	452
Manufacturing	4,186	-	172	3,908	1,250	-	-	36	9,552
Electricity, gas and water	-	-	-	-	-	-	58,509	-	58,509
Construction	1,904	-	-	923	7,436	-	-	4	10,267
Real estate	-	-	-	3,246	-	-	-	-	3,246
Wholesale & retail trade and restaurants & hotels	961	-	6,074	1,386	982	-	-	10	9,413
Transport, storage and communication	10	-	-	1,878	1,285	-	-	8	3,181
Finance, takaful and business services	709	-	-	-	3,332	-	-	-	4,041
Household-retail	-	297,565	-	203,402	-	11,736	-	2,085	514,788
	7,770	297,565	6,246	215,195	14,285	11,736	58,509	2,143	613,449

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 2024	31 Dec 2023
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	453	452
Manufacturing	2,745	8,415
Electricity, gas and water	59,971	58,509
Construction	4,464	9,287
Real estate	1,448	1,310
Wholesale & retail trade and restaurants & hotels	14,904	4,702
Transport, storage and communication	1,886	1,897
Finance, takaful and business services	-	621
Household-retail	566,829	600,077
Others	1,348	4,614
	654,048	689,884

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

	30 Jun 2024	31 Dec 2023
	RM'000	RM'000
Northern region	70,177	67,538
Southern region	73,127	86,847
Central region	493,484	510,075
Eastern region	17,260	25,424
	654,048	689,884

^[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 statements as at 30 June 2024 respectively.

Table 8: Impairment allowance breakdown by sector

	30 Jun 2024	31 Dec 2023
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	30	43
Mining and quarrying	17	57
Manufacturing	9,704	11,597
Electricity, gas and water	58,359	56,858
Construction	8,548	7,584
Real estate	2,255	4,141
Wholesale & retail trade and restaurants & hotels	9,609	9,426
Transport, storage and communication	1,378	1,742
Finance, insurance/takaful and business services	775	1,414
Household-retail	206,507	254,055
Others	1,507	1,949
	298,689	348,866

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 2024	31 Dec 2023
	RM'000	RM'000
Northern region	28,818	33,126
Southern region	29,164	34,047
Central region	233,349	272,612
Eastern region	7,358	9,081
	298,689	348,866

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 2024.

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

<i>(Releases) / Charges</i>	30 Jun 2024	30 Jun 2023
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	(13)	(8)
Mining and quarrying	(40)	6
Manufacturing	(1,655)	1,452
Electricity, gas and water	(120)	(1,917)
Construction	952	461
Real estate	(734)	1,388
Wholesale & retail trade and restaurants & hotels	189	10,710
Transport, storage and communication	(363)	685
Finance, insurance/takaful and business services	(615)	880
Household-retail	(9,345)	27,883
Others	(460)	682
	(12,204)	42,222

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 2024.

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) ECAs (Cont'd)

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

30 Jun 2024
RM '000

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
On and Off Balance Sheet Exposures								
(i) Total rated exposures								
Sovereigns & Central Banks								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	4,272,163	755,160	-	-	-	-	-	5,027,323
PSEs								
- Exposures risk-weighted using ratings of Corporates	140,384	-	-	-	-	-	-	140,384
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	406,942	669,842	-	-	-	-	-	1,076,784
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	21,557	-	-	-	-	-	-	21,557
- Exposures risk-weighted using ratings of Corporates	731,749	270,899	-	-	-	-	-	1,002,648
	5,572,795	1,695,901	-	-	-	-	-	7,268,696
(ii) Total unrated exposures								
							16,508,565	16,508,565
Total Long Term Exposure	5,572,795	1,695,901	-	-	-	-	16,508,565	23,777,261

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

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

30 Jun 2024
RM '000

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
On and Off Balance Sheet Exposures						
(i) Total rated exposures						
Sovereigns & Central Banks - Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	384,956	-	-		384,956
PSEs - Exposures risk-weighted using ratings of Corporates	83,118	-	-	-		83,118
Banks, DFIs & MDBs - Exposures risk-weighted using ratings of Banking Institutions	609,181	1,304	118	2,375		612,978
Corporates - Exposures risk-weighted using ratings of Corporates	341,062	-	-	-		341,062
	1,033,361	386,260	118	2,375	-	1,422,114
(ii) Total unrated exposures					-	-
Total Short Term Exposures	1,033,361	386,260	118	2,375	-	1,422,114
Total Long Term and Short Term Exposures:						25,199,375

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

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2023
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	3,299,793	1,515,288	-	-	-	-		4,815,081
PSEs								
- Exposures risk-weighted using ratings of Corporates	202,660	-	-	-	-	-		202,660
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	403,179	649,864	-	-	28,916	-		1,081,959
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	28,541	-	-	-	-	-		28,541
- Exposures risk-weighted using ratings of Corporates	657,390	29,520	13,384	-	-	-		700,294
	4,591,563	2,194,672	13,384	-	28,916	-		6,828,535
(ii) Total unrated exposures								
							16,236,859	16,236,859
Total Long Term Exposures	4,591,563	2,194,672	13,384	-	28,916	-	16,236,859	23,065,394

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

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2023
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	-	1,386,106	-	-		1,386,106
PSEs						
- Exposures risk-weighted using ratings of Corporates	23,052	-	-	-		23,052
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	418,839	505	-	-		419,344
Corporates						
- Exposures risk-weighted using ratings of Corporates	512,823	-	-	-		512,823
	954,714	1,386,611	-	-	-	2,341,325
(ii) Total unrated exposures					-	-
Total Short Term Exposures	954,714	1,386,611	-	-	-	2,341,325
Total Long Term and Short Term Exposures						25,406,719

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, takes many forms.

The Bank's general policy is to promote the use of CRM, 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 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 2024

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	5,392,279	-	-
PSEs	764,312	-	-
Banks, DFIs & MDBs	1,348,559	-	-
Corporates	7,468,372	266,377	89,778
Regulatory Retail	2,083,480	15,323	12,366
House Financing	3,535,397	-	-
Higher Risk Assets	3,138	-	154
Other Assets	135,505	-	-
Defaulted Exposures	251,123	3,620	-
Total for On-Balance Sheet Exposures	20,982,165	285,320	102,298
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	550,459	-	323,365
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,661,590	110,544	107,794
Defaulted Exposures	5,161	-	-
Total for Off-Balance Sheet Exposures	4,217,210	110,544	431,159
Total On and Off-Balance Sheet Exposures	25,199,375	395,864	533,457

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 2023

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	6,181,187	-	-
PSEs	656,208	-	-
Banks, DFIs & MDBs	1,099,049	-	-
Corporates	7,153,458	160,597	109,087
Regulatory Retail	2,178,602	12,384	12,504
House Financing	3,567,994	-	-
Higher Risk Assets	3,170	-	151
Other Assets	143,275	-	-
Defaulted Exposures	279,649	3,710	-
Total for On-Balance Sheet Exposures	21,262,592	176,691	121,742
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	443,127	-	308,275
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,695,876	119,704	103,162
Defaulted Exposures	5,124	-	-
Total for Off-Balance Sheet Exposures	4,144,127	119,704	411,437
Total On and Off-Balance Sheet Exposures	25,406,719	296,395	533,179

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

Sensitivity of projected Net Profit/Finance Income

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

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

	RM'000			
	30 Jun 2024 *		31 Dec 2023	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	46,515	(48,663)	42,992	(44,006)
USD	2,557	(2,559)	1,811	(2,023)
Others	1,157	(1,143)	2,720	(2,703)
	50,229	(52,365)	47,523	(48,732)

* From 2024, the methodology has been refined to better capture the risk to the earnings generated from the banking book. Comparatives are not restated as the overall impact is not material.

The increase or decline in economic value for upward and downward rate shocks for measuring profit rate risk/rate of return risk in the banking book are as follows:

Sensitivity of projected Economic value of equity

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

	RM'000			
	30 Jun 2024		31 Dec 2023	
Basis point parallel shift in yield curves	+ 200 bps	- 200 bps	+ 200 bps	- 200 bps
MYR	(115,709)	129,559	(75,658)	84,488
USD	1,760	(1,346)	(988)	1,466
Others	2,473	(2,188)	2,149	(1,936)
	(111,476)	126,025	(74,497)	84,018

The sensitivity of reported reserves in 'other comprehensive income' to profit rate movements are monitored on a monthly basis by assessing the expected reduction in valuation of financial investments at fair value through other comprehensive income (FVOCI) portfolios to parallel movements of plus or minus 100 basis points in all yield curves.

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

	RM'000			
	30 Jun 2024		31 Dec 2023	
Basis point parallel shift in yield curves	+ 100bps	- 100bps	+ 100bps	- 100bps
MYR	(14,433)	14,433	(8,122)	8,122
	(14,433)	14,433	(8,122)	8,122

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

5) 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 Shariah Governance Policy Document (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)

5) 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 undertake research and development (R&D) and propose feasible Shariah compliant product structures and solutions to be launched by the various business lines within HSBC Amanah. To develop and implement initiatives for Islamic finance knowledge and skills monitoring, including deploying Amanah product knowledge and its underlying concepts for all personnel involved in Amanah products, services, processes and Shariah Risk management awareness through varied learning approaches. Incumbent is required to collaborate with HR to fulfil training and knowledge management needs.

Quantitative Disclosure

a. Shariah Non-Compliance Events:

During the financial period ending 30 June 2024, no actual Shariah non-compliance event has been identified.

b. Shariah Non-Compliance Income:

During the financial period ending 30 June 2024 the following amounts are recorded in the Shariah Penalty & Impure Income Account (the Account):

- i) The amount of RM116,631 in the Account was carried forward from 2023 to 2024.
- ii) RM341,051 income received from Shariah non-compliant activities have been transferred to the Account. The income was from transactions in nostro accounts and from financing and advances.
- iii) RM127,400 was donated for charitable purposes.

A balance of RM330,282 in the Account is pending distribution in second half of 2024. The amount in the Account is reported net of income tax liabilities.

Other than the above, there were no other Shariah non-compliance income or other amounts recorded during the financial period ending 30 June 2024.