

## Management Discussion and Analysis



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## Management Discussion and Analysis

### DEAR VALUED SHAREHOLDERS,

**The Group recorded a stronger financial performance for FY2025, with total revenue of RM2.3 billion. More than two years into the Acceler8 2027 transformation strategy, the positive outcomes allow Alliance Bank to stay on track in delivering value for its stakeholders.**

The revenue growth is attributable to improvements in both net interest income ("NII") and non-interest income ("NOII"). The NII grew 13.2% YOY to RM1.95 billion mainly due to higher loan volume, with net interest margin staying within guidance at 2.45%. The NOII increased 7.7% to RM323.4 million during the same period. This was mainly due to higher treasury, investment, and wealth management incomes and foreign exchange fees. The cost-to-income ratio for the year stood at 48%.

Total gross loans expanded by 12.0% YOY to RM62.4 billion, exceeding the industry growth rate of 5.2%. The strong performance was shared across all segments, namely SME, Commercial, Corporate, and Consumer, which recorded YOY growth of 10.6%, 15.8%, 8.4%, 12.6% respectively. The Bank's CASA ratio remained one of the highest in the industry at 41%, on the back of a 14.7% YOY increase in customer deposits.

Net credit cost for FY2025, which included pre-emptive provisions, was 31.9 basis points bps, while loan loss coverage came in at 116.8%. The Bank's capital position without Transitional Arrangement for Common Equity Tier-1 Ratio CET1 stands at 12.2% and Tier-1 Capital Ratio at 13.4%. Total capital ratio remained at 16.7%. In terms of liquidity position, Alliance Bank is resilient with a coverage ratio of 171.6% and loan to fund ratio of 85.6%.

Overall, our strong performance this year reflects the disciplined execution of our purpose-driven strategy, as we continuously strive to create positive impacts that benefit both current and future stakeholders.

### Accelerating our SME Business Growth

Our SME portfolio remains a core pillar of our growth strategy. The Bank's strong support for businesses through a comprehensive suite of innovative, relevant, and inclusive solutions, including, Digital SME and Alliance BizSmart®, reaffirms our dedication in empowering businesses with dynamic banking and non-banking solutions.

In FY2025, we launched the Alliance Bank Visa Platinum Business Credit Card in partnership with Credit Guarantee Corporation ("CGC"), providing greater financial flexibility for businesses, without requiring any collateral. This collaboration enables us to support micro-SMEs in

overcoming the challenges of obtaining funds, particularly those with a short credit history.

As we continue to achieve higher revenue growth, we are reinvesting in the organisation to build a stronger foundation for the future. This includes investments in technology, expanding our digital capabilities, enhancing customer experience and upskilling our workforce. For example, on the Digital SME front, we introduced innovative tools including eKYC for business customers onboarding. Additionally, we enhanced our internal processes using new digital tools, such as the Bank Statement Analyser to refine the Bank's credit approach - making banking faster, easier and more personalised while broadening financial access for more SMEs. Since its inception over three years ago, we have achieved balances of more than RM550 million in digital SME loans.

At Alliance Bank, we aim to foster sustainable growth among Malaysian businesses, drive innovation and strengthen their resilience in a rapidly evolving financial landscape. Our BizSmart® Challenge, which has evolved from a platform for entrepreneurial growth to an accelerator for industry-defining talent hit its decade landmark in FY2025. Its objectives align with our aim to encourage and foster progress and development of emerging SMEs, identify rising stars and provide the required support to help them thrive.

Our efforts in the SME segment were recognised when Alliance Bank won the "Best SME Bank in Malaysia" at The Asian Banker - Global Excellence in Retail Financial Services Awards 2024, and The Digital Banker - Global SME Banking Innovation Awards 2024. These prestigious awards demonstrate our continuous commitment to delivering long-term value to our customers, shareholders and communities.

### Driving Growth in Key Economic Corridors

As we strive to be the preferred Bank for Life, we have continued to expand our reach to more customers across different regions, with double-digit YOY growth in key economic corridors, such as Penang, Johor and Sarawak. Combined, these states recorded 14% and 22% increases in loans and deposits growth, respectively.

Over the year, we have modernised five (5) branches with improved IT infrastructure and embedded our refreshed branding. Our goal is to provide a conducive environment for our customers, offering greater convenience and more personalised banking experiences. These upgrades ensure that our nationwide branches remain relevant, efficient and aligned with evolving customer expectations.

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### Empowering Consumers Through Innovative Solutions

In this financial year, we continued our focus on broadening growth in our consumer business, particularly targeting the High Earners Not Rich Yet (“HENRYs”) and emerging affluent segments. Notably, 40% of new customers were onboarded via digital channels, reflecting the strong demand for our digital-first solutions and changing customer preferences.

Our strategic partnerships with Samsung and Google have enabled Alliance Bank credit cardholders to make seamless contactless payment in over 100 countries worldwide. Additionally, the Bank continues to see growth of 31% in its Visa Virtual Credit Cardbase (with the Dynamic Card Number feature), underscoring strong demand for the Bank’s eco-friendly, highly secured digital offering in an increasingly cashless world. This is also in line with our strategic direction to future-proof our products and solutions to address growing cybersecurity threats while meeting customers’ expectations for frictionless and enhanced digital experiences.

### Strengthening Islamic Banking

Our Islamic banking business achieved 5.8% YOY financing growth in FY2025, driven by key propositions such as the Halal-in-One (“HiO”) programme which has supported numerous customers in obtaining their Halal certification and facilitated over RM2.52 billion in Shariah-compliant financing since 2020. In line with Bank Negara Malaysia’s (“BNM”) Value-Based Intermediation (“VBI”) agenda, we also pioneered the Zakat Microfinancing Programme, empowering 103 *asnaf* micro-entrepreneurs to build a more sustainable source of income.

Over the year, Alliance Islamic Bank (“AIS”) also completed RM1.8 billion of Sukuk programmes, where RM380 million of issuances were sustainable or sustainability-linked sukuk. Notably, AIS listed four (4) IPOs on Bursa Malaysia ACE market, representing 10% of ACE IPOs for the year. AIS also listed one (1) IPO on the Main market recently. In FY2025, Islamic Capital Markets contributed 39.7% of AIS’s Other Operating Income.

The Bank’s success in Islamic banking can be attributed to a strategic, multi-faceted approach that aligns with Shariah principles while addressing market needs. Our focus on innovation, community empowerment, development, partnerships and ethical branding, ensures community impact and sustained growth for Alliance Islamic Bank.

### Advancing Our Sustainability Goals

Sustainability is at the heart of our Acceler8 strategy. Over the past year, we have made significant progress in our sustainability agenda, successfully achieving a cumulative total of RM14.4 billion in new sustainable banking business since FY2022. This puts us well on track to achieve our RM15 billion target by FY2027.

In 2024, Alliance Bank made history as the only Malaysian bank shortlisted for the Qorus SME Banking Awards, eventually taking home the Gold for our SME ESG solution, the Sustainability Impact Programme (“SIP”). SIP also won the prestigious ASEAN Banking ESG Award 2025. The programme is anchored in the Bank’s unique 3As approach (Advocacy, Advice and Answers) which provides a holistic proposition to support SMEs on their ESG journey.

Together with our strategic partners, we provide accessible and relevant ESG support under the SIP programme to help the local business community on its ESG journey.

Under “Advocacy”, we built on the success of our inaugural report by publishing the second edition of our ESG study, “The Path to Sustainable Impact – Sectorial Insights of Malaysian SMEs” (“ESG 2.0 Report”), which was commissioned in collaboration with Monash University Malaysia (“Monash University”), Zurich Malaysia (“Zurich”), UN Global Compact Network Malaysia & Brunei (“UNGCMYB”), SME Corporation Malaysia (“SME Corp”) and INCEIF University (“INCEIF”). The ESG 2.0 Report delved into the progress of Malaysian SMEs in their sustainability journey, providing deeper sector-specific insights into the current landscape, challenges and support needed for SMEs to unlock new market opportunities and benefits from ESG adoption. Overall, the ESG 2.0 Report revealed a sixfold increase in ESG awareness among SMEs and saw the ESG adoption rates surged from 28% to 60% – reflecting a rapidly growing recognition among SMEs of the importance of sustainability in today’s competitive business landscape.

Under “Advice” we offer practical consultations and ESG diagnostic tools to support SMEs in kickstarting their ESG journey. Last year, we jointly launched the PROGRESS Climate diagnostic tool with UNGCMYB to help SMEs assess their sustainability status and develop their climate action plans. In addition, the Bank provides preferential financing rates to businesses as they transition and improve their climate maturity levels – reflected in their PROGRESS Climate diagnostic report. Through this tool, the Bank has helped over 1,000 businesses embark on their ESG climate transition journey.

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Under “Answers”, the Bank provides a comprehensive suite of personalised banking solutions and financial support. These include customised green financing options, access to green funding through Bank Negara Malaysia’s Low Carbon Transition Facility and High-Tech and Green Facility, as well as competitive rates for initiatives such as solar panel installations and green mortgages. Beyond banking, we also collaborate with a range of green solution providers to offer pragmatic ESG solutions, such as energy efficiency, better water management, and more sustainable waste management.

Looking ahead, the Bank will launch a series of sectoral playbooks in 2025-2026, to provide actionable guidance and best practices for SMEs across key sectors such as services, manufacturing, construction and agriculture. These playbooks are designed to empower businesses with the tools and insights needed to navigate their sustainability goals effectively.

Additionally, as a responsible corporate citizen, Alliance Bank has also reduced its greenhouse gas (GHG) emissions by 17.8% compared to its FY2020 baseline.

### Inculcating a High-Performance Culture

Our AGILE values continue to drive a high-performance culture, empowering employees to take ownership of their roles and contribute to the Bank’s success. Throughout FY2025, we strived to build a thriving work environment for our employees. Building on our business growth, we have invested over RM7 million in employee development initiatives, with an average of 40 learning hours per employee throughout the year.

We focused on future-proofing our workforce through upskilling initiatives, equipping our employees with personalised learning paths and skills aligned with emerging technologies, market trends and evolving business needs. With rapid advancements in artificial intelligence (“AI”), automation and digitalisation, we have prioritised continuous learning so that Team Alliance remains agile and competitive in the long run.

### Making a Difference in the Community

As a community-centric organisation, we are dedicated to building meaningful relationships and supporting those we serve. In FY2025, we launched the Flood Relief Assistance programme to aid customers impacted by floods in Sabah, Sarawak, Kelantan, Kedah and Terengganu. As The Bank For Life, we stand by our customers, especially during challenging times.

To promote financial literacy among the younger generation, FY2025 marked the successful conclusion of the seventh edition of the AEIOU Challenge, which saw almost 80,000 entries for both the Comic and e-Game Challenges, submitted by nearly 40,000 Malaysian schoolchildren aged 9 to 12.

Additionally, the second edition of Alliance Bank’s Heritage Run in Georgetown, Penang, attracted close to 4,000 participants, reinforcing our commitment to sustainability and community engagement.

In FY2025, we initiated the Employee Volunteerism Programme (“EVP”), enabling our employees to participate in activities to give back to the community. These programmes are designed to enhance engagement, well-being, skills development, work fulfilment and corporate social responsibility (“CSR”), aligning with our organisational goals.





## Management Discussion and Analysis

### Financial Review

#### FY2025 Performance Highlights

In FY2025, Alliance Bank delivered its highest-ever revenue and net profit after tax, while maintaining solid capital and liquidity positions, reflecting the growing momentum of our Acceler8 2027 initiatives.

The Group recorded a revenue of RM2.3 billion, an increase of 12.3% year-on-year (“YOY”), driven primarily by a 13.2% growth in net interest income (including net profit income from Islamic Banking). Our net interest margin stood at 2.45%. The Group’s other operating income (including Islamic Banking) increased by 7.7% YOY, predominantly due to increased revenue from treasury and investment income and trade fees.

Our cost-to-income ratio stood at 48.0%, in line with our ongoing investments in human capital, technology and digital innovation to foster future growth.

Our pre-provision operating profit stood at RM1.2 billion, an improvement of 12.9% from the previous year. Net profit after tax improved by 8.7% YOY to RM750.7 million. Meanwhile, the Group’s return on equity (“ROE”) improved to 10.3% from 10.2% in the preceding year.

In FY2025, we observed robust loans growth of 12.0% YOY, which was propelled by advancements across all business lines. This growth encompassed a 15.8% YOY increase in commercial loans, a 12.6% YOY rise in consumer banking loans (including a 12.9% growth in mortgages), a 10.6% YOY increase in SME loans and a 8.4% YOY growth in corporate banking loans and deposits.

The Group maintained its current and saving account (“CASA”) acquisition strategy to support business growth. On the back of this, the Group achieved a CASA ratio of 41% and healthy overall loan-to-deposit ratio of 94.9%.

#### Credit Management

In FY2025, the Group’s net credit cost increased YOY to 31.9 basis points (“bps”) from 25.8 bps in the preceding year due to absence of some write backs from the year before. Gross impaired loans ratio improved to 1.83% from 2.11%. The Group will maintain its prudent credit management approach by implementing our credit risk framework across all business lines.

#### Capital Retention

During the financial year under review, we sustained our strong capital and liquidity positions:

- » Our liquidity coverage ratio stood at 171.6%;
- » Our Common Equity Tier-1 ratio stood at 12.2%; and
- » Our total capital ratio stood at 16.7%.

Summarised Income Statement	FY2025 RM million	FY2024 RM million	Growth RM million	Growth %
<b>Net Interest Income</b>	<b>1,451.1</b>	1,309.6	141.5	10.8%
<b>Islamic Banking Income</b>	<b>547.1</b>	440.1	107.0	24.3%
Of which:				
<i>Net Profit Income</i>	<b>495.5</b>	410.5	85.0	20.7%
<i>Other Operating Income</i>	<b>51.6</b>	29.6	22.0	74.3%
<b>Other Operating Income</b>	<b>271.7</b>	270.7	1.0	0.4%
<b>Revenue</b>	<b>2,269.9</b>	2,020.4	249.5	12.3%
<b>Other Operating Expenses</b>	<b>(1,088.5)</b>	(973.7)	(114.8)	-11.8%
<b>Pre-Provision Operating Profit</b>	<b>1,181.4</b>	1,046.7	134.7	12.9%
<b>Allowance for Loans &amp; Impairment</b>	<b>(188.5)</b>	(135.4)	(53.1)	-39.2%
<b>Share of Results of Joint Venture</b>	<b>-</b>	-	-	-16.5%
<b>Profit before Taxation</b>	<b>992.9</b>	911.3	81.6	9.0%
<b>Taxation</b>	<b>(242.2)</b>	(220.8)	(21.4)	-9.7%
<b>Net Profit after Taxation</b>	<b>750.7</b>	690.5	60.2	8.7%

Summarised Balance Sheet	FY2025 RM million	FY2024 RM million	Growth RM million	Growth %
<b>Net Loans, Advances and Financing</b>	<b>61,418.5</b>	54,720.8	6,697.7	12.2%
<b>Investment and Dealing Securities</b>	<b>15,570.7</b>	14,253.0	1,317.7	9.2%
<b>Total Assets</b>	<b>85,217.3</b>	76,946.1	8,271.2	10.7%
<b>Deposits from Customers</b>	<b>65,835.0</b>	57,397.5	8,437.5	14.7%
of which: CASA	<b>26,980.8</b>	23,864.4	3,116.4	13.1%
<b>Shareholders’ Funds</b>	<b>7,668.4</b>	7,175.1	493.3	6.9%

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### Operational Review: Consumer Banking

#### Consumer Banking

The Bank's consumer banking segment provides an extensive range of personal banking solutions to individual customers. Catering to our customers' diverse financial needs, we offer an array of products and services including deposits, loans, personal finance, credit cards, wealth management, structured investments, and retail bonds.

#### FY2025 Performance Highlights

In FY2025, the consumer banking segment achieved total revenues of RM792.2 million, marking a strong 20.8% YOY growth. Both loan and deposit growth surpassed the industry at 12.6% and 17.8% respectively, while our CASA ratio of 34.2% continues to outperform the industry average.

Digital channels remain one of our primary focus, with 85% of our customers now conducting transactions digitally and 40% of new customer acquisitions coming through our platform in FY2025. In addition, more than 50% of newly approved credit cards now originate from digital channels, reflecting strong consumer adoption, led by our Virtual Credit Card with dynamic numbers. The card remains the first of its kind in Malaysia and has set a new standard in the digital payments industry.

Consequently, the innovation and excellence of our offerings have been recognised with 24 industry and technology awards, including prestigious regional and global accolades.



Among the notable wins were the Open Banking Initiative of the Year at the *Asian Banking & Finance - Retail Banking Awards 2024*, and the Best API/Open Banking Platform Provider for Retail Banking at *The Digital Banker - Global BankTech Awards 2024*. Our leadership in payment innovations was also highlighted by the Third Party Partnerships - Most Innovative Payments Initiative at the *Retail Banker International Asia Trailblazer Awards 2025* and Service Innovation - Best Payments Innovation at *The Digital Banker - Global Retail Banking Innovation Awards 2024*.

In recognition of our digital-first credit card strategy, we were awarded Best Card Management System Implementation: Best Project Implementation at the *IBS Intelligence - IBSi Global FinTech Innovation Awards 2024*. Additionally, our commitment to sustainability earned us the Green Packaging Solution Award at the *ESGBusiness Awards 2024*.

In terms of business growth, our targeted approach toward new client segments, particularly High Earners Not Rich Yet ("HENRYs") and Emerging Affluent customers has yielded a 30% YOY increase in revenue per new-to-bank customer. In FY2026, we will further expand our digital reach to the Mass Market, while also enhancing our offerings for affluent and High Net Worth ("HNW") clients with comprehensive wealth management services.

In line with our Acceler8 transformation journey, we will continue our mission to deliver faster, better and more personalised solutions to our customers. In FY2025, we have revamped our loan origination system, launched a new wealth management platform and enhanced our Virtual Credit Card features with integration to Samsung and Google Pay, providing faster lending solutions, safer banking experience and more comprehensive wealth management services to our valued clients.

In fulfilling our commitment of being a Bank for the community, we upgraded branch services and amenities of our Kuchai Enterprise branch and Taman Molek branch and relocated our Alor Setar branch to a larger facility with expanded services, including a Wealth Banking Centre. Additionally, we plan to modernise four more branches, along with the opening of a new branch at Jalan Kelawai, Penang.

#### FY2026 OUTLOOK

In Malaysia's evolving banking landscape, where digital banks have entered the market and competition intensifies, our approach remains both adaptive and customer-centric. While we have prioritised digitalisation and product innovation to better serve our customers, we are equally committed to fostering meaningful in-person interactions and building strong relationships within the communities we serve. This dual focus is pivotal as we navigate the challenges posed by emerging digital players and maintain our competitive edge.

## Management Discussion and Analysis

### Operational Review: Business Banking

#### Digital SME

Digital SME (DSME) was a brand-new line of business developed back in 2021, dedicated to serving micro, small and medium-sized enterprises (MSMEs). It started off as a Proof-of-Concept (PoC) to serve the underserved business segment digitally, by providing them with a self-served channel.

One of the key challenges faced by MSMEs is the inability to obtain smaller loans from banks due to the lack of credit history. DSME took it as a challenge to underwrite this group of customers by creating standalone credit programmes.

As we grew and learned from the PoC, we found that while this segment is able to self-serve, for the more complicated asks – they will still require assistance from our relationship managers on specific questions related to their businesses.

In FY2025, on top of the virtual relationship managers which only focused on virtual interactions with our customers, DSME expanded its team to include digital relationship managers for customers who first reaches out to us digitally, but subsequently still requires direct interaction with our relationship managers.

From a deposit standpoint, DSME also expanded its services such as digital account opening via eKYC, enabling businesses to onboard digitally with ease and security. The innovation streamlines the account opening process more efficiently, providing sole-proprietor and Sdn Bhd companies with a fully digital onboarding experience as digital services demand grows.

#### FY2025 Performance Highlights

In FY2025, DSME demonstrated robust growth in loans, alongside enhanced revenue and improved profitability. Since its inception over three (3) years ago, the business has achieved a loan balance of more than RM558 million. The expansion of DSME's MSME portfolio was driven by leads generated through digital marketing efforts and strategic partnerships. To streamline the approval process and ensure efficiency, virtual site visits are arranged for shortlisted applications seeking financing up to RM500,000.

#### Notable Achievements in FY2025

- » Digital SME received the Digital Business Banking Initiative of the Year – Malaysia Award at The Asian Banking and Finance Retail Banking Awards, highlighting our dedication in driving digital transformation and supporting growth of local SMEs. This year, we expanded our credit solutions to include Alliance Bank Visa Platinum Business Credit Card with simplified processing and documents requirement to MSMEs operating for at least one (1) year and minimum turnover of RM50,000.

- » This first-of-its-kind initiative is a collaboration with the Credit Guarantee Corporation Malaysia Berhad (CGC). The credit card comes with guaranteed coverage, providing greater financial flexibility to businesses, making it easier to manage day-to-day operations, without requiring any collateral. The credit card also helps MSMEs build a robust credit history, enabling them to access larger funding support and better financial solutions in the future with an enhanced business credit profile. Additionally, we introduced the Bank Statement Analyser (BSA) tool to the Group Business Banking segment, which is targeted to improve our credit underwriting process. It features adaptive algorithms and analytics for fraud detection and increased operational efficiency, enabling quicker and more effective loan processing.



#### FY2026 OUTLOOK

For FY2026, DSME aims to introduce a fully integrated straight-through processing process (STP) lending platform which will significantly speed up loan application processing and approvals. The new platform will automate and streamline entire application process, reducing manual steps to enable faster and more efficient operations, providing MSMEs approval-in-principle within minutes. By enhancing the convenience in obtaining financing, the STP platform will empower MSMEs to make quicker financial decisions and gain access to funds to seize business opportunities. In addition, the platform will also feature an enhanced Financial Health Check tool for MSMEs to assess their financial position and gain insights into their cash flow. DSME is poised to maintain its loans growth trajectory in FY2026. In terms of new customers, DSME aims to contribute to approximately 30% of new business current account openings for the overall business banking segment by FY2027.

## Management Discussion and Analysis

### SME and Commercial Banking

The SME and Commercial Banking segment is a crucial component of the Bank's Acceler8 strategy. We aspire to support businesses at every stage of their lifecycle through an array of financial solutions and services. Our offerings include credit facilities, trade finance, foreign exchange, bancassurance, and transaction-related products, along with services extending beyond traditional banking such as financial education for SMEs, delivered in partnership with others.

#### FY2025 Performance Highlights

In FY2025, SME and Commercial Banking delivered robust performance, growth and resilience amidst challenging market conditions. The SME and Commercial Banking segment registered strong loans growth of 10% and 16% YOY, respectively, outpacing industry growth rates. This brought the total loans outstanding to RM16.2 billion and RM8.6 billion respectively. SME deposit balances grew 7% YOY to RM15 billion as we intensified our acquisition efforts, leveraging on digital channel and our partner-in-sales programme on top of our existing sales channels. Meanwhile, Commercial Banking deposit balances grew 33% YOY to RM6.8 billion. SME and Commercial revenue grew 12% and 6% YOY.

As a result of continuing the acquisition momentum, we have onboarded more than 8,500 new-to-bank ("NTB") customers in FY2025. The results were also complemented by strong collaborations with key notable partners including Credit Guarantee Corporation Malaysia Berhad ("CGC"), Syarikat Jaminan Pembiayaan Perniagaan ("SJPP"), Ministry of International Trade and Industry ("MITI"), Lembaga Hasil Dalam Negeri ("LHDN"), Digital Penang, SME Association of Malaysia, Persatuan Usahawan Maju Malaysia ("PUMM"), SME Association of Sabah, Sarawak Digital Economy Corporation (SDEC), Machinery & Engineering Industries Federation ("MIEF") among others.

Alliance Bank's commitment to the SME segment has been acknowledged with several prestigious awards, including being awarded with Digital Business Banking Initiative of the Year - Malaysia Award at The Asian Banking and Finance Retail Banking Awards, Top FI Partner Award, Commercial Financial Institution Category at CGC's 29<sup>th</sup> FI/DFI & SME Awards, Best SME Bank in Malaysia consecutively at The Digital Banker - Global Retail Banking Innovation Awards 2024 and 2025, Best SME Bank in Malaysia at 10<sup>th</sup> Annual Global Business Outlook Awards 2024, Best SME Bank of the Year in APAC - Silver Award at Qorus Reinvention Awards Asia Pacific 2025 and Anugerah Prestasi Terbaik 2024 - Keseluruhan Skim Jaminan Kerajaan awarded by SJPP.

#### FY2026 OUTLOOK



In FY2026, our primary focus is to continue our momentum on acquisition and growth, to drive fee-based income and further enhance our digital capabilities to maximise revenue and achieve better cost-efficiency and productivity.

##### Continue Acquisition and Growth Momentum

Our focus remains on acquiring high quality new-to-bank ("NTB") customers through a variety of channels. We aim to boost sales effectiveness and efficiency while targeting specific high growth sectors and regions. We will continue to refine our products, to better serve the dynamic needs of our SME and Commercial banking clients, including their business expansion plans and sustainability endeavours.

##### Driving Fee-based Income

We will continue to offer competitive FX, trade, and bancassurance products to all our existing and newly onboarded customers. Additionally, we will enhance our portfolio management strategies to drive fee income generation, for example promotion of trade and transactional products through the Months-On-Book (MOB) initiative. Teams of dedicated FX and trade specialists are set up to assist our clients on the utilisation of the facilities.

##### Enhancing Digital Capabilities

The upgrade of our digital and technological platforms remain a key priority. This involves making the customer onboarding process more efficient, equipping Relationship Managers (RMs) with digital tools for e-KYC and building trust and loyalty through customised digital engagement strategies. Furthermore, we will continue the enhancement efforts on our business processes and onboarding system to quicken turnaround times (TAT) and digital banking platform to simplify customer activation journey.

##### Holistic Loan Asset Growth with Drive for Deposit, Fee based and FX Income

Heading into FY2026, we will continue to strengthen our Relationship Managers (RM) network as well as introduce customers to suitable Trade Solutions and Cash Management Solutions. This will enable us to better serve our customers while deepening our wallet share and improving our relationships with both New-To-Bank (NTB) and Existing-to-Bank (ETB) customers.



## Management Discussion and Analysis

### Operational Review: Business Banking



#### Transaction Banking

Transaction Banking offers a wide range of cash management solutions including payment & collection services, liquidity management, and trade financing to all businesses. We actively encourage the use of digital solutions among our business clients for greater convenience and to ensure that their business banking needs are met in a seamless manner.

#### FY2025 Performance Highlights

In FY2025, we acquired around 10,000 new BizSmart® customers while the BizSmart® Mobile penetration among our customers increased significantly from 77% to 82%. Altogether, 56% of our trade finance submissions were completed digitally through BizSmart® eTrade, our online trade financing submission platform.

In the year under review, we introduced several new features and enhancements to strengthen security, improve customer support and enhance transaction efficiency.

To help customers combat financial scams, we rolled out advanced security measures within BizSmart®. The Kill Switch allows customers to temporarily disable their BizSmart® User ID immediately if they suspect unauthorised access. The Cooling-off Period introduces a 12-hour “No Transaction” interval after BizSmart® Mobile or User ID activation,

preventing fraudulent profiles from being exploited by scammers. Additionally, the Lock Card feature provides a self-service function for customers to block their business debit or credit cards instantly in case of loss or suspicious activity, reducing the risk of fraudulent transactions.

Beyond security, we enhanced customer support by centralising BOB, our BizSmart® Chatbot and other support services onto a single platform. This consolidation makes it easier for customers to access self-help materials and enrol in free weekly training sessions, empowering them with knowledge and resources for seamless banking experiences.

Recognising the complexities of Foreign Telegraphic Transfers (FTT), we re-engineered the submission process with a new user-friendly UI/UX. This upgrade simplifies the experience and reduces the documentation burden, making international transactions more efficient and convenient for our customers.

#### FY2026 OUTLOOK

Transaction Banking will focus on enhancing BizSmart® Mobile, balancing the need for greater convenience and stronger security, with the aim of making it the primary banking tool for SMEs to support their day-to-day banking.

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### Operational Review: Corporate and Institutional Banking



#### Corporate and Institutional Banking

Our Corporate and Institutional Banking provides high-value and strategic financial services to large/mid-tier corporates. These services encompass a wide range of activities, including granting credit facilities, fundraising via debt and equity capital markets, corporate advisory, cash management and transaction support, catering to the needs of clients with complex financial requirements and seeking customised solutions.

#### FY2025 Performance Highlights

In FY2025, Group Corporate and Institutional Banking (“GCIB”) recorded a total revenue of RM204.9 million with a profit before tax of RM110.0 million. Corporate loans, including Commercial Papers (“CP”) and Medium-Term Notes (“MTN”), continued to increase steadily with an 13.2% YOY growth to RM7.3 billion. Total deposits have increased YOY to RM12.0 billion, in alignment with the division’s efforts to diversify the depositor base and maintain healthy liquidity levels. Current Account balances recorded a growth rate of 51.6% YOY, to reach RM5.7 billion. The division has also successfully completed four (4) Initial Public Offering (“IPO”) exercises on the ACE Market, and one (1) IPO on the Main Market with a combined market capitalisation of RM2.0 billion and RM508 million of total funds raised.

#### FY2026 OUTLOOK



In line with the Bank’s Acceler8 transformation strategy, the division continues to drive new-to-bank acquisition and deepen existing client relationships, with an increased focus on growing sustainable financing whilst supporting the customers in their sustainability journey. GCIB will also continue to conduct joint account planning with the capital markets team to provide holistic solutions to customers and further expand the Bank’s share of wallet.

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### Operational Review: Group Financial Markets



#### Group Financial Markets

Group Financial Markets operates under four main pillars: Funding and Investments, Trading, Client Based Servicing and Middle Office, and Asset Liability Management Support. The segment focuses on providing customers with foreign exchange, money market, hedging and investment solutions.

#### FY2025 Performance Highlights

The performance of global financial markets was mixed in FY2025. While the United States saw strong equity market performance, there were more moderate gains in Europe and challenges in Asian markets, particularly in China and Japan. Commodities such as gold saw significant appreciation, while global economic growth remained inconsistent across regions. Meanwhile, Malaysia's financial markets and economy experienced robust growth, a strong stock market performance, currency appreciation, stable inflation and strategic advancements in the semiconductor and energy sectors. On the investments front, fluctuations in rates and volatilities opened prospects for enhanced yield products, allowing sophisticated investors to achieve better returns. These factors contributed to the Bank's growth in client-based revenues. For FY2025, Group Financial Markets recorded revenue of RM369 million.

#### Liquidity and Funding

During FY2025, the Bank's Liquidity Coverage Ratio (LCR), a measure of a bank's ability to meet short-term obligations, stood at 171.6% as at 31 March 2025. This level remains well above the regulatory requirement, indicating that we possess a strong liquidity buffer. Meanwhile, Net Stable Funding ratio (NSFR), which measures funding stability beyond the 12-month horizon, stood at 117.9%. Our aggregate loan-to-fund (LTF) ratio remained stable at 85.6% in March 2025, reflecting a balanced approach between lending activities and available funding.

#### FY2026 OUTLOOK

For FY2026, global financial markets are anticipated to navigate a complex landscape characterised by moderate economic growth, evolving monetary policies, technological advancements and geopolitical uncertainties. Domestically, Malaysia's economy is projected to experience steady growth in 2025, with forecasts indicating an expansion of approximately 4.7%. We expect BNM to maintain the Overnight Policy Rate (OPR) at 3.00% throughout the year, premised on solid economic growth and stable inflation. Despite the positive outlook, Malaysia faces external risks such as uncertainties stemming from U.S. tariff policies and global trade dynamics. We anticipate that this heightened volatility will lead to more trading opportunities and hedging activities.



## Management Discussion and Analysis

### Operational Review: Islamic Banking

#### Islamic Banking

Alliance Islamic Bank (“AIS”) offers a comprehensive range of Shariah-compliant financing, deposit and transaction services to individuals and businesses. AIS is among the few domestic Islamic banks with extensive in-house capabilities, including corporate and capital markets solutions, specifically designed to serve the needs of business clients.

#### FY2025 Performance Highlights

For FY2025, AIS reported a net profit after tax of RM192.2 million, representing an 18.8% increase YOY. The bank also achieved total revenue of RM539.0 million, a 23.6% increase YOY, driven by higher gross profit income resulting from increased volume and improved rates. Consequently, the net profit margin stood at 2.72%.

AIS’ Other Operating Income grew by RM19.7 million, reflecting a remarkable growth of 61.9% YOY, mainly driven by trade fees, Islamic Capital Markets-related fees and Takaful contributions. However, the bank’s credit cost deteriorated by 28.9 basis points (bps) to 58.1 bps, primarily due to the Personal Financing portfolio.

AIS posted a return on equity for FY2025 of 12.2%, compared to 11.8% in the previous financial year. Financing and advances grew by 5.8% YOY to RM14.64 billion, with significant contributions from SME financing (+12.2%) and Commercial financing (+2.6%). CASA balance stood at RM5.4 billion, an increase of 8.0% YOY, as we continue to maintain a higher-than-industry CASA ratio of 33.0%.

#### Halal in One

The Halal in One (“HiO”) programme, AIS’ flagship initiative, plays a vital role in supporting business owners entering the halal industry. Since its launch in 2020, the programme has successfully engaged over 5,000 SMEs, significantly contributing to financing growth, revenue generation, and attracting new-to-bank customers. To date, we have granted more than RM2.5 billion in financing to over 600 SMEs across various industry sectors.

This year, we enhanced our offerings with the introduction of the unique Halal in One Financing Programme. This programme brings together all our offerings under one roof to enable the seamless setup, funding and financing of halal businesses in Malaysia.

The HiO programme has been honoured with the Islamic Services Excellence Award (local financial institution category) at the World Halal Excellence Award ceremony,

organised by the Halal Development Corporation (HDC), for two consecutive years, in 2022 and 2023. Our client, Oriental Kopi, was also recognised with the Halal Gourmet Food & Beverages Excellence award at this ceremony. This recognition underscores our commitment to excellence and innovation in supporting businesses within the halal industry.

Looking ahead, we are dedicated to exploring opportunities to enhance our services and forge new partnerships, further strengthening our offerings for our customers.

#### Islamic Capital Markets

AIS stands out as one of the few local Islamic banks equipped with in-house capabilities to provide business clients with comprehensive corporate and capital markets solutions.

In FY2025, AIS successfully listed five companies on Bursa Malaysia, raising a total of RM508 million and achieving a combined market capitalisation of close to RM2.0 billion. These Initial Public Offerings (IPOs) comprised of four ACE Market Companies, namely Farm Price, Sorento, OBH and Oriental Kopi, as well as one Main Market company, Pantech Global. Notably, the share prices of Farm Price and Oriental Kopi, surged by 100% on their trading debut, underscoring the strong market demand.

In addition to these listings, AIS was mandated as the Joint Principal Adviser/Lead Arranger and Joint Lead Manager for Avaland Berhad’s RM1.0 billion Sukuk Murabahah Programme. We also supported their inaugural issuance of RM300.0 million Sustainability Sukuk Murabahah, further demonstrating our commitment to innovative financing solutions that align with sustainable development goals. AIS also won 2<sup>nd</sup> runner-up in MARC’s Lead Managers’s League Table Awards 2024 for the number of deals arranged.

In FY2025, Islamic Capital Markets contributed 39.7% to AIS’ Other Operating Income, reflecting a 11% increase from the previous fiscal year (FY2024). This growth highlights our commitment to expand our offerings and enhance our impact in the Islamic finance sector.



## Management Discussion and Analysis

### Operational Review: Islamic Banking



#### AIS Zakat Microfinancing Programme (“AZAM”)

AZAM is Malaysia’s first Islamic social funding programme that utilises *zakat wakalah* to uplift *asnaf* (underprivileged) micro entrepreneurs. AZAM adopts an innovative approach by disbursing zakat funds as small-ticket financing in accordance with the Qard concept (loan without interest or profit). Repayments are then channelled into the pool, which then broadens the programme’s impact as it is able to support even more qualified *asnaf* entrepreneurs while ensuring the continuity of the *zakat* funds.

In FY2025, AIS was honoured to be invited to participate in the “Muzakarah Zakat Nusantara 2024”, which gathered esteemed Muslim scholars from the region. At this significant event, AIS’ CEO delivered a keynote address highlighting the impactful role of AZAM in promoting social finance and empowering the *asnaf* community to break free from the cycle of poverty.

AZAM has garnered strong support from various state governments. Selangor was the first state to issue a fatwa approving AZAM, followed by Pulau Pinang. This growing governmental endorsement underscores AZAM’s positive impact and potential for wider adoption.

As of 31 December 2024, AIS has allocated a total of RM450,000 through a revolving fund, benefiting 103 *asnaf* micro-entrepreneurs. Looking ahead, the Bank aims to disburse an additional RM225,000 in *zakat wakalah* to support new recipients by the first quarter of FY2026.

The AZAM initiative has been recognised with the prestigious title of Best Islamic Financial Inclusion Initiative by The Digital Banker at the Global Islamic Finance Award 2024. This accolade underscores our commitment to empowering communities and advancing financial inclusivity within the Islamic finance sector.

#### FY2026 OUTLOOK

Islamic Financing is poised to continue its robust growth, outpacing that of conventional banks, driven by favourable demographics and a sustained regulatory push to broaden Islamic banking adoption in the country. According to the Association of Islamic Banks in Malaysia (AIBIM), it is projected that by 2030, half of the country’s banking assets will be Islamic.

However, since 2020, deposit growth has lagged financing expansion, resulting in lower share of low-cost current and saving account (CASA) deposits. This situation has rendered Islamic banks more susceptible to intensified deposit competition compared to their conventional counterparts, leading to a more pronounced narrowing of margins in recent years.

To navigate these challenges, our key focus areas will include:

- » Strengthening deposits: Enhancing our deposit base to improve funding stability
- » Driving profitable high RAROC financing growth: Focusing on initiatives like the Halal in One Financing Programme for businesses and Personal Financing for consumers
- » Expanding other incomes via differentiated products & Capital Markets: Diversifying income streams to bolster overall profitability
- » Optimising Net Profit Margin in Financing: Ensuring efficient financing operations while maintaining asset quality

We are committed to creating lasting positive impacts within society and supporting the transition to an ESG-focused economy through initiatives such as AZAM, the Halal in One and Islamic Sustainable Financing Programme.

## Management Discussion and Analysis

### Operational Review: Risk and Compliance

#### Risk and Compliance

The Bank has established a comprehensive and robust system of risk management and internal controls that ensure risks are managed within an acceptable tolerance limit. We also have in place an ongoing process to identify, evaluate, and manage current and emerging risks.

Our Risk Management Framework facilitates the identification, evaluation and management of risks affecting the Bank. These includes credit risk, sustainability risk, liquidity risk, market risk, operational risk, technology risk and Shariah non-compliance risk, amongst others.



The finer details of the Bank's risk and risk mitigation strategies can be found in the Statement on Risk Management and Internal Control on pages 200 to 201 and the Risk Management report on pages 202 to 210 of this Annual Report.



For the details of the developments on the corporate governance front, please refer to the Corporate Governance Overview Statement on pages 161 to 199 of this Annual Report.

### Operational Review: Outlook and Strategic Priorities

#### Outlook and Strategic Priorities

Malaysia's economy remains on a healthy growth trajectory as domestic demand is likely to stay resilient supported by sustained consumer spending and steady labour market dynamics. The country's sound fundamentals and diversified economic structure, coupled with renewed government focus to spur higher economic growth will help ensure Malaysia's growth stays intact.

Nevertheless, we are mindful that growth has been uneven and there remain pockets of stress in selected sectors. In addition, we remain cautious of downside risks to growth stemming from external uncertainties such as new US tariffs and policies. These developments remain very fluid. We continue to monitor these issues closely and actively work with clients and partners as we face these challenges together.



#### ACKNOWLEDGEMENTS

In closing, I would like to extend my sincere appreciation and gratitude to Board members for their wisdom, leadership and insights. To our customers, business partners and shareholders – thank you for your support and loyalty throughout the years. Our Team Alliance also deserves special recognition for their dedication and energy as they continue to consistently deliver strong performance and outcomes. I would like to convey my appreciation to Bank Negara Malaysia, Securities Commission Malaysia, Bursa Malaysia Securities Berhad, government agencies and other regulatory authorities for their assistance and guidance.

**KELLEE KAM CHEE KHIONG**  
GROUP CHIEF EXECUTIVE OFFICER