Alliance Islamic Bank Berhad
200701018870 (776882-V)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2025

ALLIANCE ISLAMIC BANK BERHAD
200701018870 (776882-V)
(Incorporated in Malaysia)

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Bank for the financial year ended 31 March 2025.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of Islamic Banking and finance business and the provision of related financial services. Islamic Banking and finance business refers generally to the acceptance of deposits and granting of financing and all other activities (including corporate finance, equity and debt capital market activities) allowed under the Islamic Financial Services Act, 2013 and the Shariah principles.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	RM'000
Profit before taxation	250,828
Taxation and zakat	(58,658)
Net profit for the financial year	192,170

RESERVES AND PROVISIONS

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

DIVIDENDS

A single tier interim dividend of 13.37 sen per share, on 440,139,772 ordinary shares amounting to approximately RM58,847,000 in respect of the financial year ended 31 March 2024, was paid on 18 June 2024.

A first interim dividend of 6.87 sen per share, on 480,152,479 ordinary shares amounting to approximately RM32,986,000 in respect of the financial year ended 31 March 2025, was paid on 18 December 2024.

Subsequent to the financial year end, the Directors declared a single tier second interim dividend of 10.93 sen per share, on 501,977,592 ordinary shares amounting to approximately RM54,866,000 in respect of the current financial year. The accompanying financial statements do not reflect this dividend. The dividend will be accounted for in shareholders’ equity as an appropriation of retained profits in the financial year ending 31 March 2026.

The Directors do not propose any final dividend in respect of the financial year ended 31 March 2025.

ISSUE OF SHARES AND DEBENTURES

The Bank had on 18 June 2024 increased its issued and paid up capital from RM637,500,000 (comprising 440,139,772 ordinary shares) to RM695,454,404 (comprising 480,152,479 ordinary shares) via issuance of 40,012,707 Right Issue at RM1.4484 per share to Alliance Bank Malaysia Berhad, the holding company of the Bank amounting to RM57,954,404.

The Bank had on 13 December 2024 increased its issued and paid up capital from RM695,454,404 (comprising 480,152,479 ordinary shares) to RM727,065,898 (comprising 501,977,592 ordinary shares) via issuance of 21,825,113 Right Issue at RM1.4484 per share to Alliance Bank Malaysia Berhad, the holding company of the Bank amounting to RM31,611,494.

BAD AND DOUBTFUL FINANCING

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad financing and the making of allowance for doubtful financing, and satisfied themselves that all known bad financing had been written off and adequate allowances have been made for doubtful financing.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad financing, or the amount of the allowance for doubtful financing in the financial statements of the Bank inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business, had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Bank misleading.

VALUATION METHOD

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

(i) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

(i) the results of the operations of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

DIRECTORS

The Directors of the Bank in office during the financial year and up to the date of this report are:

Datuk Wan Azhar Bin Wan Ahmad (Chairman)
Ibrahim Bin Hassan
Dato' Ahmad Hisham Bin Kamaruddin
Rustam Bin Mohd Idris
Dr John Lee Hin Hock (Appointed with effect from 1 April 2024)
Mia Idora Binti Ismail (Appointed with effect from 1 February 2025)
Oong Kee Leong (Appointed with effect from 1 March 2025)

DIRECTORS' REMUNERATION

Total Directors' remuneration for the current financial year amounted to RM956,000. The details of directors' remuneration are set out in Note 34 to the financial statements.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangements to which the Bank is a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits shown under Directors' Remuneration in Note 34 to the financial statements) by reason of a contract made by the Bank or its holding company or subsidiaries of the holding company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings that is required to be kept under Section 59 of the Companies Act 2016, none of the Directors in office at the end of the financial year had any interest in shares, share options and share grants in the Bank or its holding company or subsidiaries of the holding company during the financial year.

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2025

<u>Profitability</u>
The Bank recorded a net profit after taxation of RM192.2 million for the financial year ended 31 March 2025, a year-on-year (“YoY”) increase of RM30.4 million or 18.8%. This growth was primarily driven by increased revenue after taking into account higher allowances for expected credit losses and operating expenses.

Net profit income increased by RM83.1 million or 20.6% YoY, predominantly attributed to financing growth. The net profit margin (“NPM”) for the period was 2.72% (2024: 2.46%).

The Bank reported other operating income of RM51.6 million, an increase of RM19.7 million or 61.9% YoY. This growth primarily stemmed from increased revenue from processing fees and trade fees.

Total revenue stood at RM539.0 million, increased by RM102.8 million or 23.6% YoY.

<u>Operating Expenses</u>
Operating expenses rose by RM26.2 million, or 14.6% YoY. The cost-to-income ratio (“CIR”) stood at 38.1%.

<u>Financing Growth</u>
The implementation of the ACCELER8 strategic plan facilitated an expansion in the Bank’s financing and advances, which increased by 5.8% YoY to reach RM14.6 billion. This growth was predominantly propelled by advancements in the Consumer financing, Small and Medium Enterprises (“SME”) and Commercial, which grew by 2.5%, 12.2% and 2.6% respectively.

<u>Asset Quality</u>
The Bank's allowance for expected credit losses on financing, advances and other financial assets posted a net charge of RM82.7 million, an increase of RM44.3 million YoY. The net credit cost stood at 58.1 basis points, while the financing loss coverage stood at 133.6%.

The Bank will maintain a prudent approach by implementing the credit risk framework across all business lines. This involves stratifying customers based on their risk profiles and engaging with them accordingly. Additionally, the Bank will focus on controlling credit costs by refining credit policies, robust credit underwriting standards, and intensifying collection efforts.

<u>Healthy Funding and Liquidity Position</u>
The Bank’s current/savings account (“CASA”) ratio was 33.0%, with customer deposits totalling RM16.3 billion. Our funding strategy has enabled the Bank to maintain a robust liquidity coverage ratio and financing-to-funds ratio, which stood at 180.6% and 84.1%, respectively.

<u>Proactive Capital Management</u>
We maintained a robust capital position with the Common Equity Tier-1 (“CET 1”) ratio at 12.9%, the Tier-1 Capital Ratio at 13.7%, and the Total Capital Ratio at 16.8%, all comfortably surpassing regulatory thresholds.

Additionally, for the financial year ended 31 March 2025, the Bank declared a second interim dividend of 10.93 sen per share.

ECONOMIC AND BUSINESS OUTLOOK FOR NEXT FINANCIAL YEAR

Malaysia's Ministry of Finance forecasts GDP growth of 4.5%–5.5% for 2025. While domestic demand and government initiatives are expected to drive this growth, external global developments uncertainties remain a potential risk.

As we reach the midpoint of our Acceler8 2027 strategy, we will continue to pursue the eight growth pillars to ensure sustainable expansion and strengthen our market position:

- **Maintain momentum in SME expansion**: Continue optimizing customer engagement and expanding digital channels.

- **Support business customers throughout their lifecycle**: Serve as the primary bank for businesses at all stages, from small SMEs to IPOs, with tailored financial solutions, driving recurring transactional fee income.

- **Expand the Consumer business**: Deepen relationships with young professionals and high-net-worth clients, including scaling up innovative digital propositions like the virtual credit card.

- **Ecosystem Partnerships**: Offer holistic solutions, particularly in sustainability, by collaborating with strategic partners.

- **Become the regional leader in selected economic corridors**: Capture growth in key economic corridors (Penang, Johor, East Malaysia).

- **Corporate & Capital Markets**: Enhance client coverage and create value through synergies.

- **Islamic Banking**: Increase market share with unique offerings like Halal in One and sustainable financing.

- **Strategic Partnerships**: Expand product and distribution capabilities through collaborations.

We will remain vigilant of the evolving global developments, particularly the potential escalation of US-China trade tensions, which could weigh on global trade activity and economic growth. Notwithstanding this, we will continue to upgrade our products, services, and technology to drive future growth, prudently expand lending, diversify deposit sources, and strengthen risk management in FY2026.

RATING BY EXTERNAL RATING AGENCY

The Bank is rated by RAM Rating Services Berhad ("RAM"). Based on RAM's rating in November 2023, the Bank's short-term and long-term ratings are reaffirmed at P1 and A1 respectively. RAM has classified these rating categories as follows:

P1 - Financial institutions in this category have superior capacities for timely payments of obligations.

A1 - Financial institutions rated in this category are adjudged to offer adequate safety for timely payments of financial obligations. This level of rating indicates financial institutions with adequate credit profiles, but possess one or more problem areas, giving rise to the possibility of future riskiness. Financial institutions rated in this category have generally performed at industry average and are considered to be more vulnerable to changes in economic conditions than those rated in the higher categories.

HOLDING COMPANY

The holding company of the Bank is Alliance Bank Malaysia Berhad, a bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

AUDITOR'S REMUNERATION

Total auditors' remuneration for the Bank for the financial year ended 31 March 2025 is RM383,000. Details of auditor's remuneration are set out in Note 28 to the financial statements.

SHARIAH COMMITTEE

The Shariah Committee for the financial year 2024/2025 consists of 5 members appointed by the Bank's Board of Directors. The primary roles and responsibilities of the Shariah Committee are as follows:-

(a) providing a decision or advice to the Bank on the application of any rulings of the BNM's Shariah Advisory Council ("SAC") and Securities Commission's SAC (collectively, "SACs") or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Bank;

(b) providing a decision or advice on matters which require a reference to be made to the SACs;

(c) providing a decision or advice on the operations, business, affairs and activities of the Bank which may trigger a Shariah non-compliance event;

(d) deliberating and affirming a Shariah non-compliance finding by any relevant functions;

(e) deciding on potential Shariah non-compliance event and endorsing measures for its rectification;

(f) endorsing Shariah related policies and framework before its being approved by the Board;

(g) approving procedures which complements policies and framework and product collaterals;

(h) assessing the works carried out by Shariah Review and Shariah Audit;

(i) endorsing zakat computation and distribution;

(j) providing advice on the application of Shariah requirements in relation to the recovery options and other relevant components of the Recovery Plan; and

(k) deliberating and endorsing the application of hajah type 2 or darurah which satisfies the relevant policy and procedures.

ZAKAT OBLIGATION

The management of the Bank's zakat is governed by the Bank's Zakat Policy and Procedures. The Bank as an Islamic business entity computes zakat using Asset Growth Method at the rate of 2.5775 percent based on Gregorian calendar. The zakat payment does not cover the zakat obligation by the depositors. The zakat computation is endorsed by the Shariah Committee. The payment of zakat to zakat authorities and eligible recipients is recommended and approved by Shariah Committee and the Board of Directors respectively.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 42 to the financial statements.

SUBSEQUENT EVENTS

The events subsequent to the end of the financial reporting period are disclosed in Note 43 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146), have expressed their willingness to continue in office.

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

Datuk Wan Azhar Bin Wan Ahmad
30 May 2025

Ibrahim Bin Hassan

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

We, Datuk Wan Azhar Bin Wan Ahmad and Ibrahim Bin Hassan, being two of the Directors of Alliance Islamic Bank Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 15 to 108 are drawn up so as to give a true and fair view of the financial position of the Bank as at 31 March 2025 and the financial performance of the Bank for the financial year ended 31 March 2025 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

Datuk Wan Azhar Bin Wan Ahmad
30 May 2025

Ibrahim Bin Hassan

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

I, Ronnie Royston Fernandiz, being the officer primarily responsible for the financial management of Alliance Islamic Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 108 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Ronnie Royston Fernandiz at Kuala Lumpur in the Federal Territory of Kuala Lumpur on 30 May 2025

Ronnie Royston Fernandiz
MIA Membership No. (CA 13837)

Before me,

SHARIAH COMMITTEE'S REPORT

In the name of Allah, The Most Gracious, The Most Merciful

In performing our roles and responsibilities in line with the Shariah Commitee Charter of Alliance Islamic Bank Berhad ("the Bank"), Bank Negara Malaysia's ("BNM")'s Shariah Governance Policy Document, as well as our letter of appointment, we are required to submit the following report:

We wish to state notwithstanding our report presented herein, the management of the Bank is responsible for ensuring that the Bank conducts its business in accordance with Shariah principles, and it is our responsibility to form an independent opinion based on our review on the Bank operations.

During the period under review we had convened thirteen Shariah Committee meetings during which we reviewed the principles and the contracts relating to the products, transactions and dealings entered into by the Bank as well as issues arising thereof which had been presented before us, and we had assessed the work carried out by the Shariah Review and Shariah Audit teams. In addition, we had also held one engagement sessions with the Board of Directors during the period under review.

In our opinion:

(a) The overall operations, business, affairs and activities of the Bank are in compliance with Shariah principles but it has come to our attention that there were Shariah non-compliance events which had occurred as disclosed in (f) below and had been rectified or in the process of being rectified;

(b) In performing our role , we have obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give us reasonable assurance that the Bank has not violated Shariah principles;

(c) The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 March 2025 that we have reviewed are in compliance with Shariah principles;

(d) Group Compliance and Group Internal Audit had carried out Shariah reviews and Shariah audits respectively on a regular basis where we reviewed reports prepared thereof and examined on a test basis, each type of transactions, the relevant documentations and procedures adopted by the Bank to enable us to form an opinion as to whether the Bank has complied with Shariah principles and Shariah rulings issued by the Shariah Advisory Council ("SAC") of BNM, as well as the Shariah Committee's decisions. We also noted that the incidences of non-compliances revealed arising from the reviews and audits were tracked and monitored until closure;

(e) In the financial year under review, pursuant to the Bank's Zakat Policy and Procedures, the Bank has fulfilled its obligation to pay zakat on its business to the eligible recipients. The zakat amount was computed using Asset Growth method; and

(f) During the period under review, there were two actual Shariah non-compliance events ("SNCE") as follows:

(i) **Non-Performance of Commodity Murabahah ("CM") Trading for CM Home Financing Facility-i ("CMHF-i")**

The SNCE was due to operational challenges during Shariah contract transition from Bai' Bithaman Ajil ("BBA") for Home Financing-i and system enhancement to block disbursement prior to CM trading was still in progress. The Bank had taken appropriate actions by performing a look back on similar accounts, enhancing the system and refunding the profit amounting to RM7,973 to the affected customers.

(ii) **Telegraphic Transfer for Purchase of Praying Materials**

The SNCE was due to oversight by the designated team members and dual control weakness in operations. The commission amounting to RM2 has been channelled to charity.

SHARIAH COMMITTEE'S REPORT (CONTD.)

In addition to the above SNCE, there was an SNCE which materialised in FY2024 pertaining to AIS house financing product based on BBA for properties under construction that breached BNM's Murabahah Policy Document and Circular on Implementation of SAC's Resolution on Bai 'Inah. The remediation and purification actions are currently in progress. As of 31 March 2025, the Bank had successfully remediated 84% of affected active accounts and had purified RM1,080,600 of the Shariah non-compliant income generated from closed accounts to charitable or religious bodies. A total of RM16,025,835 of profit had been provisioned for contingencies related to the remediation action.

Based on the information provided and disclosed to us, we do hereby confirm that, to the best of our knowledge, the business, operations and activities of the Bank for the year ended 31 March 2025, save for item (f) above, had been conducted in conformity with Shariah.

Signed on behalf of the Shariah Committee

Dr. Tuan Badrul Hisyam bin Tuan Soh
Chairman of the Shariah Committee

Professor Dr. Muhamad Rahimi bin Osman
Shariah Committee Member

30 May 2025

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ALLIANCE ISLAMIC BANK BERHAD
(Incorporated in Malaysia)
200701018870 (776882-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Bank, which comprise the statement of financial position as at 31 March 2025, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policies, as set out on pages 15 to 108.

Basis for opinion

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

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

Independence and other ethical responsibilities

We are independent of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report and Shariah Committee's Report, but does not include the financial statements of the Bank and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)

<u>Auditors' responsibilities for the audit of the financial statements</u>

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

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

(a) Identify and assess the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

(e) Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ALLIANCE ISLAMIC BANK BERHAD (CONTD.)
(Incorporated in Malaysia)
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)

Auditors' responsibilities for the audit of the financial statements (contd.)

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

MOHAMED ZHARIF BIN MD AGIL
03795/10/2025 J
Chartered Accountant

Kuala Lumpur
30 May 2025

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2025

	Note	2025 RM'000	2024 RM'000
ASSETS			
Cash and short-term funds	3	1,244,022	1,315,522
Deposits and placements with banks and other financial institutions	4	354,858	-
Financial investments at fair value through other comprehensive income	5	1,940,992	1,818,464
Financial investments at amortised cost	6	1,019,612	813,434
Financing and advances	7	14,358,036	13,556,542
Other assets	8	86,325	11,750
Statutory deposits	9	303,783	273,600
Right-of-use assets	10	238	715
Property, plant and equipment	11	182	156
Deferred tax assets	12	51,619	49,927
Intangible assets	13	1,653	2,153
TOTAL ASSETS		19,361,320	17,842,263
LIABILITIES AND EQUITY			
Deposits from customers	14	16,300,395	15,102,735
Deposits and placements of banks and other financial institutions	15	210,488	189,063
Recourse obligation on financing sold to Cagamas	16	301,550	502,878
Lease liabilities	17	284	869
Other liabilities	18	314,655	296,185
Provision for taxation		1,948	14,607
Provision for zakat		1,427	917
Other borrowings	19	201,034	-
Subordinated sukuk	20	332,633	232,483
TOTAL LIABILITIES		17,664,414	16,339,737
Share capital	21	727,065	637,500
Reserves	22	969,841	865,026
TOTAL EQUITY		1,696,906	1,502,526
TOTAL LIABILITIES AND EQUITY		19,361,320	17,842,263
COMMITMENTS AND CONTINGENCIES	38	3,722,568	3,633,360

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

STATEMENT OF INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

	Note	2025 RM'000	2024 RM'000
Income derived from investment of depositors' funds and others	23	945,721	810,739
Income derived from investment of shareholder's funds	24	83,453	79,722
Allowance for expected credit losses on financing, advances and other financial assets	25	(82,682)	(38,426)
Allowance for expected credit losses on financial investments	26	(65)	(73)
Total distributable income		946,427	851,962
Income attributable to the depositors and financial institutions	27	(490,209)	(454,337)
Total net income		456,218	397,625
Other operating expenses	28	(205,390)	(179,181)
Profit before taxation		250,828	218,444
Taxation and zakat	29	(58,658)	(56,692)
Net profit for the financial year		192,170	161,752
Net profit for the financial year attributable to:			
Equity holder of the Bank		192,170	161,752
Earnings per share attributable to Equity holder of the Bank			
- basic/diluted (sen)	30	40.2	37.3

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

ALLIANCE ISLAMIC BANK BERHAD
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

	2025 RM'000	2024 RM'000
Net profit for the financial year	192,170	161,752
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Revaluation reserve on financial investments at fair value through other comprehensive income ("FVOCI")		
- Net gain from change in fair values	8,446	12,050
- Realised gain transferred to statement of income on disposal	(2,503)	(1,277)
- Transfer to deferred tax	(1,426)	(2,585)
- Changes in expected credit losses	(39)	73
Other comprehensive income, net of tax	4,478	8,261
Total comprehensive income for the financial year	196,648	170,013
Total comprehensive income for the financial year attributable to:		
Equity holder of the Bank	196,648	170,013

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

ALLIANCE ISLAMIC BANK BERHAD
200701018870 (776882-V)
(Incorporated in Malaysia)

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

	← Non-distributable reserves		→	Distributable reserves	
	Ordinary shares RM'000	Regulatory reserves RM'000	FVOCI reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2024	637,500	-	(5,420)	870,446	1,502,526
Net profit for the financial year	-	-	-	192,170	192,170
Other comprehensive income	-	-	4,478	-	4,478
Total comprehensive income	-	-	4,478	192,170	196,648
Issue of ordinary shares	89,565	-	-	-	89,565
Dividend paid to shareholder (Note 31)	-	-	-	(91,833)	(91,833)
At 31 March 2025	727,065	-	(942)	970,783	1,696,906

	Ordinary shares RM'000	Regulatory reserves RM'000	FVOCI reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2023	600,000	19,339	(13,681)	727,052	1,332,710
Net profit for the financial year	-	-	-	161,752	161,752
Other comprehensive income	-	-	8,261	-	8,261
Total comprehensive income	-	-	8,261	161,752	170,013
Transfer from regulatory reserves	-	(19,339)	-	19,339	-
Issue of ordinary shares	37,500	-	-	-	37,500
Dividend paid to shareholder (Note 31)	-	-	-	(37,697)	(37,697)
At 31 March 2024	637,500	-	(5,420)	870,446	1,502,526

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

ALLIANCE ISLAMIC BANK BERHAD
200701018870 (776882-V)
(Incorporated in Malaysia)

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

	2025 RM'000	2024 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	250,828	218,444
Adjustments for:		
Accretion of discount less amortisation of premium of financial investments	(32,850)	(36,494)
Allowance for expected credit losses on financing and advances	96,369	29,212
(Write-back of)/allowance for expected credit losses on other receivables	(383)	293
(Write-back of)/allowance for expected credit losses on commitments and contingencies	(1,119)	4,165
Allowance for expected credit losses on financial investments	65	73
Amortisation of computer software	611	574
Depreciation of property, plant and equipment	89	113
Depreciation of right-of-use assets	477	688
Income from financial investments at amortised cost	(38,977)	(23,710)
Income from financial investments at fair value through other comprehensive income	(76,071)	(72,376)
Net gain from sale of financial investments at fair value through other comprehensive income	(2,503)	(1,277)
Unrealised loss/(gain) from derivative financial instruments	562	(3,301)
Profit expense on recourse obligation on financing sold to Cagamas	16,760	14,906
Profit expense on lease liabilities	29	46
Profit expense on subordinated sukuk	13,084	11,959
Profit expense on senior islamic medium term notes	4,996	-
Cash flows from operating activities before working capital changes	231,967	143,315
Changes in working capital:		
Deposits from customers	1,197,660	917,603
Deposits and placements of banks and other financial institutions	21,425	(6,368)
Deposits and placements with banks and other financial institutions	(29,073)	-
Financing and advances	(897,863)	(1,435,983)
Other assets	(74,192)	212
Other liabilities	20,299	63,928
Statutory deposits	(30,183)	(28,700)
Cash generated from/(used in) operating activities	440,040	(345,993)
Taxation and zakat paid	(74,635)	(50,424)
Net cash generated from/(used in) operating activities	365,405	(396,417)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025 (CONTD.)

	2025 RM'000	2024 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Income from financial investments at amortised cost	38,234	19,541
Income from financial investments at fair value through other comprehensive income	74,099	68,917
Profit income from derivative instruments	-	(117)
Additional capital injection from holding company	89,566	37,500
Purchase of property, plant and equipment	(114)	(124)
Proceeds from disposal of property, plant and equipment	-	4
Purchase of intangible assets	(111)	(682)
Purchase of:		
- financial investments at fair value through other comprehensive income	(710,752)	(2,669,913)
- financial investments at amortised cost	(2,311,132)	(264,747)
Redemption/disposal of:		
- financial investments at fair value through other comprehensive income	594,324	2,626,532
- financial investments at amortised cost	2,142,197	82,517
Net cash used in investing activities	(83,689)	(100,572)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholder of the company	(91,833)	(37,697)
Repayment of lease liabilities	(614)	(609)
(Repayment)/issuance of recourse obligation on financing sold to Cagamas		
- Principal	(199,984)	400,014
- Profit payment	(18,104)	(12,175)
Proceeds from issuance of subordinated sukuk	100,000	-
Profit expense on subordinated sukuk	(12,934)	(11,735)
Proceeds from issuance of senior islamic medium term notes	200,000	-
Profit expense on senior islamic medium term notes	(3,962)	-
Net cash (used in)/generated from financing activities	(27,431)	337,798
Net change in cash and cash equivalents	254,285	(159,191)
Cash and cash equivalents at beginning of financial year	1,315,522	1,474,713
Cash and cash equivalents at end of financial year	1,569,807	1,315,522
Cash and cash equivalents comprise the following:		
Cash and short-term funds (Note 3)	1,244,022	1,315,522
Deposits and placements with banks and other financial institutions (Note 4)	354,858	-
	1,598,880	1,315,522
Less: Cash and short-term funds and deposits and placements with financial institutions, with original maturity of more than three months	(29,073)	-
Cash and cash equivalents at end of financial year	1,569,807	1,315,522

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025 (CONTD.)

A reconciliation of liabilities from financing activities to the statement of financial position and statement of cash flows as follows:

	Recourse obligations on financing sold to Cagamas	Lease liabilities	Subordinated Sukuk	Total
	RM'000	RM'000	RM'000	RM'000
At 1 April 2024	502,878	869	232,483	736,230
Cash flow				
- Profit payment	(18,104)	-	(12,934)	(31,038)
- (Repayment)/issuance	(199,984)	(614)	100,000	(100,598)
Non-cash changes				
- Profit accrued	16,760	29	13,084	29,873
At 31 March 2025	301,550	284	332,633	634,467

	Recourse obligations on financing sold to Cagamas	Lease liabilities	Subordinated Sukuk	Total
	RM'000	RM'000	RM'000	RM'000
At 1 April 2023	100,133	296	232,259	332,688
Cash flow				
- Profit payment	(12,175)	-	(11,735)	(23,910)
- Issuance/(repayment)	400,014	(609)	-	399,405
Non-cash changes				
- Profit accrued	14,906	46	11,959	26,911
- Additions, remeasurement and termination of contracts	-	1,136	-	1,136
At 31 March 2024	502,878	869	232,483	736,230

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2025

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is principally engaged in all aspects of Islamic Banking and finance business and the provision of related financial services. Islamic Banking and finance business refers generally to the acceptance of deposits and granting of financing and all other activities (including corporate finance, equity and debt capital market activities) allowed under the Islamic Financial Services Act, 2013 and the Shariah principles.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office is located at 3rd Floor, Menara Multi-Purpose, Capital Square, 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 May 2025.

2. MATERIAL ACCOUNTING POLICIES

(a) Basis of Preparation

Malaysian Financial Reporting Standards ("MFRS") Framework

The financial statements of the Bank has been prepared in accordance with MFRS, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Bank has been prepared under the historical cost convention, as modified by the financial investments at fair value through other comprehensive income and financial assets/liabilities (including derivative instruments) at fair value through profit or loss.

The financial statements are presented in Ringgit Malaysia ("RM") and all numbers are rounded to the nearest thousand (RM'000), unless otherwise stated.

The preparation of the financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements is on the measurement of allowance for expected credit losses ("ECL") for financial assets measured at amortised cost and at fair value through other comprehensive income. These are the areas that require the use of significant assumptions about future economic conditions and credit behaviour.

The allowance for ECL is recognised using forward-looking information including macroeconomic factors. Using forward-looking information will increase the level of judgement as to how changes in these macroeconomic factors will affect the allowance for ECL. The methodology and assumptions including any forecasts of future economic conditions will continue to be monitored and reviewed.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

Malaysian Financial Reporting Standards ("MFRS") Framework (contd.)

The sensitivity effect on the macroeconomic factor is further disclosed in Note 35(a)(vi).

Some of the areas of significant judgements involved in the measurement of ECL are detailed as follows:

- Significant increase in credit risk in Note 35(a)(iv)(a);
- Development of ECL models and assumption for the measurement of ECL;
- Determining the number and relative weightings of forward-looking scenarios; and
- Establishing groups of similar financial assets for the purpose of measuring ECL on a collective basis.

The Bank has also applied pre-emptive provisions and post model adjustments to determine a sufficient overall level of allowance for ECL as at 31 March 2025. The basis is further disclosed in Note 35(a)(vii).

Standards, amendments to published standards and interpretations that are effective and applicable to the Bank

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Bank for the financial year beginning 1 April 2024 are as follows:

- Amendments to MFRS 101 "Classification of Liabilities as Current or Non-current"
- Amendments to MFRS 101 "Non-current Liabilities with Covenants"
- Amendments to MFRS 16 "Lease Liability in a Sale and Leaseback"

The adoption of the above standards, amendments to published standards and interpretations to existing standards did not have any significant impact on the financial statements of the Bank.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank but not yet effective

The Bank will apply the new standards, amendments to standards and interpretations in the following period:

Financial year beginning after 1 April 2025

(i) Amendments to MFRS 121 "Lack of Exchangeability"

The amendments clarify that a currency is exchangeable when an entity is able to exchange it into another currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism that creates enforceable rights and obligations.

If an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for a specified purpose, then the currency is not exchangeable. In such cases, the entity is required to estimate the spot exchange rate at the measurement date.

Financial year beginning after 1 April 2026

(i) Amendments to MFRS 9 and MFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"

The amendments clarify that financial assets require to be derecognised on that date the contractual rights to the cash flows expire and financial liabilities to be derecognised when obligation under the contract is discharged or settled. In addition, there is an optional exception to derecognise financial liabilities before the settlement date for settlement using electronic payment systems if specified criteria are met.

The amendments also clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest ("SPPI") criterion.

New disclosure requirements have been added for certain instruments with contractual terms that can change cash flows such as some financial instruments with features linked to the achievement of environmental, social and governance targets.

In addition, the amendments also update the disclosures for equity instruments designated at fair value through other comprehensive income ("FVOCI").

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank but not yet effective (contd.)

The Bank will apply the new standards, amendments to standards and interpretations in the following period: (contd.)

Financial year beginning after 1 April 2026 (contd.)

(ii) Amendments to MFRS 9 and MFRS 7 "Contracts Referencing Nature-dependent Electricity"

The amendments have added the buyer's application guidance on the MFRS 9 "own-use exemption" for contracts to buy and take delivery of electricity because the source of its generation depends on uncontrollable natural conditions e.g. the weather ("contracts referencing nature-dependent electricity"). Under the amendments, the buyer can apply the MFRS 9 "own-use exemption" to account for these contracts as executory contracts if the buyer has been, and expects to be, an "net purchaser" of electricity for the contract period, based on the criteria set in the standard.

The amendments also permit hedge accounting in MFRS 9 if these contracts referencing nature-dependent electricity are used as hedging instruments.

On the other hand, new MFRS 7 disclosure requirements have been introdcued to enable users to understand the effects of these contracts on an entity's financial performance and cash flows.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026. Early application is permitted.

Financial year beginning after 1 April 2027

(i) MFRS 19 "Subsidiaries without Public Accountability"

The MASB had on 15 July 2024 issued MFRS 19 "Subsidiaries without Public Accountability" effective for annual periods beginning on or after 1 January 2027.

The new MFRS allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other MFRS accounting standards.

An entity may elect to apply MFRS 19 if at the end of the reporting period:

- it is a subsidiary;
- it does not have public accountability; and
- it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with MFRS Accounting Standards.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank but not yet effective (contd.)

The Bank will apply the new standards, amendments to standards and interpretations in the following period: (contd.)

Financial year beginning after 1 April 2027 (contd.)

(ii) MFRS 18 "Presentation and Disclosures in Financial Statements"

The MASB had on 14 June 2024 issued MFRS 18 "Presentation and Disclosures in Financial Statements" effective for annual periods beginning on or after 1 January 2027, replaces MFRS 101 "Presentation of Financial Statements".

The new MFRS introduces a new structure of profit or loss statement.

(a) Income and expenses are classified into 3 new main categories:

(i) Operating category which typically includes result from the main business activities.
(ii) Investing category that presents the results of investments in associates and joint ventures and other assets that generate a return largely independently of other resources; and
(iii) Financing category that presents income and expenses from financing liabilities.

(b) Entities are required to present two new specified subtotals: "Operating profit or loss" and "Profit or loss before financing and income taxes".

Management-defined performance measures are disclosed in a single note and reconciled to the most similar specified subtotal in MFRS Accounting Standards.

Changes to the guidance on aggregation and disaggregation which focus on grouping items based on their shared characteristics.

MFRS 18 will be applied retrospectively.

The adoption of the above standards, amendments to published standards and interpretations to existing standards are not expected to give rise to any significant impact on the financial statements of the Bank, except for the adoption of MFRS 18 and amendments of MFRS 9, of which the Bank is in the midst of assessing the impacts on the financial statements.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(b) Intangible Assets: Computer Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software to use. The costs are amortised over their useful lives of five years and are stated at cost less accumulated amortisation and accumulated impairment, if any. Computer software is assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and amortisation method are reviewed at least at the end of each reporting period.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2(h)(ii)(b).

Costs associated with maintaining computer software programmes are recognised as expenses as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs include software development employee costs and an appropriate portion of relevant overheads.

(c) Property, Plant and Equipment and Depreciation

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in the statement of income during the financial year in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment is in accordance with Note 2(h)(ii)(b).

Property, plant and equipment are depreciated on the straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, summarised as follows:

Office equipment, furniture and fixtures	10% - 20%
Renovations	20%
Computer equipment	33.3%

Depreciation on assets under construction commences when the assets are ready for their intented use.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates with the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the statement of income.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(d) Financial Assets

(i) Classification

The Bank classifies the financial assets in the following measurement categories:

- Fair value through other comprehensive income ("FVOCI");
- Fair value through profit or loss ("FVTPL"); and
- Amortised cost.

Business model assessment

The Bank conducts assessments on the objective of a business model to align with how an asset held within a portfolio is being managed. Factors that are being considered include the key objectives of a portfolio, as to whether the business strategy is to earn contractual profit revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising a portfolio through sale of assets. Other factors considered also include the frequency and volume of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel.

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI')

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Bank assesses whether the financial assets' contractual cash flows represent SPPI.

In applying the SPPI test, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. profit includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

For financial assets measured at fair value, gains and losses will either be recorded in statement of income or statement of other comprehensive income ("OCI"). For investment in debt instruments, this will depend on the business model in which the investment is held. For investment in equity instruments, it is determined by the irrevocable election at the time of initial recognition to account for the equity investment at FVTPL by the Bank.

(i) Financial investments at FVOCI comprise:

Debt securities where the contractual cash flows are solely principal and profit, and the objective of the Bank's business model is achieved both by collecting contractual cash flows and selling financial assets.

(ii) The Bank classifies the following financial assets at FVTPL:

- Debt investments that do not qualify for measurement at either amortised cost or fair value through comprehensive income; and
- Equity investments for which the entity has not elected to recognise at fair value through other comprehensive income.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(d) Financial Assets (contd.)

(i) Classification (contd.)

(iii) The Bank classifies its financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal outstanding.

The policy of the recognition of impairment is in accordance with Note 2(h)(i).

(ii) Recognition and Initial Measurement

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which the Bank settles to purchase or sell the asset.

At initial recognition, the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

(iii) Subsequent Measurement

Debt instruments

There are three measurement categories into which the Bank classifies its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Profit income from these financial assets is included in gross profit income using the effective profit method. Any gain or loss arising on derecognition is recognised directly in statement of income and presented in other operating income. Impairment losses are presented as a separate line item in the statement of income.

(ii) FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, profit and foreign exchange gains and losses which are recognised in statement of income.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to statement of income and recognised in other operating income. Profit income from these financial assets is included in gross profit income using the effective profit. Foreign exchange gains and losses are presented in other operating income and impairment expenses are presented as a separate line item in the statement of income and statement of comprehensive income.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(d) Financial Assets (contd.)

(iii) Subsequent Measurement (contd.)

Debt instruments (contd.)

(iii) FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Bank may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes are recognised in statement of income and presented net within other operating income in the period which it arises.

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Bank are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as amount due to Cagamas Berhad.

When financial investments at FVOCI are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to statement of income.

(e) Derivative Financial Instrument and Hedge Accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for at fair value through profit or loss. Changes in the fair value are recognised immediately in statement of income.

Derivatives that qualify for hedge accounting are designated as either:

(a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

(b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or

(c) Hedges of a net investment in a foreign operation (net investment hedge).

The Bank documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Bank document its risk management objective and strategy for undertaking its hedge transactions.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(e) Derivative Financial Instrument and Hedge Accounting (Contd.)

The hedges for the Bank that meet the strict criteria for hedge accounting are accounted for as described below:

(i) Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The Bank applies fair value hedge accounting for hedging fixed profit risk on securities. The gain or loss relating to the effective portion of profit rate swaps hedging fixed rate securities is recognised in statement of income. The gain or loss relating to the ineffective portion is recognised in statement of income within the other operating income. Changes in the fair value of the hedge fixed rate securities attributable to profit rate risk are recognised in equity.

If the hedge no longer meets the criteria for hedge accounting, the carrying amount of a hedged item is adjusted using the effective profit method to amortise to statement of income over the period to maturity.

(ii) Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in statement of income.

Amounts accumulated in equity are reclassified to statement of income in the periods when the hedged item affect the statement of income. The gain or loss relating to the effective portion of profit rate swaps hedging variable rate borrowings is recognised in statement of income at the same time as the profit expense on the hedged borrowings.

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example property, plant and equipment), the gains or losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in depreciation of property, plant and equipment.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects the statement of income. When hedged future cash flows or forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that were reported in equity are immediately reclassified to statement of income.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(f) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented 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 legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(g) Other Assets

Other receivables, deposits, trade receivables and amount due from related parties included in other assets are carried at amortised cost using the effective yield method, less impairment allowance. Bad debts are written-off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the end of the reporting period.

(h) Impairment of Assets

(i) Impairment of Financial Assets

The Bank assesses on a forward-looking basis the expected credit loss ("ECL") associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Bank's financial assets that are subjected to the ECL model include financial assets classified at amortised cost, debt instruments measured at FVOCI, financing commitments, financial guarantee contracts and other commitments.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Bank expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(h) Impairment of Assets (contd.)

(i) Impairment of Financial Assets (contd.)

(a) General 3-stage approach

At each reporting date, the Bank measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Impairment will be measured on each reporting date according to a three-stage ECL impairment model:

(i) Stage 1 – from initial recognition of a financial asset to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL); and

(ii) Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset (Lifetime ECL); and

(iii) Stage 3 – when a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL). This includes exposures which have triggered obligatory impairment criterion or are judgementally impaired.

The detailed measurement of ECL is set out in Note 35.

(b) Simplified approach for other receivables

The Bank applies the MFRS 9 simplified approach to measure ECL which uses probability default ratio ("PD") and loss given default ("LGD") for the due amount.

The PD methodology is derived based on net flow rate model as a simplified approach in view of its low credit risk and non-maturity profile on due amount. LGD is deemed to be in full at any point in time as accounts comprise short term repayments and forward looking elements will not be considered.

(c) Write-off

The Bank writes-off financial assets, in whole or in part, when all practical recovery efforts have been exhausted and it is concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of borrower’s sources of income or assets to generate sufficient future cash flows to repay the amount. The Bank may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in bad debt recoveries.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(h) Impairment of Assets (contd.)

(ii) Impairment of Non-Financial Assets

(a) Intangible assets

Intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, intangible assets are allocated to CGUs which are expected to benefit from the synergies of the intangible asset.

The recoverable amount is determined for each CGU based on its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment is recognised in the statement of comprehensive income when the carrying amount of the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the CGU. The total impairment is allocated, first, to reduce the carrying amount of goodwill or intangible assets allocated to the CGU and then to the other assets of the CGU on a pro-rata basis.

An impairment for other intangible assets is reversed if, and only if, there has been a change in the estimates used to determine the intangible asset's recoverable amount since the last impairment was recognised and such reversal is through the statement of income to the extent that the intangible asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment had been recognised.

(b) Other non-financial assets

Other non-financial assets such as property, plant and equipment, computer software and foreclosed properties are reviewed for objective indications of impairment at the end of each reporting period or whenever there is any indication that these assets may be impaired. Where such indications exist, impairment is determined as the excess of the asset's carrying value over its recoverable amount (greater of value in use or fair value less costs to sell) and is recognised in the statement of income. An impairment for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised.

The carrying amount is increased to its revised recoverable amount, provided that the amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment been recognised for the asset in prior years. A reversal of impairment for an asset is recognised in the statement of income.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(i) Financial Liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost.

Certain financial liabilities are designated at initial recognition at fair value through profit or loss when one of the designation criteria is met:

(i) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) Its performance is evaluated on a fair value basis, in accordance with a documented management or investment strategy.

A financial liability which does not meet any of these criteria may still be designated as measured at FVTPL when it contains one or more embedded derivatives that sufficiently modify the cash flows of the liability and are not clearly closely related.

The component of fair value changes relating to the Bank's own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in statement of income, but are transferred to retained earnings when realised.

Profit payables are now classified into the respective class of financial liabilities.

(j) Repurchase Agreements

Financial instruments purchased under resale agreements are instruments which the Bank has purchased with a commitment to resell at future dates. The commitment to resell the instruments is reflected as an asset in the statement of financial position and measured at amortised cost.

Conversely, obligations on financial instruments sold under repurchase agreements are instruments which the Bank has sold from their portfolio, with a commitment to repurchase at future dates, are measured at amortised cost. Such financing transactions and the obligations to repurchase the instruments are reflected as a liability in the statement of financial position.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(k) Bills and Acceptances Payable

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market. Refer to Note 2(i).

(l) Subordinated Sukuk

The profit-bearing instruments are classified as liabilities in the statement of financial position as there is a contractual obligation by the Bank to make cash payments of either principal or profit or both to holders of the debt securities, and the Bank are contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the statement of income over the period of the borrowings on an effective profit method.

(m) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Bank expects a provision to be reimbursed by another party (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(n) Leases

Lease in which the Bank is a Lessee

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Bank is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease Term

In determining the lease term, the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Bank reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Bank and affects whether the Bank is reasonably certain to exercise an option not previously included in the determination of the lease term, or not to exercise an option previously included in the determination of the lease term. A revision in the lease term results in remeasurement of the lease liabilities.

(ii) ROU Assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss, if any. ROU assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, ROU assets are depreciated on the underlying asset's useful life. In addition, ROU assets are adjusted for certain remeasurement of the lease liabilities.

ROU assets are presented as a separate line item in the statement of financial position.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(n) Leases (contd.)

Lease in which the Bank is a Lessee (contd.)

(iii) Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Bank under residual value guarantees;
- The exercise price of a purchase and extension options if the Bank is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Bank exercising that option.

Lease payments are discounted using the profit rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to statement of income over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period.

The Bank presents the lease liabilities as a separate line item in the statement of financial position. Profit expense on the lease liability is presented within the net profit income in statement of income.

(iv) Short-Term Leases and Leases of Low Value Assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer equipment and small items of office equipment. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an operating expense in statement of income.

(o) Share Capital and Dividends Declared

(i) Classification

Ordinary shares with discretionary dividends are classified as equity.

(ii) Share Issue Costs

Incremental costs directly attributable to the issue of new shares or options are deducted against equity.

(iii) Dividends Declared

Dividends declared on ordinary shares are deducted from equity in the period in which all relevant approvals have been obtained.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(o) Share Capital and Dividends Declared (contd.)

(iv) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owner of the Bank, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of profit and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(p) Recognition of Financing Income

Financing income is recognised using effective profit rates, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financing or, where appropriate, a shorter period to the net carrying amount of the financing. When calculating the effective profit rate, the Bank estimates cash flows considering all contractual terms of the financing but does not consider future credit losses. The calculation includes significant fees paid or received between parties to the contract that are an integral part of the effective profit rate, transaction costs and all other premiums or discounts.

Financing income are recognised in the statement of income for all profit-bearing assets on an accrual basis. Profit income and financing income include the amortisation of premium or accretion of discount. Income from the Islamic banking business is recognised on an accrual basis in accordance with the Shariah principles.

For credit impaired financing where the value has been reduced as a result of impairment loss, the financing income continues to be accrued using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(q) Recognition of Fees and Other Income

Fee and commission income of the Bank is from a wide range of products and services provided to the customers. The income is recognised based on the contractual rates or amount, netted off against fee and commission expense directly attributable to the income. When the performance obligation is fulfilled, where the products and services are delivered to the customer, fee and commission income will be recognised in statement of income.

For transaction-based fee and commission income, it is recognised on the completion of the transaction. Such fees include fees related to the completion of corporate advisory fees, financing arrangement fees and commissions, management and participation fees, underwriting commissions, service charges on sale of unit trust funds. These fees constitute a single performance obligation.

For services that are provided over a period of time, fee and commission income is recognised on equal proportion basis over the period during which the related service is provided. This basis of recognition will reflect the nature of these services to the customers over time. Fees for these services can be billed periodically over time. Such fees include commitment, guarantee and portfolio management fees and bancassurance agreements.

Net gain or loss from disposal of financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income are recognised in statement of income upon disposal of securities, as the difference between net disposal proceeds and the carrying amount of the securities.

Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence. Dividends that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income if it relates to an investment in equity investment measured at financial investments at fair value through other comprehensive income.

(r) Recognition of Financing Expenses

Finance cost and income attributable on deposits and borrowings of the Bank are recognised on an accrual basis.

The method of allocation of income to the types of deposits is based on "the Framework on Rate of Return" issued by BNM. This Framework on Rate of Return (BNM/GP2-*i*) which is based on the return on assets concept, calculates the income on assets. The return on assets, after deducting incidental expenses and allowances for losses on financing and advances are distributed to the depositors using the weighted average method.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(s) Foreign Currencies

(i) Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of income.

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments classified as FVOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in statement of income, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in statement of income as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as FVOCI, are included in other comprehensive income.

(t) Current and Deferred Income Tax

Income tax on the statement of income for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the end of the reporting date. In the event of uncertain tax position, the tax is measured using the single best estimate of the most likely outcome.

Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in the comprehensive income or directly in equity, respectively.

Deferred tax is provided in full, using the liability method, on temporary differences at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(t) Current and Deferred Income Tax (contd.)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. Deferred tax is recognised as income or an expense in the statement of comprehensive income for the period, except when it arises from a transaction which is recognised directly in other comprehensive income or directly in equity, in which case the deferred tax is also charged or credited to other comprehensive income or to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(u) Foreclosed Properties

Foreclosed properties are stated at the lower of the carrying amount and fair value less costs to sell.

(v) Cash and Cash Equivalents

Cash and cash equivalents as stated in the statement of cash flows comprise cash and bank balances and short term deposits original maturity of three months or less that are readily convertible into cash with insignificant risk of changes in value.

(w) Employee Benefits

(i) Short-Term Employee Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Bank pays fixed contributions into separate entities or funds and will have no legal or constructive obligations to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the statement of comprehensive income as incurred. As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF").

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(x) Contingent Assets and Contingent Liabilities

The Bank does not recognise contingent assets and liabilities, but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank. The Bank does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(y) Financial Guarantee Contracts

Financial guarantee contracts are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 "Financial Instruments" and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 "Revenue from Contracts with Customers", where appropriate.

3. CASH AND SHORT-TERM FUNDS

	2025 RM'000	2024 RM'000
Cash and balances with banks and other financial institutions	34,211	40,820
Money at call and deposit placements maturing within one month	1,209,811	1,274,702
	1,244,022	1,315,522

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2025 RM'000	2024 RM'000
Licensed banks	354,858	-

5. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 RM'000	2024 RM'000
At fair value - debt instruments		
Money market instruments:		
Malaysian Government investment issues	902,257	701,076
	902,257	701,076
Unquoted securities:		
Sukuk	1,038,735	1,117,388
	1,038,735	1,117,388
Total financial investments at FVOCI	1,940,992	1,818,464

Movements in allowance for expected credit losses are as follows:

	12-month ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Total RM'000
At 1 April 2024	205	4	209
New financial assets originated or purchased	36	-	36
Financial assets derecognised other than write-off	(38)	-	(38)
Changes due to change in credit risk	(34)	(3)	(37)
Total write-back from statement of income	(36)	(3)	(39)
At 31 March 2025	169	1	170

	12-month ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Total RM'000
At 1 April 2023	136	-	136
Transfer to Stage 2	(2)	4	2
New financial assets originated or purchased	74	-	74
Financial assets derecognised other than write-off	(18)	-	(18)
Changes due to change in credit risk	15	-	15
Total charge to statement of income	69	4	73
At 31 March 2024	205	4	209

Notes:

(a) The transfers between stages are inclusive of net remeasurement of allowances.

(b) There were no credit impaired exposures during the financial period.

6. FINANCIAL INVESTMENTS AT AMORTISED COST

	2025 RM'000	2024 RM'000
At amortised cost		
Money market instruments:		
Malaysian Government investment issues	686,921	656,884
	686,921	656,884
Unquoted securities:		
Sukuk	332,795	156,550
Less: Allowance for expected credit losses	(104)	-
	332,691	156,550
Total financial investments at amortised cost	1,019,612	813,434

Movements in allowance for expected credit losses are as follows:

	12-Month ECL (Stage 1) 2025 RM'000	12-Month ECL (Stage 1) 2024 RM'000
At 1 April	-	-
New financial investments originated or purchased	104	-
Total charge to statement of income	104	-
At 31 March	104	-

Notes:

(a) The transfers between stages are inclusive of net remeasurement of allowances.

(b) There were no credit impaired exposures during the financial period.

7. FINANCING AND ADVANCES

By types and Shariah concepts:

	Notes	Bai` Bithaman Ajil RM'000	Tawarruq RM'000	Al-Ijarah Thumma Al-Bai`/ AITAB RM'000	Murabahah RM'000	Qard RM'000	Bai` Al-Dayn RM'000	Bai' `Inah RM'000	Total Financing and Advances RM'000
31 March 2025									
At amortised cost									
Cash line financing		16,310	1,198,908	-	-	12,579	-	-	1,227,797
Term financing									
- Housing financing		2,838,180	907,514	-	-	-	-	-	3,745,694
- Hire purchase receivables	(a)	-	-	33,942	-	-	-	-	33,942
- Other term financing		1,451,478	6,287,055	-	-	-	-	31,093	7,769,626
Bills receivables		-	38,022	-	7,266	-	-	-	45,288
Trust receipts		-	-	-	35,235	-	-	-	35,235
Claims on customers under acceptance credits		-	-	-	1,095,728	-	90,204	-	1,185,932
Staff financing (including financing to Directors of RM Nil)		12,207	108	-	-	-	-	-	12,315
Revolving credits	(b)	54,081	528,509	-	-	-	-	-	582,590
Gross financing and advances		4,372,256	8,960,116	33,942	1,138,229	12,579	90,204	31,093	14,638,419
Add : Sales commission and handling fees									103,524
Less: Allowance for expected credit losses on financing and advances									(383,907)
Total net financing and advances									14,358,036

7. FINANCING AND ADVANCES (CONTD.)

By types and Shariah concepts (contd.):

	Notes	Bai` Bithaman Ajil RM'000	Tawarruq RM'000	Al-Ijarah Thumma Al-Bai`/ AITAB RM'000	Murabahah RM'000	Qard RM'000	Bai` Al-Dayn RM'000	Bai` `Inah RM'000	Total Financing and Advances RM'000
31 March 2024									
At amortised cost									
Cash line financing		22,186	1,266,166	-	-	10,378	-	-	1,298,730
Term financing									
- Housing financing		3,503,317	45,453	-	-	-	-	-	3,548,770
- Hire purchase receivables	(a)	-	-	50,890	-	-	-	-	50,890
- Other term financing		1,655,805	5,597,312	-	-	-	-	53,740	7,306,857
Bills receivables		-	32,598	-	4,235	-	-	-	36,833
Trust receipts		-	-	-	43,316	-	-	-	43,316
Claims on customers under acceptance credits		-	-	-	966,743	-	99,258	-	1,066,001
Staff financing (including financing to Directors of RM Nil)		12,232	-	-	-	-	-	-	12,232
Revolving credits	(b)	68,244	403,747	-	-	-	-	-	471,991
Gross financing and advances		5,261,784	7,345,276	50,890	1,014,294	10,378	99,258	53,740	13,835,620
Add : Sales commission and handling fees									93,099
Less: Allowance for expected credit losses on financing and advances									(372,177)
Total net financing and advances									13,556,542

Notes:

(a) Included hire purchase receivables under Al-Ijarah Thumma Al-Bai` ("AITAB") which is the contract of lease ending transfer of ownership from the lessor to the lessee in the form of sale transaction, which may take place at the end of the Ijarah period or at any point of time during the period, subject to the agreed terms and conditions between the contracting parties.

(b) The total Financing and Advances under Bai' Bithaman Ajil ("BBA") includes Revolving Credit-i (Murabahah) which substantively adopts a BBA product structure.

7. FINANCING AND ADVANCES (CONTD.)

(i) Purpose and source of fund for Qard financing:

	2025 RM'000	2024 RM'000
At 1 April	10,378	15,914
Sources of Qard fund:		
- Shareholders' fund	13,227	9,391
Uses of Qard fund:		
- Purchase of landed property - Residential	-	(987)
- Personal use	(2,222)	(5,353)
- Working capital	(8,804)	(8,587)
At 31 March	12,579	10,378

(ii) By maturity structure:

	2025 RM'000	2024 RM'000
Within one year	3,135,294	2,957,247
One year to three years	468,654	529,086
Three years to five years	691,352	772,588
Over five years	10,343,119	9,576,699
Gross financing and advances	14,638,419	13,835,620

(iii) By type of customers:

	2025 RM'000	2024 RM'000
Domestic non-bank financial institutions	389,862	287,152
Domestic business enterprises		
- Small and medium enterprises	5,940,110	5,364,013
- Others	1,346,997	1,385,919
Individuals	6,883,038	6,717,958
Other domestic entities	236	9,446
Foreign entities	78,176	71,132
Gross financing and advances	14,638,419	13,835,620

(iv) By profit rate sensitivity:

	2025 RM'000	2024 RM'000
Fixed rate		
- Housing financing	12,996	14,127
- Hire purchase receivables	33,941	50,890
- Other fixed rate financing	3,284,514	3,057,175
Variable rate		
- Base financing rate plus	6,549,344	6,212,666
- Base rate plus	3,858,863	3,631,417
- Cost plus	898,761	869,345
Gross financing and advances	14,638,419	13,835,620

7. FINANCING AND ADVANCES (CONTD.)

(v) By economic purposes:

	2025 RM'000	2024 RM'000
Purchase of transport vehicles	48,987	64,574
Purchase of landed property	6,607,360	6,033,607
of which: - Residential	*3,804,728*	*3,608,324*
- Non-residential	*2,802,632*	*2,425,283*
Purchase of fixed assets excluding land and buildings	45,484	56,926
Personal use	3,182,811	3,200,974
Construction	336,767	223,246
Working capital	3,509,331	3,306,868
Others	907,679	949,425
Gross financing and advances	14,638,419	13,835,620

(vi) By economic sectors:

	2025 RM'000	2024 RM'000
Primary agriculture	444,365	452,817
Mining and quarrying	12,739	17,401
Manufacturing	1,566,498	1,521,352
Electricity, gas and water	36,193	17,106
Construction	604,801	534,350
Wholesale, retail trade, restaurants and hotels	2,940,854	2,589,317
Transport, storage and communication	255,377	230,726
Financing, insurance, real estate and business services	1,702,195	1,542,555
Community, social and personal services	114,183	140,907
Household	6,961,214	6,789,089
Gross financing and advances	14,638,419	13,835,620

(vii) By geographical distribution:

	2025 RM'000	2024 RM'000
Northern region	1,950,723	1,754,667
Central region	9,562,523	9,163,109
Southern region	1,358,653	1,373,354
Sabah region	1,404,899	1,226,464
Sarawak region	361,621	318,026
Gross financing and advances	14,638,419	13,835,620

7. FINANCING AND ADVANCES (CONTD.)

(viii) Movements in credit impaired financing and advances ("impaired financing") under Stage 3

	2025 RM'000	2024 RM'000
At 1 April	315,458	352,834
Impaired during the financial year	491,012	474,943
Reclassified as unimpaired during the financial year	(318,778)	(329,474)
Recovered during the financial year	(26,914)	(26,243)
Financial assets derecognised other than write-off during the financial year	(59,439)	(48,825)
Amount written-off	(113,937)	(107,777)
At 31 March	287,402	315,458
Gross impaired financing ratio	1.96%	2.28%
Net impaired financing ratio	1.28%	1.45%

The credit impaired financing and advances of RM287,402,000 for the Bank is offset by the claim proceeds received from Credit Guarantee Corporation Malaysia Berhad ("CGC"), amounting to RM811,000.

The Bank may write off financial assets when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. The outstanding contractual amounts of such assets written off during the year amounted to RM113,937,000 (2024: RM107,777,000) for the Bank. The Bank still seeks to recover amounts that are legally owed in full, but which have been partially or fully written-off and are still subject to enforcement activity.

(ix) Credit impaired financing and advances by economic purposes:

	2025 RM'000	2024 RM'000
Purchase of transport vehicles	811	1,661
Purchase of landed property	135,354	153,615
of which: - Residential	*114,351*	*127,940*
- Non-residential	*21,003*	*25,675*
Purchase of fixed assets excluding land & buildings	151	157
Personal use	112,433	122,540
Working capital	28,767	26,511
Others	9,886	10,974
Gross impaired financing and advances	287,402	315,458

7. FINANCING AND ADVANCES (CONTD.)

(x) Credit impaired financing and advances analysed by economic sectors:

	2025 RM'000	2024 RM'000
Primary agriculture	1,299	1,736
Manufacturing	18,486	21,786
Construction	11,904	11,065
Wholesale, retail trade, restaurants and hotels	18,597	19,951
Transport, storage and communication	928	977
Financing, insurance, real estate and business services	1,925	1,703
Community, social and personal services	5,091	4,887
Household	229,172	253,353
Gross impaired financing and advances	287,402	315,458

(xi) Credit impaired financing and advances by geographical distribution:

	2025 RM'000	2024 RM'000
Northern region	38,414	40,720
Central region	213,754	224,455
Southern region	16,283	30,273
Sabah region	17,788	18,773
Sarawak region	1,163	1,237
Gross impaired financing and advances	287,402	315,458

7. FINANCING AND ADVANCES (CONTD.)

(xii) Movements in allowance for expected credit losses on financing and advances are as follows:

	12-month ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Lifetime ECL Credit impaired (Stage 3) RM'000	Total RM'000
At 1 April 2024	89,606	165,847	116,724	372,177
Transfer to Stage 1	63,784	(152,531)	(917)	(89,664)
Transfer to Stage 2	(61,683)	279,025	(73,355)	143,987
Transfer to Stage 3	(18)	(120,527)	148,238	27,693
New financial assets originated or purchased	45,337	28,825	3,118	77,280
Financial assets derecognised other than write-off	(25,772)	(34,557)	(12,218)	(72,547)
Changes due to change in credit risk	(15,541)	22,451	2,710	9,620
	6,107	22,686	67,576	96,369
Unwinding of discount	-	-	11,714	11,714
Total charge to statement of income	6,107	22,686	79,290	108,083
Write-off	(9)	(1,779)	(94,565)	(96,353)
At 31 March 2025	95,704	186,754	101,449	383,907
At 1 April 2023	66,042	219,623	130,746	416,411
Transfer to Stage 1	55,837	(129,516)	(21)	(73,700)
Transfer to Stage 2	(48,660)	213,385	(80,578)	84,147
Transfer to Stage 3	(829)	(119,777)	136,789	16,183
New financial assets originated or purchased	41,599	25,935	3,940	71,474
Financial assets derecognised other than write-off	(13,429)	(41,479)	(11,148)	(66,056)
Changes due to change in credit risk	(10,954)	(655)	8,773	(2,836)
	23,564	(52,107)	57,755	29,212
Unwinding of discount	-	-	8,326	8,326
Total charge to /(write-back from) statement of income	23,564	(52,107)	66,081	37,538
Write-off	-	(1,669)	(80,103)	(81,772)
At 31 March 2024	89,606	165,847	116,724	372,177

Note:
The transfers between stages are inclusive of net remeasurement of allowances.

7. FINANCING AND ADVANCES (CONTD.)

(xii) Movements in allowance for expected credit losses on financing and advances are as follows: (contd.)

Impact of movements in gross carrying amount on expected credit losses

2025

Stage 1 expected credit losses ("ECL") for the Bank increased by RM6.1 million as a result of newly originated financing and advances, and the migration to Stage 1 from Stage 2 or Stage 3 due to the improvement in credit quality, partially offset by repayment of financing and advances.

Stage 2 ECL increased by RM20.9 million as a result of newly originated financing and advances, combined with movement in Stage 2 accounts and accounts migrated from Stage 1 and Stage 3 into Stage 2 due to changes in credit risk. The increase was relatively offset by repayment of financing and advances, and accounts migrated to Stage 3 due to deterioration in credit quality, and migrated to Stage 1 as a result of improved credit quality.

Stage 3 ECL for the Bank decreased by RM15.3 million primarily due to accounts written off mostly from personal financing segment, and repayment of financing and advances observed in mortgages. The decrease is partly offset by accounts migrated to Stage 3 from Stage 1 and Stage 2 as a result of deterioration in credit quality.

Total ECL movements in 2025 is also affected by the changes in forward-looking economic inputs and pre-emptive provisions have been applied to determine a sufficient overall level of ECL. These pre-emptive provisions were taken to reflect the potential impact to delinquencies and defaults arising from escalation of credit risk.

2024

Stage 1 expected credit losses ("ECL") for the Bank increased by RM23.6 million as a result of newly originated financing and advances, and the migration to Stage 1 from Stage 2 or Stage 3 due to the improvement in credit quality, partially offset by repayment of financing and advances.

Stage 2 ECL decreased by RM53.8 million as a result of financing and advances repayment, combined with accounts migrated to Stage 3 due to deterioration in credit quality, and migrated to Stage 1 as a result of improved credit quality. The decrease was relatively offset by newly originated financing and advances, and accounts migrated from Stage 1 and Stage 3 into Stage 2 due to changes in credit risk, mainly observed on certain segments such as personal financing and mortgages.

Stage 3 ECL for the Bank decreased by RM14.0 million primarily due to accounts written off mostly from personal financing segment, and migration of Stage 3 to Stage 1 or Stage 2 due to improvement in credit quality. The decrease is partly offset by accounts migrated to Stage 3 from Stage 1 and Stage 2 as a result of deterioration in credit quality.

Total ECL movements in 2024 is also affected by the changes in forward-looking economic inputs and the reversal of the pre-emptive overlay provisions from the estimated impacts of the COVID-19 pandemic. The overlays have been applied to determine a sufficient overall level of ECL. These overlays were taken to reflect the potential impact to delinquencies and defaults arising from escalation of credit risk.

8. OTHER ASSETS

	2025 RM'000	2024 RM'000
Other receivables	10,647	8,627
Deposits	94	93
Prepayment	4,111	5,717
Amount due from holding company	72,493	-
Amount due from related company	1,284	-
	88,629	14,437
Less:		
Allowance for expected credit losses on other receivables [Note]	(2,304)	(2,687)
	86,325	11,750

Note:
Movements in allowance for expected credit losses on other receivables are as follows:

	Lifetime ECL 2025 RM'000	Lifetime ECL 2024 RM'000
At 1 April	2,687	2,394
New financial assets originated or purchased	2,167	1,004
Financial assets derecognised other than write-off	(3,697)	(1,340)
Changes due to change in credit risk	1,147	629
Total (write-back from)/charge to statement of income	(383)	293
At 31 March	2,304	2,687

As at 31 March 2025, the Bank's gross exposure of other receivables that are under lifetime expected credit losses was at RM2,304,000 (2024: RM2,687,000).

9. STATUTORY DEPOSITS

Non-profit bearing statutory deposits for the Bank of RM303,783,000 (2024: RM273,600,000) is maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amount of which are determined as a set percentage of total eligible liabilities.

10. RIGHT-OF-USE ASSETS

	Premises 2025 RM'000	Premises 2024 RM'000
COST		
At 1 April	3,116	1,980
Remeasurement	-	1,136
At 31 March	3,116	3,116
ACCUMULATED DEPRECIATION		
At 1 April	2,401	1,714
Charge for the financial year	477	687
At 31 March	2,878	2,401
NET CARRYING AMOUNT	238	715

11. PROPERTY, PLANT AND EQUIPMENT

	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Total RM'000
2025				
COST				
At 1 April 2024	1,111	120	442	1,673
Additions	-	-	114	114
At 31 March 2025	1,111	120	556	1,787
ACCUMULATED DEPRECIATION				
At 1 April 2024	1,104	78	335	1,517
Charge for the financial year	2	10	76	88
At 31 March 2025	1,106	88	411	1,605
NET CARRYING AMOUNT	5	32	145	182
2024				
COST				
At 1 April 2023	1,171	110	354	1,635
Additions	3	10	111	124
Disposal	-	-	(5)	(5)
Written-off	(63)	-	(18)	(81)
At 31 March 2024	1,111	120	442	1,673
ACCUMULATED DEPRECIATION				
At 1 April 2023	1,153	62	270	1,485
Charge for the financial year	14	16	84	114
Disposal	-	-	(1)	(1)
Written-off	(63)	-	(18)	(81)
At 31 March 2024	1,104	78	335	1,517
NET CARRYING AMOUNT	7	42	107	156

12. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The net deferred tax assets and liabilities shown in the statement of financial position after appropriate offsetting are as follows:

	2025 RM'000	2024 RM'000
Deferred tax assets, net	51,619	49,927

	2025 RM'000	2024 RM'000
Movements on deferred tax:		
At 1 April	49,927	44,039
Recognised in statement of income (Note 29)	3,118	8,473
Recognised in equity	(1,426)	(2,585)
At 31 March	51,619	49,927

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	2025 RM'000	2024 RM'000
Deferred tax assets	52,241	50,163
Deferred tax liabilities	(622)	(236)
	51,619	49,927

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets/(liabilities)	Allowance for expected credit losses RM'000	Other liabilities RM'000	Leases RM'000	Fair value hedge reserve RM'000	Financial investments at fair value through other comprehensive income RM'000	Property, plant and equipment and intangible assets RM'000	Total RM'000
At 1 April 2024	41,469	6,873	43	844	934	(236)	49,927
Recognised in statement of income	4,057	(884)	(26)	-	-	(29)	3,118
Recognised in equity	-	-	-	(135)	(1,291)	-	(1,426)
At 31 March 2025	45,526	5,989	17	709	(357)	(265)	51,619
At 1 April 2023	35,120	4,725	13	616	3,747	(182)	44,039
Recognised in statement of income	6,349	2,148	30	-	-	(54)	8,473
Recognised in equity	-	-	-	228	(2,813)	-	(2,585)
At 31 March 2024	41,469	6,873	43	844	934	(236)	49,927

Note:
Other liabilities include provisions and deferred income.

13. INTANGIBLE ASSETS

	2025 RM'000	2024 RM'000
Computer software		
Cost		
At 1 April	5,189	4,679
Additions	111	682
Written-off	-	(172)
At 31 March	5,300	5,189
Accumulated amortisation		
At 1 April	3,036	2,634
Charge for the financial year	611	574
Written-off	-	(172)
At 31 March	3,647	3,036
Net carrying amount	1,653	2,153

14. DEPOSITS FROM CUSTOMERS

(i) By type of deposits:

	2025 RM'000	2024 RM'000
Demand deposits		
- Qard	4,084,985	4,143,573
- Tawarruq	907,756	452,317
Savings deposits		
- Qard	369,983	370,352
- Tawarruq	10,215	6,980
Term deposits		
- Tawarruq	9,828,475	8,698,901
- Negotiable Islamic Debt Certificate		
- Bai' Inah	220,705	211,862
- Money market deposits		
- Tawarruq	774,104	1,105,821
- Other deposits		
- Mudharabah	55,562	59,338
- Wakalah	31,860	31,516
- Qard	16,750	22,075
	16,300,395	15,102,735

14. DEPOSITS FROM CUSTOMERS (CONTD.)

(ii) The maturity structure of term deposits are as follows:

	2025 RM'000	2024 RM'000
Due within six months	8,525,215	8,397,566
Six months to one year	2,179,662	1,261,319
One year to three years	222,359	470,628
Three years to five years	220	-
	10,927,456	10,129,513

(iii) By type of customers:

	2025 RM'000	2024 RM'000
Domestic financial institutions	220,705	211,862
Domestic non-bank financial institutions	1,130,828	1,685,184
Government and statutory bodies	2,434,791	1,555,505
Business enterprises	5,554,426	4,815,602
Individuals	6,199,617	6,100,219
Foreign entities	150,233	146,885
Others	609,795	587,478
	16,300,395	15,102,735

15. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2025 RM'000	2024 RM'000
Non-Mudharabah Fund		
Bank Negara Malaysia	210,488	189,063

16. RECOURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS

This relates to proceeds received from housing financing and hire purchase financing sold directly to Cagamas Berhad with recourse to the Bank. Under the agreement, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy back any financing which are regarded as defective based on pre-determined and agreed upon prudential criteria set by Cagamas Berhad.

17. LEASE LIABILITIES

	2025 RM'000	2024 RM'000
At 1 April	869	296
Profit expense	29	46
Lease payment	(614)	(609)
Remeasurement	-	1,136
At 31 March	284	869

The Bank leases premises. Rental contracts are typically made for the periods for three years. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Termination options are included in a number of leases across the Bank. Termination options are included, to provide a greater flexibility.

18. OTHER LIABILITIES

	2025 RM'000	2024 RM'000
Other payables [Note (a)]	137,062	127,744
Bills payable	113,444	16,897
Clearing account	32,835	34,331
Sundry deposits	12,161	7,066
Provision and accruals	13,200	15,736
Amount due to holding company	-	83,606
Amount due to related company	-	3,712
Allowance for expected credit losses on commitments and contingencies [Note (b)]	5,953	7,093
	314,655	296,185

Notes:

(a) During the financial year, it was identified that AIS House Financing Product based on Bai' Bithaman Ajil ("BBA") for Properties Under Construction were not in accordance with Shariah-principles. As such, other payables and accruals included provision amounting to RM16,026,000 related to the financing income for this product which would need to be purified. The Bank had purified RM1,081,000 of the Shariah non-compliant income generated from closed accounts to charitable or religious bodies.

18. OTHER LIABILITIES (CONTD.)

Notes (contd.):

(b) Movements in allowance for expected credit losses on commitments and contingencies are as follows:

	12-month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
At 1 April 2024	2,232	4,571	290	7,093
Transfer to Stage 1	962	(4,076)	-	(3,114)
Transfer to Stage 2	(541)	2,916	(250)	2,125
Transfer to Stage 3	-	(99)	647	548
New financial assets originated or purchased	1,803	600	526	2,929
Financial assets derecognised other than write-off	(753)	(512)	(665)	(1,930)
Changes due to change in credit risk	(1,040)	(921)	286	(1,675)
Other adjustments	(2)	-	-	(2)
	429	(2,092)	544	(1,119)
Unwinding of discount	-	-	(21)	(21)
Total charge to/(write-back from) statement of income	429	(2,092)	523	(1,140)
At 31 March 2025	2,661	2,479	813	5,953
At 1 April 2023	693	2,011	223	2,927
Transfer to Stage 1	177	(1,798)	-	(1,621)
Transfer to Stage 2	(155)	2,197	(107)	1,935
Transfer to Stage 3	-	(151)	876	725
New financial assets originated or purchased	1,540	821	-	2,361
Financial assets derecognised other than write-off	(573)	(4,480)	(474)	(5,527)
Changes due to change in credit risk	549	5,972	(229)	6,292
Other adjustments	1	(1)	-	-
	1,539	2,560	66	4,165
Unwinding of discount	-	-	1	1
Total charge to statement of income	1,539	2,560	67	4,166
At 31 March 2024	2,232	4,571	290	7,093

Notes:

(i) The transfers between stages are inclusive of net remeasurement of allowances.

(ii) As at 31 March 2025, the Bank's gross exposures of commitments and contingencies that are credit impaired was at RM4,856,000 (2024: RM1,422,000).

19. OTHER BORROWING

	Note	2025 RM'000	2024 RM'000
Senior Islamic Medium Term Notes			
RM200 million Senior Islamic MTN	(a)	201,034	-

Note:

RM2.5 billion Perpetual Sukuk Programme:

RM1.2 billion Senior Sukuk Murabahah

	Issuance Date	Nominal Amount	Maturity Date	Tenure	Discount Rate	Distribution Payment Period
(a)	12 August 2024	RM200 million	10 August 2029	Five (5) years	3.93% per annum	Payable semi-annually.

The Bank had on 12 August 2024 issued RM200.0 million Senior Islamic MTN in nominal value with tenure of 5 years.

The Senior Islamic MTN has been assigned a long term rating of A1 by RAM Rating Services Berhad.

20. SUBORDINATED SUKUK

	Note	2025 RM'000	2024 RM'000
Subordinated Sukuk			
RM100 million Additional Tier I Sukuk Wakalah	(a)	100,056	100,042
RM130 million Subordinated Sukuk Murabahah	(b)	132,441	132,441
RM100 million Subordinated Sukuk Murabahah	(c)	100,136	-
		332,633	232,483

Notes:

RM2.5 billion Perpetual Sukuk Programme:

RM500.0 million Islamic Additional Tier 1 Sukuk Wakalah Programme

	Issuance Date	Principal	Tenure	Call Date	Profit Rate	Profit Payment
(a)	29 March 2024	RM100 million	Perpetual non-callable five (5) years	29 March 2029	5.10% per annum	Accrued and payable semi-annually in arrears

RM800.0 million Tier 2 Subordinated Sukuk Murabahah Programme

	Issuance Date	Principal	Maturity Date	Call Date	Profit Rate	Profit Payment
(b)	29 April 2022	RM130 million	29 April 2032	29 April 2027	4.45% per annum	Accrued and payable semi-annually in arrears
(c)	20 September 2024	RM100 million	20 September 2034	20 September 2029	4.16% per annum	Accrued and payable semi-annually in arrears

The Bank had on 20 September 2024 issued RM100.0 million Tier 2 Subordinated Sukuk Murabahah ("T2 Sub-sukuk Murabahah") in nominal value pursuant to the existing Alliance Islamic Bank's Perpetual Sukuk Programme.

21. SHARE CAPITAL

	2025 Number of ordinary shares '000	2025 RM'000	2024 Number of ordinary shares '000	2024 RM'000
Ordinary shares issued and fully paid:				
At 1 April /31 March				
ordinary shares with no-par value	501,978	727,065	440,140	637,500

22. RESERVES

	Note	2025 RM'000	2024 RM'000
Non-distributable:			
FVOCI reserves	(a)	(942)	(5,420)
Distributable:			
Retained profits		970,783	870,446
		969,841	865,026

Notes:

(a) FVOCI reserves are the cumulative gains and losses arising on the revaluation of debt instruments measured at FVOCI, net off cumulative gains and losses transferred to statement of income upon disposal and the cumulative allowance for expected credit losses on these investments.

23. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	2025 RM'000	2024 RM'000
Income derived from investment of :		
(i) Term deposits	626,918	522,993
(ii) Other deposits	318,803	287,746
	945,721	810,739

(i) Income derived from investment of term deposits:

	2025 RM'000	2024 RM'000
Finance income and hibah		
Financing and advances	490,245	407,896
Financial investments at fair value through other comprehensive income	45,741	42,508
Financial investments at amortised cost	23,437	13,926
Money at call and deposit placements with financial institutions	16,705	18,499
	576,128	482,829
Accretion of discount less amortisation of premium	19,753	21,434
Total finance income and hibah	595,881	504,263
Other operating income		
- Fee income	28,911	17,379
- Investment gain	1,167	305
- Other income	959	1,046
	626,918	522,993

Note:

Included in financing income earned on financing and advances for the current financial year is financing accrued on impaired financing of the Bank amounting to RM1,012,000 (2024: RM1,416,000).

23. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONTD.)

(ii) Income derived from investment of other deposits:

	2025 RM'000	2024 RM'000
Finance income and hibah		
Financing and advances	249,302	224,421
Financial investments at fair value through other comprehensive income	23,261	23,388
Financial investments at amortised cost	11,918	7,661
Money at call and deposit placements with financial institutions	8,494	10,178
	292,975	265,648
Accretion of discount less amortisation of premium	10,045	11,793
Total finance income and hibah	303,020	277,441
Other operating income		
- Fee income	14,702	9,562
- Investment gain	593	168
- Other income	488	575
	318,803	287,746

Note:
Included in financing income earned on financing and advances for the current financial year is financing accrued on impaired financing of the Bank amounting to RM515,000 (2024: RM779,000).

24. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	2025 RM'000	2024 RM'000
Finance income and hibah		
Financing and advances	62,333	62,177
Financial investments at fair value through other comprehensive income	7,069	6,480
Financial investments at amortised cost	3,622	2,123
Money at call and deposit placements with financial institutions	2,581	2,820
	75,605	73,600
Accretion of discount less amortisation of premium	3,052	3,267
Total finance income and hibah	78,657	76,867
Other operating income		
- Fee income	4,468	2,649
- Investment gain	180	46
- Other income	148	160
	83,453	79,722

Note:

Included in financing income earned on financing and advances for the current financial year is financing accrued on impaired financing of the Bank amounting to RM156,000 (2024: RM216,000).

25. ALLOWANCE FOR EXPECTED CREDIT LOSSES ON FINANCING, ADVANCES AND OTHER FINANCIAL ASSETS

	2025 RM'000	2024 RM'000
Allowance made/(write-back of) expected credit losses on:		
(a) Financing and advances		
- Allowance made during the financial year	96,369	29,212
(b) Credit impaired on financing and advances		
- Recovered during the financial year	(33,650)	(23,725)
- Write-off during the financial year	21,465	28,481
(c) Commitments and contingencies on financing and advances		
- (Write-back)/allowance made during the financial year	(1,119)	4,165
	83,065	38,133
(Write-back of)/allowance for expected credit losses on other receivables	(383)	293
	82,682	38,426

26. ALLOWANCE FOR EXPECTED CREDIT LOSSES ON FINANCIAL INVESTMENTS

	2025 RM'000	2024 RM'000
Allowance made/(write-back of) expected credit losses on:		
- Financial investments at fair value through other comprehensive income	(39)	73
- Financial investments at amortised cost	104	-
	65	73

27. INCOME ATTRIBUTABLE TO THE DEPOSITORS AND FINANCIAL INSTITUTIONS

	2025 RM'000	2024 RM'000
Deposits from customers:		
- Mudharabah fund	1,556	1,748
- Non-Mudharabah fund	453,636	425,265
Deposits and placements of banks and other financial institutions:		
- Non-Mudharabah fund	148	413
Recourse obligations on financing sold to Cagamas	16,760	14,906
Other borrowings	4,996	-
Subordinated Sukuk Murabahah	13,084	11,959
Lease liabilities	29	46
	490,209	454,337

28. OTHER OPERATING EXPENSES

	2025 RM'000	2024 RM'000
Personnel costs		
- Salaries, allowances and bonuses	105,207	96,115
- Contribution to EPF	16,432	15,536
- Others	10,554	8,798
	132,193	120,449
Establishment costs		
- Depreciation on property, plant and equipment	89	113
- Depreciation on right-of-use assets	477	688
- Amortisation of computer software	611	574
- Rental	109	120
- Repairs and maintenance	1,740	1,769
- Water and electricity	1,290	1,361
- Information technology expenses	34,908	28,663
- Others [Note (a)]	2,598	1,244
	41,822	34,532
Marketing expenses		
- Promotion and advertisement	3,184	1,555
- Branding and publicity	4,188	3,873
- Others	1,167	1,139
	8,539	6,567
Administration and general expenses		
- Communication expenses	1,782	2,072
- Printing and stationeries	313	348
- Insurance	2,485	3,953
- Professional fees	11,366	8,549
- Others	6,890	2,711
	22,836	17,633
Total other operating expenses	205,390	179,181

Included in the other operating expenses are the Shariah Committee members' remuneration of RM481,500 (2024: RM463,500).

28. OTHER OPERATING EXPENSES (CONTD.)

The following represent a detailed breakdown of the Bank's share of the holding company's other operating expenses included within the Bank's total other operating expenses:

	2025 RM'000	2024 RM'000
Sharing of Other Operating Expenses		
Personnel costs		
- Salaries, allowances and bonuses	90,611	82,687
- Contribution to EPF	14,183	13,452
- Others	8,940	7,684
	113,734	103,823
Establishment costs		
- Rental	109	120
- Repairs and maintenance	1,698	1,720
- Water and electricity	1,266	1,332
- Information technology expenses	34,414	28,254
- Others [Note (a)]	2,582	1,244
	40,069	32,670
Marketing expenses		
- Promotion and advertisement	2,028	222
- Branding and publicity	4,117	3,694
- Others	995	1,018
	7,140	4,934
Administration and general		
- Communication expenses	1,235	1,346
- Printing and stationeries	209	257
- Professional fees	6,449	4,439
- Others	4,302	436
	12,195	6,478
Total sharing of other operating expenses	173,138	147,905

Note (a): Being substantially cross-charge amount for using the fixed assets of the holding company. This includes computer software, computer equipment and furniture and fittings.

Included in the other operating expenses are the following:

	2025 RM'000	2024 RM'000
Auditors' remuneration		
- Statutory audit fees	239	207
- Audit related services	94	89
- Tax compliance works	15	14
- Tax related services	35	4

29. TAXATION AND ZAKAT

	2025 RM'000	2024 RM'000
Income tax:		
Current financial year	66,374	64,750
(Over)/under provision in prior years	(5,344)	135
	61,030	64,885
Deferred tax (Note 12)		
Current financial year	(3,164)	(8,152)
Under/(over) provision in prior years	46	(321)
	(3,118)	(8,473)
Tax expense for the financial year	57,912	56,412
Zakat	746	280
	58,658	56,692

Income tax is calculated at the Malaysian statutory tax rate of 24% (2024: 24%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Bank is as follows:

	2025 RM'000	2024 RM'000
Profit before taxation	250,828	218,444
Taxation at Malaysian Statutory Tax rate of 24% (2024: 24%)	60,199	52,427
Expenses not deductible for tax purposes	3,011	4,171
Over provision of tax expense in prior years	(5,298)	(186)
Tax expense for the financial year	57,912	56,412

30. EARNINGS PER SHARE

Basic/diluted

Basic/diluted earnings per share is calculated by dividing profit for the financial year attributable to ordinary equity holder of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	2025	2024
Net profit for the financial year attributable to equity holder of the Bank (RM'000)	192,170	161,752
Weighted average numbers of ordinary shares in issue ('000)	478,119	433,915
Basic/diluted earnings per share (sen)	40.2	37.3

31. DIVIDENDS

	Dividend in respect of financial year	
	2025	2024
	RM'000	RM'000
Recognised during the financial year:		
First interim dividend		
6.87 sen per share on 480,152,479 ordinary shares, declared in financial year ending 31 March 2025, was paid on 18 December 2024.	32,986	-
Second interim dividend		
9.10 sen per share on 414,249,197 ordinary shares, declared in financial year ending 31 March 2023, was paid on 28 June 2023.	-	37,697
13.37 sen per share on 440,139,772 ordinary shares, declared in financial year ending 31 March 2024, was paid on 18 June 2024.	58,847	-

Subsequent to the financial year end, the Directors declared a single tier second interim dividend of 10.93 sen per share, on 501,977,592 ordinary shares amounting to approximately RM54,866,000 in respect of the current financial year. The accompanying financial statements do not reflect this dividend. The dividend will be accounted for in shareholders’ equity as an appropriation of retained profits in the financial year ending 31 March 2026.

32. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are the Bank's other significant related party transactions and balances:

The related parties of, and their relationship with, the Bank are as follows:

Relationship	**Related parties**
- Key management personnel	Key management personnel refer to those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including Executive Directors and Non-Executive Director of the Bank (including close members of their families). Other members of key management personnel of the Bank are the Business Support Heads who report directly to Chief Executive Officer (including close members of their families).
- Holding company	Alliance Bank Malaysia Berhad
- Related companies	Related companies refer to subsidiaries of Alliance Bank Malaysia Berhad.

	2025 RM'000	2024 RM'000
(a) <u>Transactions</u>		
Commission paid		
- related companies	35,445	33,602
Other operating expense		
- holding company	-	(75)
Finance expenses		
- holding company	(7,996)	(5,801)
- related companies	-	(121)
- key management personnel	(152)	(201)
Other operating expenses (sharing of expenses)		
- holding company	(173,173)	(146,157)
- related companies	-	(1,764)
Dividend paid		
- holding company	(91,833)	(37,697)

32. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

(b) Balances

	2025 RM'000	2024 RM'000
Financing and advances		
- key management personnel	1,535	1,460
Other assets		
- holding company	68,213	-
Deposits from customers		
- holding company	(220,705)	(211,862)
- key management personnel	(3,483)	(6,076)
Subordinated Sukuk		
- holding company	(232,578)	(132,441)
Lease liabilities		
- holding company	(615)	(609)
Other liabilities		
- holding company	-	(83,606)
- related companies	(6,405)	(3,713)

(c) Compensation of key management personnel

Remuneration of Chief Executive Officer ("CEO"), Non-Executive Directors and other members of key management excluding past CEO for the financial year are as follows:

	2025 RM'000	2024 RM'000
CEO and other key management:		
- Salary and other remuneration	6,158	4,761
- Contribution to EPF	862	708
- Benefits-in-kind	4	4
	7,024	5,473
Non-Executive Directors:		
- Fees Payable	695	570
- Allowances	261	173
	956	743
Included in the total key management personnel are:		
CEO and Non-Executive Directors' remuneration, excluding past Non-Executive Directors (Note 34)	2,796	2,291

32. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

(c) Compensation of key management personnel (contd.)

Total value of remuneration and number of officers with variable remuneration for the financial year are as follows:

	2025				2024			
	Number	Unrestricted RM'000	Number	Deferred RM'000	Number	Unrestricted RM'000	Number	Deferred RM'000
Fixed remuneration								
Cash		5,653		-		5,003		-
Variable remuneration								
Cash	7	2,080	3	247	7	1,013	2	200
		7,733		247		6,016		200

33. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	2025 RM'000	2024 RM'000
Outstanding credit exposures with connected parties	88,100	62,444
of which:		
Total credit exposure which is impaired or in default	716	-
Total credit exposures	20,562,802	19,029,145
Percentage of outstanding credit exposures to connected parties:		
- as a proportion of total credit exposures	0.43%	0.33%
- which is impaired or in default	0.00%	0.00%

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with para 9.1 of BNM's Guidelines on Credit Transactions and Exposures with Connected Parties for Islamic Banks, which became effective on 1 January 2008.

Based on these guidelines, a connected party for Islamic Banks refers to the following:

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder and his or her close relatives;

(iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his or her close relatives;

(iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

33. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES (CONTD.)

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and financing commitments. It also includes holdings of equities and private debt securities issued by the connected parties.

34. CEO, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION

Remuneration in aggregate for CEO, Directors and Shariah Committee members charged to the statement of income for the financial year are as follows:

	2025 RM'000	2024 RM'000
Chief Executive Officer:		
- Salary and other remuneration	1,071	1,060
- Bonuses	542	293
- Contribution to EPF	226	195
- Benefits-in-kind	1	-
	1,840	1,548
Non-Executive Directors:		
- Fees payable	695	570
- Allowances	261	173
	956	743
Total CEO and Directors' remuneration	2,796	2,291
Shariah Committee members	474	456
Total CEO, Directors and Shariah Committee members' remuneration	3,270	2,747

Notes:

(a) Other than Directors' fees and allowances, there were no amount paid or payable for services rendered by any Directors of the Bank during the financial year.

(b) Directors of the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising form acts committed in their capacity as Directors of the Bank, provided that such Directors have not acted negligently, fraudulently or dishonestly or is in breach of his or her duty of trust. The total apportioned amounts of insurance effected for the Bank was at RM2,000 (2024: RM1,000).

34. CEO, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONTD.)

The total remuneration of the CEO, Directors and Shariah Committee members of the Bank are as follows:

BANK 2025	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payable RM'000	Allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:							
Rizal IL-Ehzan Bin Fadil Azim	1,071	542	226	-	-	1	1,840
	1,071	542	226	-	-	1	1,840
Non-Executive Directors:							
Datuk Wan Azhar bin Wan Ahmad	-	-	-	200	40	-	240
Ibrahim bin Hassan	-	-	-	135	80	-	215
Dato' Ahmad Hisham bin Kamaruddin	-	-	-	135	60	-	195
Rustam bin Mohd Idris	-	-	-	100	45	-	145
Dr. John Lee Hin Hock	-	-	-	100	28	-	128
Mia Idora Binti Ismail	-	-	-	17	8	-	25
Stephen Oong Kee Leong	-	-	-	8	-	-	8
	-	-	-	695	261	-	956
Total CEO and Directors' remuneration	1,071	542	226	695	261	1	2,796
Shariah Committee Members:							
Ustaz Ahmad Fauwaz Bin Ali @ Fadzil	-	-	-	72	20	-	92
Tuan Badrul Hisyam bin Tuan Soh	-	-	-	90	20	-	110
Muhamad Rahimi bin Osman	-	-	-	72	18	-	90
Rustam bin Mohd Idris	-	-	-	72	18	-	90
Muhammad Naim Bin Omar	-	-	-	72	20	-	92
	-	-	-	378	96	-	474
	1,071	542	226	1,073	357	1	3,270

34. CEO, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONTD.)

The total remuneration of the CEO, Directors and Shariah Committee members of the Bank are as follows (contd.):

BANK 2024	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payable RM'000	Allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:							
Rizal IL-Ehzan Bin Fadil Azim	1,060	293	195	-	-	-	1,548
	1,060	293	195	-	-	-	1,548
Non-Executive Directors:							
Datuk Wan Azhar bin Wan Ahmad	-	-	-	200	30	-	230
Ibrahim bin Hassan	-	-	-	135	65	-	200
Dato' Ahmad Hisham bin Kamaruddin	-	-	-	135	45	-	180
Rustam bin Mohd Idris	-	-	-	100	33	-	133
	-	-	-	570	173	-	743
Total CEO and Directors' remuneration	1,060	293	195	570	173	-	2,291
Shariah Committee Members:							
Ustaz Ahmad Fauwaz Bin Ali @ Fadzil	-	-	-	72	16	-	88
Tuan Badrul Hisyam bin Tuan Soh	-	-	-	90	16	-	106
Muhamad Rahimi bin Osman	-	-	-	72	15	-	87
Rustam bin Mohd Idris	-	-	-	72	15	-	87
Muhammad Naim Bin Omar	-	-	-	72	16	-	88
	-	-	-	378	78	-	456
	1,060	293	195	948	251	-	2,747

35. FINANCIAL RISK MANAGEMENT POLICIES

The Bank engages in business activities which entail risk taking and the major types of risk involved includes credit risk, sustainability risk, liquidity risk, market risk, operational risk, technology risk and Shariah non-compliance risk.

The Bank's risk management is governed by the various risk management frameworks which cover governance, appetite, strategy, policies and processes to manage risks. The objective of risk management is to ensure the Bank conducts business in a responsible manner and to achieve sustainable growth for the Bank’s balance sheet and capital.

The Bank manages risk within clearly defined frameworks and polices that are approved by the Board of Directors. In addition, the Board of Directors of the Bank provides independent oversight to ensure that risks are adequately managed through a framework of established controls and reporting processes.

The guidelines and policies adopted by the Bank to manage the main risks that arise in the conduct of its business activities are as follows:

(a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of the Bank’s borrowers or counterparties to fulfil their contractual obligations to repay their financing or settle commitments.

This arises from financing, advances, investment in securities amongst others. The amount of credit exposure is represented by the carrying amount of financing, advances and investment securitites in the statement of financial position. The financing activities in the Bank are guided by the Bank’s Credit Risk Management Framework, which is aligned with regulatory guidelines and best practices.

Also, credit risk arises from financial transactions with counterparties (including interbank money market activities and debt instruments), of which the amount of credit exposure in respect of these instruments is equal to the carrying amount of these assets in the statement of financial position. This exposure is monitored on an ongoing basis against predetermined counterparty limits.

The credit exposure arising from off-balance sheet activities, i.e. commitments and contingencies is set out in Note 38 to the financial statements.

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(i) Maximum exposure to credit risk

The following table presents the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, before taking into account any collateral held or other credit enhancements and after allowance for expected credit losses, where appropriate.

For on-balance sheet financial assets, the maximum exposure to credit risk equals their carrying amount. For financial guarantees and similiar contracts granted, the maximum exposure to credit risk is the maximum amount that would have to be paid if the guarantees were to be called upon. For credit-related commitments and contingencies that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the credit facilities granted to customers.

	2025 RM'000	2024 RM'000
Credit risk exposure: on-balance sheet		
Cash and short-term funds (exclude cash in hand)	1,244,022	1,315,522
Deposits and placements with banks and other financial institutions	354,858	-
Financial investments at fair value through other comprehensive income	1,940,992	1,818,464
Financial investments at amortised cost	1,019,612	813,434
Financing and advances (exclude sales commission and handling fees)	14,254,512	13,463,443
Statutory deposits	303,783	273,600
Other assets (exclude prepayment)	82,214	6,033
Total on-balance sheet	19,199,993	17,690,496
Credit risk exposure: off-balance sheet		
Financial guarantees	87,994	88,677
Credit related commitments and contingencies	3,634,574	3,544,683
Total off-balance sheet	3,722,568	3,633,360
Total maximum exposure	22,922,561	21,323,856

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The analysis of credit risk concentration presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparty is engaged.

2025	Government and Central Bank RM'000	Financial, Takaful, Business Services and Real Estate RM'000	Transport, Storage and Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	671,420	572,602	-	-	-	-	-	1,244,022
Deposits and placements with banks and other financial institutions	-	354,858	-	-	-	-	-	354,858
Financial investments at fair value through other comprehensive income	1,308,758	397,299	128,218	106,717	-	-	-	1,940,992
Financial investments at amortised cost	797,323	100,985	121,304	-	-	-	-	1,019,612
Financing and advances (exclude sales commission and handling fees)	-	1,691,387	253,180	4,941,239	587,700	6,670,377	110,629	14,254,512
Statutory deposits	303,783	-	-	-	-	-	-	303,783
Other assets (exclude prepayment)	-	73,777	-	-	-	-	8,437	82,214
	3,081,284	3,190,908	502,702	5,047,956	587,700	6,670,377	119,066	19,199,993
Financial guarantees	-	7,621	9,706	68,231	2,434	2	-	87,994
Credit related commitments and contingencies	-	448,292	88,248	2,238,317	398,825	430,226	30,666	3,634,574
	-	455,913	97,954	2,306,548	401,259	430,228	30,666	3,722,568
Total credit risk	3,081,284	3,646,821	600,656	7,354,504	988,959	7,100,605	149,732	22,922,561

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations (contd.)

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The analysis of credit risk concentration presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparty is engaged. (contd.)

2024	Government and Central Bank RM'000	Financial, Takaful, Business Services and Real Estate RM'000	Transport, Storage and Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	597,957	717,565	-	-	-	-	-	1,315,522
Financial investments at fair value through other comprehensive income	701,076	719,957	276,474	75,472	45,485	-	-	1,818,464
Financial investments at amortised cost	656,884	101,358	55,192	-	-	-	-	813,434
Financing and advances (exclude sales commission and handling fees)	-	1,534,927	229,070	4,548,142	515,804	6,498,552	136,948	13,463,443
Statutory deposits	273,600	-	-	-	-	-	-	273,600
Other assets (exclude prepayment)	-	-	-	-	-	-	6,033	6,033
	2,229,517	3,073,807	560,736	4,623,614	561,289	6,498,552	142,981	17,690,496
Financial guarantees	-	8,085	5,373	63,994	10,892	2	331	88,677
Credit related commitments and contingencies	-	502,277	78,809	2,149,887	291,635	492,455	29,620	3,544,683
	-	510,362	84,182	2,213,881	302,527	492,457	29,951	3,633,360
Total credit risk	2,229,517	3,584,169	644,918	6,837,495	863,816	6,991,009	172,932	21,323,856

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iii) Collateral

The main types of collateral obtained by the Bank are as follows:
- Where property is provided as collateral, legal charge over the title;
- For hire purchase, ownership rights over the vehicles or equipment financed; and
- For other financing, charges over business assets such as premises, financial/trade receivables, quoted shares, other financial instruments, or deposits.

	2025 RM'000	2024 RM'000
Gross financing and advances	14,638,419	13,835,620
Less: Allowance for expected credit losses	(383,907)	(372,177)
Financing and advances, net of ECL	14,254,512	13,463,443
Percentage of collateral held for financing and advances	67.4%	68.4%

(iv) Credit Risk Measurement

The Bank adopts the following judgements and assumptions on measurement of ECL:

(a) Definition of significant increase in credit risk

The Bank considers the probability of default upon initial recognition of financial asset and whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Bank compares the risk of a default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. The Bank consider reasonable and supportable forward-looking information that is available.

The following events are taken into consideration during the assessment:
- Contractual payment is in arrears for 30 days or more;
- Significant downgrade of credit rating or internal rating;
- Modified exposure placed under Agensi Kaunseling dan Pengurusan Kredit ("AKPK") status;
- Exposure being monitored under watchlist; or
- Restructured and rescheduled exposure with increase in credit risk.

(b) Definition of credit impaired financial assets

An exposure is classified as credit impaired when one or more events that have a detrimental impact to the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

Quantitative criteria:
A financial asset is classified as credit impaired, when the counterparty fails to make a contractual payment more than 90 days when they fall due.

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iv) Credit Risk Measurement (contd.)

(b) Definition of credit impaired financial assets (contd.)

Qualitative criteria:

- Significant financial difficulty of the issuer or the borrower;
- Breach of contract such as a default of past due event;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- Indications that the borrower will enter into bankruptcy/winding up or other financial restructuring;
- Disappearance of an active market for that financial asset; or
- Purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(c) Measurement of ECL

ECL is measured by three components, i.e. exposure at default, probability of default and loss given default.

Exposure at default ("EAD")

EAD for non-retail portfolio is calculated based upon the contractual amortisation amount up to the point prior to the default event. Repayments are then assumed to cease, with only profit accrued on the outstanding balance from this point. Since the non-retail portfolio contains a variety of products with different profit accrual methods, amortisation types and repayment methods, the approaches employed to calculate EAD vary accordingly.

EAD for retail portfolio is calculated based upon either:

(i) Simple equation based calculation approach - where the outstanding balance follows a predictable trend across the amount and tenure;

(ii) Utilisation curve model - these curves provide a view of percent drawn down at the point of default, expressed as a percentage of the customer credit limit at observation; or

(iii) Mechanical equation based approach - which is utilised to forecast monthly default balances as per an amortisation profile and adjusted for different paths to default using an adjustment factor.

Probability at default ("PD")

A PD is assigned to each risk measure and represents as a percentage the likelihood of default.

For non-retail portfolio, the PD is measured from the internal or external rating of the borrower or issuer to determine the level of default risk.

For retail portfolio, a signature curve approach forecasted the lifetime PD and PD at any given time within the lifetime horizon. This is based upon historic default data using a chain ladder methodology to construct a lifetime default emergence curve.

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iv) Credit Risk Measurement (contd.)

(c) Measurement of ECL (contd.)

Loss given default ("LGD")

This is on a time series of probability weighted loss rate relative to the monthly exposure at default where the probabilities and loss rates are estimated by key risk driver segments such as exposure migration status (e.g. loss given cure and loss given charge off), collateral type, and defaulted exposure relative to original exposure amount and months in default.

(d) Forward-looking information

Three economic scenarios using different probability weightage are applied to the ECL:

- Base Case - based upon current economic outlook or forecast;
- Positive Case - based upon a projected optimistic or positive economic outlook or forecast; and
- Negative Case - based upon a projected pessimistic or negative economic outlook or forecast.

The negative case has been assigned with a higher weightage for the ECL as compared to the positive case.

Projection of economic scenario and the probability of each scenario happening in future shall be carried out and shall contain all macroeconomic variables ("MEV") which are applied in the ECL models as they are found to have significant correlation to increase of credit risk via the modelling exercise.

For forward-looking estimates, an analysis was carried out to determine how the estimates were affected by macroeconomic trends. Factors such as unemployment rate, consumer price index, house price index, consumption credit, producer price index and GDP growth rate were analysed to identify the level of correlation with the observed trends. Given the statistically strong correlation, the estimates were adjusted to reflect the macroeconomic trends.

The forward-looking estimates were adjusted as below:

	Weighted Average Forecast		
MEV	2027	2026	2025
(% Year on Year)	%	%	%
GDP Growth Rate	4.1	4.1	4.7
Producer Price Index	3.2	1.8	2.9
Consumer Price Index	2.6	2.5	2.7
Unemployment Rate	3.3	3.2	3.2
Credit Consumption	2.7	4.0	6.1
House Price Index	1.9	2.6	1.7
Industrial Production Index	3.5	4.2	4.3
Debt to GDP	123.3	123.6	123.9

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iv) Credit Risk Measurement (contd.)

(e) Grouping of exposure for ECL measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The appropriateness of groupings is monitored and reviewed on a periodic basis.

(f) Modification of financial assets

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of financing to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms.

When the modification is not substantial and so does not result in derecognition of the original financing and advances, the Bank recalculates the gross carrying amount based on the revised cash flow of the financial asset and recognises a modification gain or loss in the statement of income. The new gross carrying amount is recalculated by discounting the modified cash flow at the original effective profit rate. The Bank monitors the subsequent performance of modified assets. The risk of default of such financings after modification are assessed and compared with the risk under the original terms at initial recognition.

The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

If the terms are substantially different from the original terms, the Bank derecognises the original financial asset, recognises a new asset and recalculates a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognised in statement of income as gain or loss on derecognition.

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit Quality

The Bank assesses the credit quality for financing and advances and credit related commitment and contingencies according to the categories below.

Credit Quality	Credit Grading		Definition
	Scorecard	Customer Rating	
Low	Low risk score	1 - 12 (AAA to BB)	Borrower with good capacity to meet financial commitments.
Medium	Medium risk score	13 -16 (BB- to B-)	Borrower which is in a fairly acceptable capacity to meet financial commitments.
High	High risk score	17 - 19 (CCC+ to CCC-)	Borrower which is in uncertain capacity to meet financial commitments but has not been impaired.
Unrated	Unrated	Unrated	Borrower which is unrated.
Credit Impaired	Credit Impaired	Credit Impaired	Defaulted, or judgementally impaired due to lack of capacity to fulfil financial commitments.

Other financial assets are categorised in the following manner:

Credit Quality	Credit Rating	Definition
Investment graded	AAA to BBB-	Issuer with low risk of defaulting principal or profit payment.
Non-investment graded	Lower than BBB-	Issuer with medium or high risk of defaulting principal or profit payment.
Sovereign/government backed	-	Issued or guaranteed by Malaysian Government.
Unrated	Unrated	Issuer where rating is unavailable.
Credit impaired	Credit impaired	Defaulted.

Other assets are classified based on days-past-due ("DPD") under the simplified model approach.

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit Quality (contd.)

The following table shows an analysis of the credit quality by stages and the allowance for expected credit losses for the financial assets:

2025	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)				
Investment graded	572,601	-	-	572,601
Sovereign/government-backed	671,421	-	-	671,421
Gross carrying amount	1,244,022	-	-	1,244,022
Expected credit losses	-	-	-	-
Net carrying amount	1,244,022	-	-	1,244,022
Deposits and placements with banks and other financial institutions				
Investment graded	354,858	-	-	354,858
Gross carrying amount	354,858	-	-	354,858
Expected credit losses	-	-	-	-
Net carrying amount	354,858	-	-	354,858
Financial investments at fair value through other comprehensive income				
Investment graded	661,338	5,013	-	666,351
Sovereign/government-backed	1,274,641	-	-	1,274,641
Gross carrying amount	1,935,979	5,013	-	1,940,992
Expected credit losses [Note (a)]	(169)	(1)	-	(170)

Note (a): The ECL is recognised in reserves in other comprehensive income instead of in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to fair value.

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit Quality (contd.)

The following table shows an analysis of the credit quality by stages and the allowance for expected credit losses for the financial assets: (contd.)

2025	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial investments at amortised cost				
Sovereign/government-backed	969,641	-	-	969,641
Unrated	50,075	-	-	50,075
Gross carrying amount	1,019,716	-	-	1,019,716
Expected credit losses	(104)	-	-	(104)
Net carrying amount	1,019,612	-	-	1,019,612
Financing and advances				
Low	8,266,509	154,625	-	8,421,134
Medium	3,522,329	224,020	-	3,746,349
High	1,089,009	462,943	-	1,551,952
Unrated	374,862	255,909	-	630,771
Credit impaired	-	-	288,213	288,213
Gross carrying amount	13,252,709	1,097,497	288,213	14,638,419
Expected credit losses	(95,704)	(186,754)	(101,449)	(383,907)
Net carrying amount	13,157,005	910,743	186,764	14,254,512
Statutory deposits				
Sovereign/government-backed	303,783	-	-	303,783
Gross carrying amount	303,783	-	-	303,783
Expected credit losses	-	-	-	-
Net carrying amount	303,783	-	-	303,783
Credit related commitments and contingencies				
Low	2,472,945	43,557	-	2,516,502
Medium	975,950	85,848	-	1,061,798
High	113,891	15,372	-	129,263
Unrated	10,149	-	-	10,149
Credit impaired	-	-	4,856	4,856
Gross carrying amount	3,572,935	144,777	4,856	3,722,568
Expected credit losses	(2,661)	(2,479)	(813)	(5,953)

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit Quality (contd.)

2025

Simplified Approach	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
Gross carrying amount	82,214	2,304	84,518
Expected credit losses	-	(2,304)	(2,304)
Net carrying amount	82,214	-	82,214

2024	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)				
Investment graded	717,565	-	-	717,565
Sovereign/government-backed	597,957	-	-	597,957
Gross carrying amount	1,315,522	-	-	1,315,522
Expected credit losses	-	-	-	-
Net carrying amount	1,315,522	-	-	1,315,522
Financial investments at fair value through other comprehensive income				
Investment graded	777,850	5,024	-	782,874
Sovereign/government-backed	1,035,590	-	-	1,035,590
Gross carrying amount	1,813,440	5,024	-	1,818,464
Expected credit losses [Note (a)]	(205)	(4)	-	(209)

Note (a): The ECL is recognised in reserves in other comprehensive income instead of in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to fair value.

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit Quality (contd.)

2024	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial investments at fair value amortised cost				
Sovereign/government-backed	813,434	-	-	813,434
Gross carrying amount	813,434	-	-	813,434
Expected credit losses	-	-	-	-
Net carrying amount	813,434	-	-	813,434
Financing and advances				
Low	7,605,040	334,254	-	7,939,294
Medium	3,675,003	218,418	-	3,893,421
High	856,655	322,777	-	1,179,432
Unrated	197,524	310,491	-	508,015
Credit impaired	-	-	315,458	315,458
Gross carrying amount	12,334,222	1,185,940	315,458	13,835,620
Expected credit losses	(89,606)	(165,847)	(116,724)	(372,177)
Net carrying amount	12,244,616	1,020,093	198,734	13,463,443
Statutory deposits				
Sovereign/government-backed	273,600	-	-	273,600
Gross carrying amount	273,600	-	-	273,600
Expected credit losses	-	-	-	-
Net carrying amount	273,600	-	-	273,600
Credit related commitments and contingencies				
Low	2,482,330	13,345	-	2,495,675
Medium	905,732	128,408	-	1,034,140
High	76,253	8,501	-	84,754
Unrated	17,369	-	-	17,369
Credit impaired	-	-	1,422	1,422
Gross carrying amount	3,481,684	150,254	1,422	3,633,360
Expected credit losses	(2,232)	(4,571)	(290)	(7,093)

Simplified Approach	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
Gross carrying amount	6,033	2,687	8,720
Expected credit losses	-	(2,687)	(2,687)
Net carrying amount	6,033	-	6,033

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(vi) Sensitivity test

The Bank has performed expected credit losses sensitivity assessment on financial assets based on the changes in key variables as below while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the expected credit losses of the Bank.

The table below outlines the effect of the changes in major key variables used on expected credit losses while other variables remain constant:

2025

Measurement variables	MEV Change (%)/ Percentage Point Change (p.p)	+ RM'000	- RM'000
House price index	16.8%	(26,112)	10,722
Unemployment rate	0.5 p.p	11,603	(34,338)
Debt to GDP	6.9%	7,617	(29,268)
Producer price index	5.2%	(2,035)	(18,393)
Industrial production index	11.5%	(12,265)	(6,188)

2024

Measurement variables	MEV Change (%)/ Percentage Point Change (p.p)	+ RM'000	- RM'000
House price index	9.8%	(15,820)	20,149
Consumption credit	3.7 p.p	1,154	(1,214)
Unemployment rate	0.6 p.p	34,286	(39,548)
Debt to GDP	6.2%	16,413	(20,002)
Producer price index	4.1%	7,098	(7,789)

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(vii) Pre-emptive provisions and post-model adjustments for ECL

The Bank continued to apply pre-emptive provisions and post-model adjustments to address economic uncertainties and external risks including, but not limited to, international trade trends, the prevailing effects of high policy rates and inflation, as well as the potential consequences of global geopolitical tensions for the adequacy of the overall level of ECL for the year ended 31 March 2025.

These pre-emptive provisions and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults arising from potential risks.

The pre-emptive provisions and post-model adjustments involved significant level of judgement and reflect the Management's views of possible severities of the emerging risk impacts and paths of recovery in the forward-looking assessment for ECL estimation purposes.

As at 31 March 2025, the balances of these pre-emptive provisions and post-model adjustments amounted to RM66,477,000 (2024: RM50,261,000).

(b) Market Risk

Market risk is the risk of loss of earnings arising from changes in profit rates, foreign exchange rates, equity prices and their implied volatilities.

The Bank has established a framework of risk policies, measurement methodologies and risk limits as approved by the Group Risk Management Committee ("GRMC") to manage market risk. Market risk arising from the trading activities is controlled via position limits, loss limits, sensitivity limits and valuation via daily mark-to-market, where available.

Market Risk Factors

(i) Profit rate risk

As a subset of market risk, profit rate risk refers to the volatility in net profit income as a result of changes in profit rate of return and shifts in the composition of the assets and liabilities. Profit rate of return risk is managed through profit rate sensitivity analysis. The sensitivity in net profit income from profit rate movement is monitored and reported to the Management. In addition to pre-scheduled meetings, the Group Assets and Liabilities Management Committee ("GALCO") will also deliberate on revising the Bank's financing and deposit rates in response to changes in the benchmark rates set by the central bank.

The effects of changes in the levels of profit rates of return on the market value of securities are monitored closely and mark-to-market valuations are regularly reported to the Management.

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of profit rates on its financial position and cash flows. The effects of changes in the levels of profit rates of return on the market value of securities are monitored regularly and the outcome of mark-to-market valuations are escalated to the Management regularly. The following table summarises the effective profit rates at the end of the reporting period and the periods in which the financial instruments will re-price or mature, whichever is the earlier.

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Market Risk Factors (contd.)

(i) Profit rate risk (contd.)

	Non-Trading Book								
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-profit sensitive	Trading Book	Total
2025	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	1,209,811	-	-	-	-	-	34,211	-	1,244,022
Deposits and placements with banks and other financial institutions	-	354,858	-	-	-	-	-	-	354,858
Financial investment at fair value through other comprehensive income	-	10,161	10,059	81,307	1,191,813	647,652	-	-	1,940,992
Financial investment at amortised cost	50,074	-	10,115	41,139	522,643	395,745	(104)	-	1,019,612
Financing and advances	11,436,185	607,647	232,661	33,069	666,476	1,375,558	6,440*	-	14,358,036
Other financial assets**	-	-	-	72	943	76	384,906	-	385,997
Total financial assets	12,696,070	972,666	252,835	155,587	2,381,875	2,419,031	425,453	-	19,303,517
Liabilities									
Deposits from customers	3,833,297	2,777,320	3,687,668	2,179,662	3,822,448	-	-	-	16,300,395
Deposits and placements of banks and other financial institutions	241	-	700	2,118	167,858	39,571	-	-	210,488
Recourse obligation on financing sold to Cagamas	201,400	100,150	-	-	-	-	-	-	301,550
Lease liabilities	44	88	134	279	(261)	-	-	-	284
Other borrowings	-	-	-	-	201,034	-	-	-	201,034
Subordinated Sukuk	-	-	-	-	332,633	-	-	-	332,633
Other financial liabilities	-	-	-	-	27,787	-	273,668	-	301,455
Total financial liabilities	4,034,982	2,877,558	3,688,502	2,182,059	4,551,499	39,571	273,668	-	17,647,839
On-balance sheet profit sensitivity gap	8,661,088	(1,904,892)	(3,435,667)	(2,026,472)	(2,169,624)	2,379,460	151,785	-	1,655,678

* Impaired financing and ECL of the Bank are classified under the non-profit sensitive column.
** Includes statutory deposits and other assets

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Market Risk Factors (contd.)

(i) Profit rate risk (contd.)

2024	Non-Trading Book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading Book RM'000	Total RM'000
Assets									
Cash and short-term funds	1,274,702	-	-	-	-	-	40,820	-	1,315,522
Financial investment at fair value through other comprehensive income	5,106	10,121	10,068	85,711	995,597	711,861	-	-	1,818,464
Financial investment at amortised cost	-		-	51,155	215,343	546,936	-	-	813,434
Financing and advances	10,766,232	538,568	208,792	24,263	686,235	1,297,256	35,196*	-	13,556,542
Other financial assets**	-	-	-	-	1,984	65	277,584	-	279,633
Total financial assets	12,046,040	548,689	218,860	161,129	1,899,159	2,556,118	353,600	-	17,783,595
Liabilities									
Deposits from customers	4,589,157	3,262,611	2,186,962	1,261,319	3,802,686	-	-	-	15,102,735
Deposits and placements of banks and other financial institutions	1,054	-	5,390	4,059	54,559	124,001	-	-	189,063
Recourse obligation on financing sold to Cagamas	-	-	-	201,355	301,523	-	-	-	502,878
Lease liabilities	44	88	134	279	324	-	-	-	869
Subordinated Sukuk	-	-	-		232,483	-	-	-	232,483
Other financial liabilities	-	8	30	-	9,234	24,452	246,725	-	280,449
Total financial liabilities	4,590,255	3,262,707	2,192,516	1,467,012	4,400,809	148,453	246,725	-	16,308,477
On-balance sheet profit sensitivity gap	7,455,785	(2,714,018)	(1,973,656)	(1,305,883)	(2,501,650)	2,407,665	106,875	-	1,475,118

* Impaired financing and ECL of the Bank are classified under the non-profit sensitive column.
** Includes statutory deposits and other assets

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Market Risk Factors (contd.)

(ii) Foreign exchange risk

Foreign exchange risk refers to the risk that fair value or future cash flows of financial instruments will fluctuate because of the movements in the exchange rates for foreign exchange positions taken by the Bank from time to time.

Foreign currency exchange risk is managed via approved risk limits and open positions are regularly revalued against current exchange rates and reported to the Management and the Board.

The following table summarises the liabilities and net open position by currency as at the end of the financial reporting date, which are mainly in US Dollars and Pound Sterling. The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank.

	US Dollars RM'000	Pound Sterling RM'000	Total RM'000
2025			
Liabilities			
Other financial liabilities	152	149	301
Total liabilities	152	149	301
On-balance sheet open position	(152)	(149)	(301)
Net open position	(152)	(149)	(301)
2024			
Liabilities			
Other financial liabilities	173	68	241
Total liabilities	173	68	241
On-balance sheet open position	(173)	(68)	(241)
Net open position	(173)	(68)	(241)

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Market Risk Measures

(iii) Value at risk ("VaR")

VaR reflects the maximum potential loss of value of a portfolio resulting from market movements within a specified probability of occurrence (level of confidence) for a specific period of time (holding period). For the Bank, VaR is computed based on the historical simulation approach with parameters in accordance with BNM and Basel requirements. Backtesting is performed daily to validate and reassess the accuracy of the VaR model. This involves the comparison of the daily VaR values against the hypothetical profit and loss over the corresponding period.

The table below sets out a summary of the Bank's VaR profile by financial instrument types for the Trading Portfolio:

	Balance	Average for the year	Minimum	Maximum
	RM'000	RM'000	RM'000	RM'000
2025				
Government securities	(1,957)	(2,100)	(1,957)	(2,402)
Private debt securities	(463)	(541)	(463)	(659)

	Balance	Average for the year	Minimum	Maximum
	RM'000	RM'000	RM'000	RM'000
2024				
Government securities	(1,889)	(3,165)	(1,824)	(5,040)
Private debt securities	(691)	(1,187)	(656)	(1,938)

(iv) Profit Rate Risk Sensitivity

The following tables present the Bank's sensitivity result for the impact on net profit after tax and reserves of financial assets and financial liabilities bearing fixed and floating profit rates.

Impact on the net profit after tax is measured using Earning-at-Risk ("EaR") methodology. The treatments are based on a set of sensitivity rate shocks on the profit rate gap profile from the financial position of the Bank by taking into consideration the repricing or remaining maturity of the product.

Impact on equity represents the changes in fair value of financial investment at fair value through other comprehensive income portfolio arising from shifts in profit rate.

	2025	
	- 200 bps	**+ 200 bps**
	Increase/(Decrease)	
	RM'000	RM'000
Impact on net profit after tax	(38,502)	38,502
Impact on equity	117,588	(105,233)

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Market Risk Measures (contd.)

(iv) Profit Rate Risk Sensitivity (contd.)

Impact on equity represents the changes in fair value of financial investment at fair value through other comprehensive income portfolio arising from shifts in profit rate.

	2024	
	- 200 bps	**+ 200 bps**
	Increase/(Decrease)	
	RM'000	RM'000
Impact on net profit after tax	(39,366)	39,366
Impact on equity	104,482	(114,917)

(v) Other risk measures

(i) Stress test

Stress testing is normally used by banks to gauge their potential vulnerability to exceptional but plausible events. The Bank performs stress testing regularly to measure and alert the Board and the Management on the effects of potential political, economic or other disruptive events on our exposures. The Bank's stress testing process is governed by the Stress Testing Policy as approved by the Board. Stress testing is conducted on a bank-wide basis as well as on specific portfolios. The Bank's bank-wide stress testing exercise uses a variety of broad macroeconomic indicators that are then translated into stress impacts on the various business units. The results are then consolidated to provide an overall impact on the Bank's financial results and capital requirements. Stress testing results are reported to the Board and the Management to provide them with an assessment of the financial impact that such events would have on the Bank's profitability and capital levels.

(ii) Sensitivity analysis

Sensitivity analysis is used to measure the impact of changes in individual stress factors such as profit rates or foreign exchange rates. It is normally designed to isolate and quantify exposure to the underlying risk. The Bank performs sensitivity analysis such as parallel shifts of profit rates on its exposures, primarily on the banking and trading book positions.

(c) Liquidity Risk

Liquidity risk is the inability of the Bank to meet financial commitments when due.

The Bank's liquidity risk profile is managed using liquidity risk management strategies set in the Liquidity Risk Management Policy. Liquidity Risk Measures are monitored against approved thresholds by GALCO and Group Risk Management Committee ("GRMC"). A contingency funding plan is also established by the Bank as a forward-looking measure to ensure that liquidity risk can be addressed according to the degrees of key risk indicators, and which incorporates alternative funding strategies which are ready to be implemented on a timely basis to mitigate the impact of unforeseen adverse changes in liquidity in the market place.

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity Risk (contd.)

Liquidity Risk Measures

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities

The maturities of the on-balance sheet assets and liabilities are important factors in assessing the liquidity of the Bank. The table below provides an analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities:

2025	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	1,244,022	-	-	-	-	-	1,244,022
Deposits and placements with banks and other financial institutions	-	354,858	-	-	-	-	354,858
Financial investment at fair value through other comprehensive income	12,620	14,824	15,288	80,529	1,817,731	-	1,940,992
Financial investments at amortised cost	5,464	1,263	14,230	40,402	958,253	-	1,019,612
Financing and advances	2,130,723	684,322	251,954	47,285	11,243,752	-	14,358,036
Other financial and non-financial assets	82,094	544	816	1,292	2,278	356,776	443,800
Total assets	3,474,923	1,055,811	282,288	169,508	14,022,014	356,776	19,361,320
Liabilities							
Deposits from customers	7,433,166	2,777,320	3,687,668	2,179,662	222,579	-	16,300,395
Deposits and placements of banks and other financial institutions	240	14	700	2,117	207,417	-	210,488
Recourse obligation on financing sold to Cagamas	201,400	100,150	-	-	-	-	301,550
Lease liabilities	50	100	134	-	-	-	284
Other borrowings	-	-	1,034	-	200,000	-	201,034
Subordinated Sukuk	2,440	-	193	-	330,000	-	332,633
Other financial and non-financial liabilities	244,553	17,790	7,828	7,974	39,885	-	318,030
Total liabilities	7,881,849	2,895,374	3,697,557	2,189,753	999,881	-	17,664,414
Net maturity mismatch	(4,406,926)	(1,839,563)	(3,415,269)	(2,020,245)	13,022,133	356,776	1,696,906

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity Risk (contd.)

Liquidity Risk Measures (contd.)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (contd.)

The maturities of the on-balance sheet assets and liabilities are important factors in assessing the liquidity of the Bank. The table below provides an analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities: (contd.)

2024	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	1,315,522	-	-	-	-	-	1,315,522
Financial investment at fair value through other comprehensive income	16,413	13,967	15,330	85,340	1,687,414	-	1,818,464
Financial investments at amortised cost	5,935	833	3,383	50,311	752,972	-	813,434
Financing and advances	2,041,401	636,176	227,815	29,740	10,621,410	-	13,556,542
Other financial and non-financial assets	5,458	799	1,199	1,847	3,521	325,477	338,301
Total assets	3,384,729	651,775	247,727	167,238	13,065,317	325,477	17,842,263
Liabilities							
Deposits from customers	7,921,215	3,262,611	2,186,962	1,261,319	470,628	-	15,102,735
Deposits and placements of banks and other financial institutions	1,050	51	5,370	4,044	178,548	-	189,063
Recourse obligation on financing sold to Cagamas	2,732	127	-	200,000	300,019	-	502,878
Lease liabilities	44	88	134	280	323	-	869
Subordinated Sukuk	2,441	-	42	-	230,000	-	232,483
Other financial and non-financial liabilities	218,632	17,325	7,823	21,875	46,054	-	311,709
Total liabilities	8,146,114	3,280,202	2,200,331	1,487,518	1,225,572	-	16,339,737
Net maturity mismatch	(4,761,385)	(2,628,427)	(1,952,604)	(1,320,280)	11,839,745	325,477	1,502,526

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity Risk (contd.)

Liquidity Risk Measures (contd.)

(ii) Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities.

2025	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	7,436,274	2,794,142	3,737,132	2,241,679	210,838	-	16,420,065
Deposits and placements of banks and other financial institutions	240	-	700	2,117	195,633	39,571	238,261
Recourse obligation on financing sold to Cagamas	201,995	101,048	-	-	-	-	303,043
Lease liabilities	51	102	154	-	-	-	307
Other borrowings	-	-	3,898	3,962	227,456	-	235,316
Subordinated Sukuk	2,885	-	4,705	7,484	368,558	-	383,632
Other financial liabilities	203,537	3,488	1,950	12	-	-	208,987
	7,844,982	2,898,780	3,748,539	2,255,254	1,002,485	39,571	17,789,611
Items not recognised in the statement of financial position							
Financial guarantees	2,615	14,031	19,572	30,942	20,834	-	87,994
Credit related commitments and contingencies	2,920,977	25,889	12,949	23,913	644,745	6,101	3,634,574
	2,923,592	39,920	32,521	54,855	665,579	6,101	3,722,568
Total financial liabilities	10,768,574	2,938,700	3,781,060	2,310,109	1,668,064	45,672	21,512,179

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity Risk (contd.)

Liquidity Risk Measures (contd.)

(ii) Contractual maturity of financial liabilities on an undiscounted basis (contd.)

The table below presents the cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities. (contd.)

2024	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	7,924,909	3,285,687	2,218,603	1,299,506	451,599	-	15,180,304
Deposits and placements of banks and other financial institutions	1,050	-	5,370	4,044	63,782	148,452	222,698
Recourse obligation on financing sold to Cagamas	3,999	1,038	5,037	208,074	303,056	-	521,204
Lease liabilities	50	100	150	307	362	-	969
Subordinated Sukuk	2,885	-	2,585	5,402	264,883	-	275,755
Other financial liabilities	177,502	3,562	2,184	1,980	4,711	-	189,939
	8,110,395	3,290,387	2,233,929	1,519,313	1,088,393	148,452	16,390,869
Items not recognised in the statement of financial position							
Financial guarantees	2,174	18,482	24,256	37,118	6,647	-	88,677
Credit related commitments and contingencies	2,748,511	6,786	16,777	18,286	744,526	9,797	3,544,683
	2,750,685	25,268	41,033	55,404	751,173	9,797	3,633,360
Total financial liabilities	10,861,080	3,315,655	2,274,962	1,574,717	1,839,566	158,249	20,024,229

35. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(d) Operational and Shariah Non-Compliance Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition of operational risk includes legal risk, but excludes strategic and reputational risk. Operational risk includes Shariah non-compliance risk which arises from the Bank's failure to comply with the Shariah rules and principles determined by the relevant Shariah advisory councils or AIS's Shariah Committee.

Group Operational Risk of Group Risk Management formulates and implements operational risk framework within the Bank while the line of businesses in conjunction with the Risk and Compliance Officers are responsible for the management of their day-to-day operational and Shariah non-compliance risks.

Operational and Shariah non-compliance risk management is a continual cyclic process which includes risk identification, assessment, control, mitigation and monitoring. This includes analysing the risk profile of the Bank, determining control gaps, assessing potential loss and enhancing controls to mitigate the risks.

The main activities undertaken by the Bank in managing operational and Shariah non-compliance risks include the identification of risks and controls, monitoring of key risk indicators, reviews of policies and procedures, operational risk and Shariah non-compliance risk awareness training, and business continuity management.

For operational risk capital charge, the Bank applies BNM's standard computation as per the Capital Adequacy Framework (Operational Risk) policy document.

36. CAPITAL COMMITMENTS

	2025 RM'000	2024 RM'000
Capital expenditure:		
Authorised and contracted for	-	337
Authorised and not contracted for	13	272
	13	609

The capital commitments mainly consist of computer software and property, plant and equipment.

37. HOLDING AND RELATED COMPANIES

The holding company of the Bank is Alliance Bank Malaysia Berhad, a bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Related companies in these financial statements refer to member companies in Alliance Bank Malaysia Berhad.

38. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The notional amounts of the commitments and contingencies of the Bank are as follows:

	2025 RM'000	2024 RM'000
Credit-related exposures		
Direct credit substitutes [Note (a)]	87,989	88,732
Transaction-related contingent items [Note (a)]	134,999	92,383
Short-term self-liquidating trade-related contingencies	15,013	16,786
Forward assets purchase	-	9,502
Irrevocable commitments to extend credit:		
- maturity exceeding one year	584,893	692,129
- maturity not exceeding one year	2,899,674	2,733,828
	3,722,568	3,633,360

Notes:

(a) Included in direct credit substitutes and transaction-related contingent items are financial guarantee contract of RM87,994,000 (2024: RM88,677,000).

39. CAPITAL ADEQUACY

BNM's Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions took effect on 9 December 2020. This allows the Bank to add back a portion of Stage 1 ("S1") and Stage 2 ("S2") provisions with an “add-back factor” to the Common Equity Tier I ("CET I") capital from Financial Year 2021 to Financial Year 2024. The Bank has sufficient capital under both conditions with or without the Transitional Arrangement.

The capital adequacy ratios with and without transitional arrangements of the Bank are as follows:

	2025	2024
(i) With transitional arrangements		
Before deducting proposed dividends		
CET 1 capital ratio	13.334%	12.938%
Tier 1 capital ratio	14.146%	13.785%
Total capital ratio	17.195%	16.049%

39. CAPITAL ADEQUACY (CONTD.)

	2025	2024
(i) With transitional arrangements (contd.)		
After deducting proposed dividends		
CET 1 capital ratio	12.889%	12.930%
Tier 1 capital ratio	13.701%	13.778%
Total capital ratio	16.750%	16.042%
(ii) Without transitional arrangements		
Before deducting proposed dividends		
CET 1 capital ratio	13.334%	12.287%
Tier 1 capital ratio	14.146%	13.134%
Total capital ratio	17.195%	15.398%
After deducting proposed dividends		
CET 1 capital ratio	12.889%	12.279%
Tier 1 capital ratio	13.701%	13.127%
Total capital ratio	16.750%	15.391%

(a) Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital under the Capital Adequacy Framework with transitional arrangements are as follows:

	2025 RM'000	2024 RM'000
CET I Capital		
Paid-up share capital	727,065	637,500
Retained profits	970,783	870,446
FVOCI reserves	(1,112)	(5,629)
	1,696,736	1,502,317
(Less)/add: Regulatory adjustments		
- Intangible assets	(1,653)	(2,153)
- Deferred tax assets	(51,619)	(49,927)
- Transitional arrangements	-	76,848
Total CET I Capital	1,643,464	1,527,085
Additional Tier 1 Sukuk Wakalah	100,000	100,000
Total Additional Tier 1 Capital	100,000	100,000
Total Tier I Capital	1,743,464	1,627,085
Tier II Capital		
Subordinated Sukuk Murabahah	230,000	130,000
Expected credit losses and regulatory reserves	145,786	137,224
Total Tier II Capital	375,786	267,224
Total Capital	2,119,250	1,894,309

39. CAPITAL ADEQUACY (CONTD.)

(b) The breakdown of risk-weighted assets ("RWA") by exposure in each major risk category are as follows:

	2025 RM'000	2024 RM'000
Credit risk	11,662,851	10,977,956
Market risk	11,851	242
Operational risk	650,216	824,883
Total RWA and capital requirements	12,324,918	11,803,081

Detailed information on the above risk exposure is presented in the Bank's Pillar 3 Report.

40. CAPITAL

The capital management of Alliance Islamic Bank Berhad is under the purview of Alliance Bank Group's ("the Group") capital management with the objectives:

- to maintain sufficient capital resources to meet the regulatory capital requirements as set forth by BNM;
- to maintain sufficient capital resources to support the Group's risk appetite and to enable future business growth; and
- to meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

In line with this, the Bank aims to maintain capital adequacy ratios that are comfortably above the regulatory requirement, while balancing shareholders' desire for sustainable returns and high standards of prudence.

The Bank carries out stress testing to estimate the potential impact of extreme, but plausible, events on the Bank's earnings, balance sheet and capital. The results of the stress test are to facilitate the formation of action plan(s) in advance if the stress test reveals that the Group's capital will be adversely affected. The results of the stress test are tabled to the Group Risk Management Committee for approval.

The Bank's regulatory capital is determined based on the criteria set out in BNM's Capital Adequacy Framework. The Bank ensures that there is sufficient regulatory capital to comply with the prescribed capital adequacy ratio requirements at all times.

41. FAIR VALUE MEASUREMENTS

(a) Determination of fair value and the fair value hierarchy

MFRS 13 Fair Value Measurement requires disclosure of financial instruments measured at fair value to be categorised according to a hierarchy of valuation techniques, whether the inputs used are observable or unobservable. The following levels of hierarchy are used for determining and disclosing the fair value of the financial instruments:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. This includes listed equities and corporate debt securities which are actively traded.

(ii) Financial instruments in Level 2

Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Bank then determine fair value based upon valuation techniques that use market parameters, including but not limited to yield curves, volatilities and foreign exchange rates, as inputs. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include government securities, corporate private debt securities, corporate notes and repurchase agreements.

(iii) Financial instruments in Level 3

The Bank classifies financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include discounted cash flows, and other appropriate valuation models.

41. FAIR VALUE MEASUREMENTS (CONTD.)

(b) Financial instruments measured at fair value and the fair value hierarchy

The following tables show the Bank's financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

2025	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial investment at fair value through other comprehensive income				
- Money Market Instruments	-	902,257	-	902,257
- Unquoted Securities	-	1,038,735	-	1,038,735

2024	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial investment at fair value through other comprehensive income				
- Money Market Instruments	-	701,076	-	701,076
- Unquoted Securities	-	1,117,388	-	1,117,388

There were no transfers between Level 1 and 2 of the fair value hierarchy for the Bank during the financial years ended 31 March 2025 and 31 March 2024.

41. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair values of financial instruments not carried at fair value

The following table summarises the carrying amounts and the fair values of financial instruments of the Bank which are not carried at fair value in the statement of financial position. It does not include those short term/on demand financial assets and liabilities where the carrying amounts are approximate to their fair values.

	Fair value				Carrying
	Level 1	Level 2	Level 3	Total	amount
2025	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Deposits and placements with banks and other financial institutions	-	354,858	-	354,858	354,858
Financial investments at amortised cost	-	1,043,183	-	1,043,183	1,019,612
Financing and advances	-	-	14,324,626	14,324,626	14,358,036
Financial liabilities					
Deposits from customers	-	16,300,411	-	16,300,411	16,300,395
Deposits and placements of banks and other financial institutions	-	378,072	-	378,072	210,488
Recourse obligation on financing sold to Cagamas	-	303,434	-	303,434	301,550
Other borrowings	-	200,000	-	200,000	201,034
Subordinated Sukuk	-	330,000	-	330,000	332,633

	Fair value				Carrying
	Level 1	Level 2	Level 3	Total	amount
2024	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Financial investments at amortised cost	-	841,499	-	841,499	813,434
Financing and advances	-	-	13,524,106	13,524,106	13,556,542
Financial liabilities					
Deposits from customers	-	15,104,694	-	15,104,694	15,102,735
Deposits and placements of banks and other financial institutions	-	187,513	-	187,513	189,063
Recourse obligation on financing sold to Cagamas	-	317,162	-	317,162	502,878
Subordinated Sukuk	-	230,000	-	230,000	232,483

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

(i) Financing investments at amortised cost

The fair values are estimated based on quoted or observable market prices at the end of the reporting period. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the expected future cash flows are discounted using prevailing market rates for a similar instrument at the end of the reporting period.

41. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair values of financial instruments not carried at fair value (contd.)

(ii) Financing and advances

The fair values of fixed rate financing with remaining maturity of less than one year and variable rate financing are estimated to approximate their carrying values. For fixed rate financing with remaining maturity of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at applicable prevailing rates at the end of reporting period offered to new borrowers with similar credit profiles. In respect of impaired financing, the fair values represented by their carrying values, net of impairment allowances, will be the expected recoverable amount.

(iii) Deposits from customers, deposits and placements of banks and other financial institutions

The fair values of deposit liabilities payable on demand (demand and savings deposits), or deposits with maturity of less than one year are estimated to approximate their carrying amounts. The fair values of investment accounts with remaining maturities of more than one year are estimated based on expected future cash flows discounted at applicable prevailing rates offered for deposits of similar remaining maturities. For negotiable instruments of deposits, the fair values are estimated based on quoted or observable market prices as at the end of the reporting period. Where such quoted or observable market prices are not available, the fair values of negotiable instruments of deposits are estimated using the discounted cash flow technique.

(iv) Recourse obligations on financing sold to Cagamas

The fair values of recourse obligations on financing sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at the end of the reporting period.

(v) Subordinated Sukuk

The fair value of the subordinated sukuk is estimated based on the discounted cash flows techniques using the current yield curve appropriate for the remaining term to maturity.

42. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

There were no significant events during the financial year ended 31 March 2025.

43. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the financial year that require disclosure or adjustment.