

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

Directors' Report and Audited Financial Statements
31 March 2026

CONTENTS	PAGE(S)
Directors' Report	1 - 8
Statement by Directors	9
Statutory Declaration	9
Shariah Committee's Report	10 - 11
Independent Auditors' Report	12 - 14
Statement of Financial Position	15
Statement of Income	16
Statement of Comprehensive Income	17
Statement of Changes in Equity	18
Statement of Cash Flows	19 - 21
Notes to the Financial Statements	22 - 116

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 2026.

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	258,138
Taxation and zakat	<u>(61,193)</u>
Net profit for the financial year	<u><u>196,945</u></u>

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 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 financial year ended 31 March 2025, was paid on 18 June 2025.

A first interim dividend of 6.44 sen per share, on 501,977,592 ordinary shares amounting to approximately RM32,327,000 in respect of the financial year ending 31 March 2026, was paid on 18 December 2025.

Subsequent to the financial year end, the Directors declared a single tier second interim dividend of 9.25 sen per share, on 501,977,592 ordinary shares amounting to approximately RM46,455,000 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 2027.

The Directors do not propose any final dividend in respect of the financial year ended 31 March 2026.

ISSUE OF SHARES AND DEBENTURES

There was no new issue of shares and debentures during the financial year.

LONG-TERM INCENTIVE PLAN

The holding company of the Bank, Alliance Bank Malaysia Berhad ("ABMB") implemented a Long-term Incentive Plan ("LTIP") on 23 October 2025, which was approved by ABMB's shareholders at its Extraordinary General Meeting held on 30 July 2025. The LTIP is governed by the LTIP By-Laws and is administered by the Long-term Incentive Plan Committee ("LTIP Committee").

The LTIP is intended to attract, retain, motivate and reward the Eligible Employees as defined in the LTIP By-Laws through the award of Alliance Bank Malaysia Berhad's shares ("ABMB Shares") that will be vested to them upon meeting certain performance conditions and any other vesting conditions as may be determined by the LTIP Committee in its sole and absolute discretion.

The LTIP, which is valid for ten years from the effective date on 23 October 2025, will be implemented in the form of a share issuance scheme and a share grant scheme ("LTIP shares"). The LTIP shares may be settled through issuance of new shares or transfer of existing shares, or other modes of settlement as provided in the By-Laws.

The salient details of the LTIP are set out in Note 39 to the Financial Statements.

Details of LTIP shares awarded are as follows:

<u>Award date</u>	<u>Fair value RM</u>	<u>Number of shares awarded '000</u>	<u>Vesting Date *</u>
29 October 2025 - First Grant	3.98	188	30 June 2028

* Subject to performance conditions

The following table indicates the number and movement of LTIP shares during the financial year ended 31 March 2026:

<u>Award Date</u>	<u>Outstanding as at 1 April 2025 '000</u>	<u>Movement during the year</u>			<u>Outstanding as at 31 March 2026 '000</u>
		<u>Awarded '000</u>	<u>Exercised '000</u>	<u>Expired/ Forfeited '000</u>	
29 October 2025 - First Grant	-	188	-	-	188

Key Management Personnel who have been awarded with the LTIP shares during the financial year ended 31 March 2026 are listed below:

<u>Name</u>	<u>Number of LTIP shares awarded '000</u>
Key Management Personnel	167

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)
Dato' Ahmad Hisham Bin Kamaruddin
Rustam Bin Mohd Idris
Dr John Lee Hin Hock
Mia Idora Binti Ismail
Oong Kee Leong
Ibrahim Bin Hassan (Retired with effect from 31 August 2025)

DIRECTORS' REMUNERATION

Total Directors' remuneration for the current financial year amounted to RM1,208,000. The details of directors' remuneration are set out in Note 40 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 40 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 2026

Profitability

The Bank recorded a net profit after taxation of RM196.9 million for the financial year ended 31 March 2026, a year-on-year ("YoY") increase of RM4.8 million or 2.5%. This growth was primarily driven by increased revenue after taking into account higher operating expenses and allowances for expected credit losses.

Net profit income increased by RM27.9 million or 5.7% YoY, predominantly attributed to growth in financing and advances and investment securities. The net profit margin ("NPM") for the period was 2.67% (FY25: 2.72%).

The Bank reported other operating income of RM58.8 million, an increase of RM7.2 million or 13.9% YoY. This growth primarily stemmed from increased revenue treasury and investment income, service charges and fees and corporate advisory fees.

Total revenue stood at RM574.1 million, increased by RM35.1 million or 6.5% YoY.

Operating Expenses

Operating expenses rose by RM18.1 million, or 8.8% YoY. The cost-to-income ratio ("CIR") stood at 38.9%.

Financing Growth

The implementation of the ACCELER8 strategic plan facilitated an expansion in the Bank's financing and advances, which increased by 9.5% YoY to reach RM16.0 billion. This growth was predominantly propelled by advancements across all business lines.

Asset Quality

The Bank's allowance for expected credit losses on financing, advances and other financial assets posted a net charge of RM92.4 million, an increase of RM9.7 million YoY. The net credit cost stood at 60.3 basis points, while the financing loss coverage, including regulatory reserves, reached 138.9%.

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

Healthy Funding and Liquidity Position

The Bank's current/savings account ("CASA") ratio was 28.8%, with customer deposits totalling RM18.0 billion. Our funding strategy has enabled the Bank to maintain a robust liquidity coverage ratio and financing-to-funds ratio, which stood at 200.8% and 84.6%, respectively.

Proactive Capital Management

We maintained a robust capital position with the Common Equity Tier-1 ("CET 1") ratio at 12.4%, the Tier-1 Capital Ratio at 13.1%, and the Total Capital Ratio at 16.0%, all comfortably surpassing regulatory thresholds.

Additionally, for the financial year ended 31 March 2026, the Bank declared a second interim dividend of 9.25 sen per share.

ECONOMIC AND BUSINESS OUTLOOK FOR NEXT FINANCIAL YEAR

Malaysia's economy remains on a growth trajectory, as domestic demand is expected to stay resilient, driven by sustained consumer spending and steady labour market conditions. The country's strong fundamentals and diversified economic structure, together with the government's push for faster economic expansion, continue to bolster the outlook. Nevertheless, we are mindful that growth has been uneven and there are pockets of stress in selected sectors. In addition, we remain cautious of downside risks to growth stemming from external uncertainties such as trade disruptions and geopolitical tensions.

Against this backdrop, FY27 marks a transition year for the Bank. As we enter the final phase of our Acceler8 2027 strategy, the Bank has largely established its core growth engines with expanded market share across all lines of business, strengthened key technology capabilities, and reinforced its balance sheet to support sustainable growth. Accordingly, the focus for FY27 will shift from broad-based build-out towards value realisation, operational refinement and continued disciplined execution, while positioning the Bank for its next stage of strategic evolution beyond Acceler8.

Overall, the Bank remains cautiously optimistic in FY2027. While external uncertainties persist, our strengthened fundamentals, improved capital position and more resilient operating platform, position us well to navigate near-term volatility, deliver sustainable value, and lay the groundwork for the Bank's post-Acceler8 strategic ambitions.

RATING BY EXTERNAL RATING AGENCY

The Bank is rated by RAM Rating Services Berhad ("RAM"). Based on RAM's rating in July 2025, the Bank's long-term financial institution ratings has been upgraded to AA3 and short-term rating is reaffirmed at P1. RAM has classified these rating categories as follows:

P1 - A financial institution rated P1 has a strong capacity to meet its short-term financial obligations. This is the highest short-term Financial Institution Rating (FIR) assigned by RAM Ratings.

AA3 - A financial institution rated AA3 has a strong capacity to meet its financial obligations. The financial institution is resilient against adverse changes in circumstances, economic conditions and/or operating environments

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 2026 is RM283,000. Details of auditor's remuneration are set out in Note 32 to the financial statements.

SHARIAH COMMITTEE

The Shariah Committee for the financial year 2025/2026 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) endorsing a rectification measure to address a Shariah non-compliance event;
- (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 including operational and system finding that may trigger a Shariah non-compliance event;
- (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 darurat 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

There were no significant events during the financial year ended 31 March 2026.

SUBSEQUENT EVENTS

There were no material events subsequent to the reporting date that require disclosure or adjustments 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.

Wan Azhar Bin Wan Ahmad
29 May 2026

Oong Kee Leong

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

We, Wan Azhar Bin Wan Ahmad and Oong Kee Leong, 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 116 are drawn up so as to give a true and fair view of the financial position of the Bank as at 31 March 2026 and the financial performance of the Bank for the financial year ended 31 March 2026 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.

Wan Azhar Bin Wan Ahmad
29 May 2026

Oong Kee Leong

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 116 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 29 May 2026

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 Committee 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 eleven (11) 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 two (2) engagement sessions with the Board of Directors during the period under review.

In our opinion:

- (a) Nothing has come to the Shariah Committee's attention that causes the Shariah Committee to believe that the operations, business, affairs and activities of the Bank involve any material Shariah non-compliances;
- (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 2026 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;
- (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 no Shariah non-compliance events ("SNCE") detected.

SHARIAH COMMITTEE'S REPORT (CONTD.)

With reference to the previous SNCE reported in FY2024, involving the house financing product of Alliance Islamic Bank (the Bank) based on Bai' Bithaman Ajil (BBA) for properties under construction that breached BNM's Murabahah Policy Document and Circular on Implementation of Shariah Advisory Council (SAC)'s Resolution on Bai 'Inah, the remediation exercise for the affected accounts has been duly completed. Approximately 99% of the affected active accounts have been successfully remediated, while the remaining 1% could not be remedied, thereby requiring the purification of the income derived from those accounts in accordance with Shariah requirements.

Meanwhile, the purification actions are currently still in progress. For the financial year ended 31 March 2026, the Bank had purified RM3,698,320, bringing the cumulative purification amount to RM4,778,920 of the Shariah non-compliant income generated from closed accounts to charitable and religious bodies. A remaining total of RM6,000,998 of profit had been provisioned for future purification exercise.

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 2026, 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

29 May 2026

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 2026, 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 2026, 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 policy information, as set out on pages 15 to 116.

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"), as applicable to audits of financial statements of public interest entities and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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.

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

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

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.

Auditors' responsibilities for the audit of the financial statements

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.

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

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

- (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.

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

Kuala Lumpur
29 May 2026

MOHAMED ZHARIF BIN MD AGIL
03795/10/2027 J
Chartered Accountant

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2026

	Note	2026 RM'000	2025 RM'000
ASSETS			
Cash and short-term funds	3	724,305	1,244,022
Deposits and placements with banks and other financial institutions	4	350,893	354,858
Financial investments at fair value through other comprehensive income	5	2,649,708	1,940,992
Financial investments at amortised cost	6	1,421,868	1,019,612
Financing and advances	8	15,725,970	14,358,036
Other assets	9	80,739	86,325
Statutory deposits	10	164,984	303,783
Tax recoverable		1,783	-
Right-of-use assets	11	1,053	238
Property, plant and equipment	12	251	182
Deferred tax assets	13	51,973	51,619
Intangible assets	14	1,498	1,653
TOTAL ASSETS		21,175,025	19,361,320
LIABILITIES AND EQUITY			
Deposits from customers	15	18,004,703	16,300,395
Investment accounts due to designated financial institution	16	150,695	-
Deposits and placements of banks and other financial institutions	17	254,523	210,488
Derivative financial liabilities	7	793	-
Recourse obligation on financing sold to Cagamas	18	-	301,550
Lease liabilities	19	1,031	284
Other liabilities	20	417,555	314,655
Provision for taxation		-	1,948
Provision for zakat		2,009	1,427
Other borrowings	21	200,806	201,034
Subordinated sukuk	22	331,987	332,633
TOTAL LIABILITIES		19,364,102	17,664,414
Share capital	23	727,065	727,065
Reserves	24	1,083,858	969,841
TOTAL EQUITY		1,810,923	1,696,906
TOTAL LIABILITIES AND EQUITY		21,175,025	19,361,320
COMMITMENTS AND CONTINGENCIES	44	3,953,062	3,722,568

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

STATEMENT OF INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2026

	Note	2026 RM'000	2025 RM'000
Income derived from investment of depositors' funds and others	25	990,290	945,721
Income derived from investment of investment account funds	26	789	-
Income derived from investment of shareholder's funds	27	90,387	83,453
Allowance for expected credit losses on financing, advances and other financial assets	28	(92,293)	(82,682)
Allowance for expected credit losses on financial investments	29	(131)	(65)
Total distributable income		<u>989,042</u>	<u>946,427</u>
Income attributable to the depositors and financial institutions	30	(506,709)	(490,209)
Income attributable to the investment account holder	31	(695)	-
Total net income		<u>481,638</u>	<u>456,218</u>
Other operating expenses	32	(223,500)	(205,390)
Profit before taxation		<u>258,138</u>	<u>250,828</u>
Taxation and zakat	33	(61,193)	(58,658)
Net profit for the financial year		<u>196,945</u>	<u>192,170</u>
Net profit for the financial year attributable to:			
Equity holder of the Bank		<u>196,945</u>	<u>192,170</u>
Earnings per share attributable to Equity holder of the Bank			
- basic/diluted (sen)	34	<u>39.2</u>	<u>40.2</u>

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2026

	2026 RM'000	2025 RM'000
Net profit for the financial year	196,945	192,170
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	11,915	8,446
- Realised gain transferred to statement of income on disposal	(6,462)	(2,503)
- Transfer to deferred tax	(1,309)	(1,426)
- Changes in expected credit losses	(14)	(39)
Other comprehensive income, net of tax	4,130	4,478
Total comprehensive income for the financial year	201,075	196,648
Total comprehensive income for the financial year attributable to:		
Equity holder of the Bank	201,075	196,648

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2026

	Non-distributable reserves			Distributable reserves	
	Ordinary shares RM'000	FVOCI reserves RM'000	Other reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2025	727,065	(942)	-	970,783	1,696,906
Net profit for the financial year	-	-	-	196,945	196,945
Other comprehensive income	-	4,130	-	-	4,130
Total comprehensive income	-	4,130	-	196,945	201,075
Capital contribution from the holding company	-	-	135	-	135
Dividend paid to shareholder (Note 35)	-	-	-	(87,193)	(87,193)
At 31 March 2026	727,065	3,188	135	1,080,535	1,810,923

	Ordinary shares RM'000	FVOCI reserves RM'000	Other 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 35)	-	-	-	(91,833)	(91,833)
At 31 March 2025	727,065	(942)	-	970,783	1,696,906

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2026

	2026 RM'000	2025 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	258,138	250,828
Adjustments for:		
Accretion of discount less amortisation of premium of financial investments	(37,149)	(32,850)
Allowance for expected credit losses on financing and advances	103,229	96,369
Allowance for/(write-back of) expected credit losses on other receivables	4,282	(383)
Write-back of expected credit losses on commitments and contingencies	(340)	(1,119)
Allowance for expected credit losses on financial investments	131	65
Amortisation of computer software	667	611
Depreciation of property, plant and equipment	111	89
Depreciation of right-of-use assets	504	477
Income from financial investments at amortised cost	(50,963)	(38,977)
Income from financial investments at fair value through other comprehensive income	(77,075)	(76,071)
Net gain from sale of financial investments at fair value through other comprehensive income	(6,462)	(2,503)
Unrealised loss from derivative financial instruments	2,349	562
Unrealised gain arising from hedging activities	(801)	-
Profit expense on investment accounts	695	-
Profit expense on recourse obligation on financing sold to Cagamas	1,493	16,760
Profit expense on lease liabilities	2	29
Profit expense on subordinated sukuk	15,045	13,084
Profit expense on senior islamic medium term notes	7,860	4,996
Share-based payment expenses under LTIP	135	-
Cash flows from operating activities before working capital changes	221,851	231,967
Changes in working capital:		
Deposits from customers	1,704,308	1,197,660
Investment accounts due to designated financial institution	150,000	-
Deposits and placements of banks and other financial institutions	44,035	21,425
Deposits and placements with banks and other financial institutions with original maturity more than three months	29,073	(29,073)
Financing and advances	(1,471,163)	(897,863)
Other assets	1,304	(74,192)
Other liabilities	103,954	20,299
Statutory deposits	138,799	(30,183)
Cash generated from operating activities	922,161	440,040
Taxation and zakat paid	(66,720)	(74,635)
Net cash generated from operating activities	855,441	365,405

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2026 (CONTD.)

	2026 RM'000	2025 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Income from financial investments at amortised cost	51,473	38,234
Income from financial investments at fair value through other comprehensive income	78,487	74,099
Profit income from derivative instruments	14	-
Additional capital injection from holding company	-	89,566
Purchase of property, plant and equipment	(180)	(114)
Purchase of intangible assets	(512)	(111)
Purchase of:		
- financial investments at fair value through other comprehensive income	(1,752,102)	(710,752)
- financial investments at amortised cost	(415,049)	(2,311,132)
Redemption/disposal of:		
- financial investments at fair value through other comprehensive income	1,051,607	594,324
- financial investments at amortised cost	50,000	2,142,197
Net cash used in investing activities	<u>(936,262)</u>	<u>(83,689)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholder of the company	(87,193)	(91,833)
Repayment of lease liabilities	(574)	(614)
Repayment of recourse obligation on financing sold to Cagamas		
- Principal	(300,034)	(199,984)
- Profit payment	(3,009)	(18,104)
Proceeds from issuance of subordinated sukuk	-	100,000
Profit expense on subordinated sukuk	(15,118)	(12,934)
Proceeds from issuance of senior islamic medium term notes	-	200,000
Profit expense on senior islamic medium term notes	(7,860)	(3,962)
Net cash used in financing activities	<u>(413,788)</u>	<u>(27,431)</u>
Net change in cash and cash equivalents	(494,609)	254,285
Cash and cash equivalents at beginning of financial year	1,569,807	1,315,522
Cash and cash equivalents at end of financial year	<u>1,075,198</u>	<u>1,569,807</u>
Cash and cash equivalents comprise the following:		
Cash and short-term funds (Note 3)	724,305	1,244,022
Deposits and placements with banks and other financial institutions (Note 4)	350,893	354,858
	<u>1,075,198</u>	<u>1,598,880</u>
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	<u>1,075,198</u>	<u>1,569,807</u>

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2026 (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 <u>Cagamas</u> RM'000	Lease <u>liabilities</u> RM'000	Other <u>borrowings</u> RM'000	Subordinated <u>Sukuk</u> RM'000	<u>Total</u> RM'000
At 1 April 2025	301,550	284	201,034	332,633	835,501
Cash flow					
- Profit payment	(3,009)	-	(7,860)	(15,118)	(25,987)
- Repayment	(300,034)	(574)	-	-	(300,608)
Non-cash changes					
- Profit accrued	1,493	2	7,860	15,045	24,400
- Fair value hedge adjustments	-	-	(228)	(573)	(801)
- Additions, remeasurement and termination of contracts	-	1,319	-	-	1,319
At 31 March 2026	<u>-</u>	<u>1,031</u>	<u>200,806</u>	<u>331,987</u>	<u>533,824</u>

	Recourse obligations on financing sold to <u>Cagamas</u> RM'000	Lease <u>liabilities</u> RM'000	Other <u>borrowings</u> RM'000	Subordinated <u>Sukuk</u> RM'000	<u>Total</u> RM'000
At 1 April 2024	502,878	869	-	232,483	736,230
Cash flow					
- Profit payment	(18,104)	-	(3,962)	(12,934)	(35,000)
- (Repayment)/issuance	(199,984)	(614)	200,000	100,000	99,402
Non-cash changes					
- Profit accrued	16,760	29	4,996	13,084	34,869
At 31 March 2025	<u>301,550</u>	<u>284</u>	<u>201,034</u>	<u>332,633</u>	<u>835,501</u>

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2026

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 Level 23, Menara Alliance Bank, No 159, Jalan Ampang, 50450 Kuala Lumpur, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 May 2026.

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 41(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 41(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 2026. The basis is further disclosed in Note 41(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 on 1 April 2025 are as follows:

- Amendments to MFRS 121 "Lack of Exchangeability"

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 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 introduced 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 to ten 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 intended 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 their 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. A derivative is presented as a financial asset when the fair value is positive and as a financial liability when the fair value is negative.

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 and borrowings. The gain or loss relating to the effective portion of profit rate swaps hedging fixed rate securities and borrowings is recognised in statement of income. The gain or loss relating to the ineffective portion is recognised in statement of income within other operating income. Changes in the fair value of the hedge fixed rate securities and borrowings attributable to profit rate risk are recognised in statements of income within other operating income.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective profit method is used is amortised to profit or loss over the period to maturity using a recalculated effective profit rate.

The Bank have applied the following Phase 1 reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform' for the hedging instruments used in the Bank's hedging strategies which reference IBOR and have not yet transitioned to an alternative benchmark rate:

- When considering the 'highly probable' requirement, the Bank have assumed that the IBOR interest rate on which the Bank's hedged subordinated obligations and other borrowings are based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Bank have assumed that the IBOR interest rate on which the cash flows of the hedged subordinated obligations and other borrowings and the profit rate swaps that hedge them are based is not altered by IBOR reform.

The Bank cease to apply the reliefs provided by the Phase 1 amendments at the earlier of (a) when there is no longer uncertainty arising from IBOR reform over the timing and amount of the IBOR-linked cash flows of the hedged item, and (b) when the hedging relationship to which the reliefs are applied is discontinued.

(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.

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: (contd.)

(ii) Cash Flow Hedge (contd.)

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.

(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 41.

(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 and Other Borrowings

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.)

(w) Employee Benefits (contd.)

(iii) Share-Based Compensation

Long-Term Incentive Plan ("LTIP")

The holding company of the Bank, Alliance Bank Malaysia Berhad ("ABMB") implements a Long-Term Incentive Plan ("LTIP"), which is awarded to employees who fulfil the eligibility criteria and have been approved for participation by the LTIP Committee.

The LTIP, which is valid for ten years from the effective date, will be implemented in the form of a share issuance scheme and a share grant scheme ("LTIP shares"). The LTIP shares may be settled by way of issuance and transfer of new ABMB shares, or other modes of settlement at the absolute discretion of LTIP Committee. Details of the key features of LTIP are set out in Note 39.

The fair value of LTIP shares granted to eligible employees is recognised as an employee cost with a corresponding increase in the reserve within equity over the vesting period and taking into account the probability that the LTIP shares will vest. The fair value of LTIP shares is measured at the grant date, taking into account the market and non-market vesting conditions upon which the LTIP shares were granted.

At the end of each reporting period, the Bank revises the estimates of the number of LTIP shares that are expected to vest. The impact of the revision of original estimates, if any, will be recognised in profit or loss, with a corresponding adjustment in the reserve within equity.

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

	2026 RM'000	2025 RM'000
Cash and balances with banks and other financial institutions	64,857	34,211
Money at call and deposit placements maturing within one month	659,448	1,209,811
	<u>724,305</u>	<u>1,244,022</u>

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2026 RM'000	2025 RM'000
Licensed banks	<u>350,893</u>	<u>354,858</u>

5. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2026 RM'000	2025 RM'000
At fair value - debt instruments		
<u>Money market instruments:</u>		
Malaysian Government investment issues	782,235	902,257
Commercial papers	9,970	-
Negotiable instruments of deposits	547,445	-
	<u>1,339,650</u>	<u>902,257</u>
<u>Unquoted securities:</u>		
Sukuk	1,310,058	1,038,735
	<u>1,310,058</u>	<u>1,038,735</u>
Total financial investments at FVOCI	<u>2,649,708</u>	<u>1,940,992</u>

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 2025	169	1	170
New financial assets originated or purchased	106	-	106
Financial assets derecognised other than write-off	(40)	-	(40)
Changes due to change in credit risk	(79)	(1)	(80)
Total write-back from statement of income	(13)	(1)	(14)
At 31 March 2026	<u>156</u>	<u>-</u>	<u>156</u>

	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	<u>169</u>	<u>1</u>	<u>170</u>

Notes:

There were no credit impaired exposures of financial investments at FVOCI.

6. FINANCIAL INVESTMENTS AT AMORTISED COST

	2026 RM'000	2025 RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government investment issues	801,668	686,921
	<u>801,668</u>	<u>686,921</u>
<u>Unquoted securities:</u>		
Sukuk	620,449	332,795
Less: Allowance for expected credit losses	(249)	(104)
	<u>620,200</u>	<u>332,691</u>
 Total financial investments at amortised cost	 <u>1,421,868</u>	 <u>1,019,612</u>

Movements in allowance for expected credit losses are as follows:

	12-Month ECL (Stage 1)	
	2026 RM'000	2025 RM'000
At 1 April	104	-
New financial investments originated or purchased	138	104
Changes due to change in credit risk	7	-
Total charge to statement of income	145	104
At 31 March	<u>249</u>	<u>104</u>

Notes:

There were no credit impaired exposures of financial investments at amortised cost.

7. DERIVATIVE FINANCIAL LIABILITIES

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, profit rates and equity prices) of the underlying instruments. These instruments allow the Bank and the banking customers to transfer, modify or reduce their foreign exchange and profit rate risk via hedge relationships. The Bank also transact in these instruments for proprietary trading purposes. The risks associated with the use of derivative financial instruments, as well as the Management's policy for controlling these risks are set out in Note 41.

The table below shows the Bank's derivative financial instruments as at the end of the financial year. The contractual or underlying notional amounts of these derivative financial instruments and their corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values as at the end of the financial year are analysed below.

7. DERIVATIVE FINANCIAL LIABILITIES (CONTD.)

	As at 2026 Fair value		As at 2025 Fair value	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Liabilities RM'000
<u>Hedging derivatives</u>				
Profit rate related contracts:				
-Profit rate swaps	400,000	(793)	-	-
Total derivatives liabilities	<u>400,000</u>	<u>(793)</u>	<u>-</u>	<u>-</u>

Fair value hedge

The Bank uses profit rate swaps to hedge its exposure to changes in the fair value of bonds in respect of the benchmark profit rate.

The Bank's hedge accounting policy requires effective hedge relationships to be established. Hedge effectiveness is determined at the inception of the hedge relationship prospectively, and through periodic retrospective effectiveness assessment to ensure that an economic relationship exists between the hedged item and hedging instrument. The hedge effectiveness is assessed by comparing changes in the fair value of the hedged items attributable to profit rate change with changes in the fair value of the hedging instrument.

The Bank establishes the hedge ratio based on the notional and the tenure of the hedged item and hedging instrument. Hedged ineffectiveness is recognised into statements of income when the fair value change in the designated component value of the hedged item exceeds the change in value of the hedging instrument attributable to the hedged risk.

- (i) The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	Nominal amount RM'000	Fair value Liabilities RM'000	Changes in fair value used for calculating hedge ineffectiveness RM'000	Hedge ineffectiveness recognised in profit or loss RM'000	Maturity	Average profit rate %
31 March 2026						
Profit rate risk						
Profit rate swaps	400,000	(793)	(801)	-	> 1 - 3 Years	3.25%

7. DERIVATIVE FINANCIAL LIABILITIES (CONTD.)

Fair value hedge (contd.)

(ii) The amounts relating to items designated as hedged items were as follows:

	Hedged item category in statement of financial position RM'000	Carrying amount of hedged item RM'000	Accumulated amount of fair value hedge adjustment RM'000	Changes in fair value used for calculating hedge ineffectiveness RM'000	Balance of fair value hedge adjustments remaining in the Statement of Financial Position ("SOPF") for any hedged items that have ceased to be adjusted for hedging gains and losses RM'000
31 March 2026					
Hedged items					
Medium Term Notes	Other Borrowings	201,034	228	228	-
Surbordinated Sukuk	Surbordinated Sukuk	200,119	573	573	-

8. FINANCING AND ADVANCES

By types and Shariah concepts:

Notes	Bai' Bithaman Ail 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 2026								
At amortised cost								
Cash line financing	14,949	1,254,633	-	-	13,581	-	-	1,283,163
Term financing								
- Housing financing	2,490,526	1,434,835	-	-	-	-	-	3,925,361
- Hire purchase receivables (a)	-	-	27,434	-	-	-	-	27,434
- Other term financing	1,255,847	7,541,561	-	-	-	-	20,519	8,817,927
Bills receivables	-	81,398	-	9,516	-	-	-	90,914
Trust receipts	-	-	-	37,875	-	-	-	37,875
Claims on customers under acceptance credits	-	-	-	1,132,837	-	96,160	-	1,228,997
Staff financing (including financing to Directors of RM Nil)	9,353	1,829	-	-	-	-	-	11,182
Revolving credits (b)	61,617	542,710	-	-	-	-	-	604,327
Gross financing and advances	3,832,292	10,856,966	27,434	1,180,228	13,581	96,160	20,519	16,027,180
Add : Sales commission and handling fees								112,122
Less: Allowance for expected credit losses on financing and advances								(413,332)
Total net financing and advances								<u>15,725,970</u>

8. FINANCING AND ADVANCES (CONTD.)

By types and Shariah concepts (contd.):

	<u>Notes</u>	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									<u>14,358,036</u>

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.

8. FINANCING AND ADVANCES (CONTD.)

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

	2026 RM'000	2025 RM'000
At 1 April	12,579	10,378
Sources of Qard fund:		
- Shareholders' fund	5,589	13,227
Uses of Qard fund:		
- Purchase of landed property - Residential	-	-
- Personal use	(549)	(2,222)
- Working capital	(4,038)	(8,804)
At 31 March	<u>13,581</u>	<u>12,579</u>

(ii) By maturity structure:

	2026 RM'000	2025 RM'000
Within one year	3,304,910	3,135,294
One year to three years	398,379	468,654
Three years to five years	1,005,465	691,352
Over five years	11,318,426	10,343,119
Gross financing and advances	<u>16,027,180</u>	<u>14,638,419</u>

(iii) By type of customers:

	2026 RM'000	2025 RM'000
Domestic non-bank financial institutions	657,826	389,862
Domestic business enterprises		
- Small and medium enterprises	6,873,252	5,940,110
- Others	1,360,774	1,346,997
Individuals	7,042,554	6,883,038
Other domestic entities	8,212	236
Foreign entities	84,562	78,176
Gross financing and advances	<u>16,027,180</u>	<u>14,638,419</u>

(iv) By profit rate sensitivity:

	2026 RM'000	2025 RM'000
Fixed rate		
- Housing financing	10,780	12,996
- Hire purchase receivables	27,435	33,941
- Other fixed rate financing	3,509,241	3,284,514
Variable rate		
- Base financing rate plus	7,185,047	6,549,344
- Base rate plus	4,034,880	3,858,863
- Cost plus	1,259,797	898,761
Gross financing and advances	<u>16,027,180</u>	<u>14,638,419</u>

8. FINANCING AND ADVANCES (CONTD.)

(v) By economic purposes:

	2026 RM'000	2025 RM'000
Purchase of securities	148,199	-
Purchase of transport vehicles	50,879	48,987
Purchase of landed property	7,155,014	6,607,360
<i>of which: - Residential</i>	3,980,680	3,804,728
<i>- Non-residential</i>	3,174,334	2,802,632
Purchase of fixed assets excluding land and buildings	80,747	45,484
Personal use	3,172,199	3,182,811
Construction	443,953	336,767
Working capital	3,943,221	3,509,331
Others	1,032,968	907,679
Gross financing and advances	16,027,180	14,638,419

(vi) By economic sectors:

	2026 RM'000	2025 RM'000
Primary agriculture	426,964	444,365
Mining and quarrying	17,579	12,739
Manufacturing	1,721,792	1,566,498
Electricity, gas and water	37,510	36,193
Construction	741,296	604,801
Wholesale, retail trade, restaurants and hotels	3,210,790	2,940,854
Transport, storage and communication	299,287	255,377
Financing, insurance, real estate and business services	2,293,645	1,702,195
Community, social and personal services	151,201	114,183
Household	7,127,116	6,961,214
Gross financing and advances	16,027,180	14,638,419

(vii) By geographical distribution:

	2026 RM'000	2025 RM'000
Northern region	2,124,317	1,950,723
Central region	10,750,230	9,562,523
Southern region	1,379,748	1,358,653
Sabah region	1,363,541	1,404,899
Sarawak region	409,344	361,621
Gross financing and advances	16,027,180	14,638,419

8. FINANCING AND ADVANCES (CONTD.)

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

	2026 RM'000	2025 RM'000
At 1 April	287,402	315,458
Impaired during the financial year	493,677	491,012
Reclassified as non-impaired during the financial year	(300,595)	(318,778)
Recovered during the financial year	(26,669)	(26,914)
Financial assets derecognised other than write-off during the financial year	(56,877)	(59,439)
Amount written-off	(99,458)	(113,937)
At 31 March	<u>297,480</u>	<u>287,402</u>
Gross impaired financing ratio	1.86%	1.96%
Net impaired financing ratio	<u>1.15%</u>	<u>1.28%</u>

The credit impaired financing and advances of RM297,480,000 (2025:RM287,402,000) for the Bank is offset by the claim proceeds received from Credit Guarantee Corporation Malaysia Berhad ("CGC"), amounting to RM974,000 (2025: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 RM99,458,000 (2025: RM113,937,000) 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:

	2026 RM'000	2025 RM'000
Purchase of transport vehicles	383	811
Purchase of landed property	124,031	135,354
of which: - Residential	<u>109,908</u>	<u>114,351</u>
- Non-residential	<u>14,123</u>	<u>21,003</u>
Purchase of fixed assets excluding land & buildings	166	151
Personal use	104,000	112,433
Working capital	53,742	28,767
Others	15,158	9,886
Gross impaired financing and advances	<u>297,480</u>	<u>287,402</u>

8. FINANCING AND ADVANCES (CONTD.)

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

	2026 RM'000	2025 RM'000
Primary agriculture	1,277	1,299
Manufacturing	31,212	18,486
Construction	11,645	11,904
Wholesale, retail trade, restaurants and hotels	31,979	18,597
Transport, storage and communication	602	928
Financing, insurance, real estate and business services	2,635	1,925
Community, social and personal services	3,896	5,091
Household	214,234	229,172
Gross impaired financing and advances	<u>297,480</u>	<u>287,402</u>

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

	2026 RM'000	2025 RM'000
Northern region	41,637	38,414
Central region	211,131	213,754
Southern region	23,777	16,283
Sabah region	19,881	17,788
Sarawak region	1,054	1,163
Gross impaired financing and advances	<u>297,480</u>	<u>287,402</u>

8. 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 2025	95,704	186,754	101,449	383,907
Transfer to Stage 1	46,176	(153,806)	(469)	(108,099)
Transfer to Stage 2	(74,270)	309,599	(67,728)	167,601
Transfer to Stage 3	(260)	(138,047)	151,937	13,630
New financial assets originated or purchased	50,692	29,606	2,402	82,700
Financial assets derecognised other than write-off	(28,642)	(36,070)	(10,289)	(75,001)
Changes due to change in credit risk	94	14,096	8,208	22,398
	(6,210)	25,378	84,061	103,229
Unwinding of discount	-	-	14,378	14,378
Total (write-back from)/charge to statement of income	(6,210)	25,378	98,439	117,607
Write-off	(36)	(2,891)	(85,255)	(88,182)
At 31 March 2026	89,458	209,241	114,633	413,332
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

Note:

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

8. 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

2026

Stage 1 expected credit losses ("ECL") for the Bank decreased by RM6.2 million as a result of repayment of financing and advances combined with net movement of accounts between stages, offset by newly originated financing and advances.

Stage 2 ECL increased by RM22.5 million, primarily driven by 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 increased by RM13.2 million, mainly due to accounts transferred to Stage 3 arising from deterioration in credit quality. The increase was partially offset by accounts migrated into Stage 1 and Stage 2 following improvement in credit quality, accounts written off mostly from personal financing segment and repayment of financing and advances observed in mortgages.

Total ECL movements in 2026 were also affected by the changes in forward-looking economic inputs and pre-emptive provisions were 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.

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.

9. OTHER ASSETS

	2026 RM'000	2025 RM'000
Other receivables	81,708	10,647
Deposits	93	94
Prepayment	1,837	4,111
Amount due from holding company	-	72,493
Amount due from related company	-	1,284
	<u>83,638</u>	<u>88,629</u>
Less:		
Allowance for expected credit losses on other receivables [Note]	<u>(2,899)</u>	<u>(2,304)</u>
	<u>80,739</u>	<u>86,325</u>

Note:

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

	<u>Lifetime ECL</u>	
	2026 RM'000	2025 RM'000
At 1 April	2,304	2,687
New financial assets originated or purchased	2,182	2,167
Financial assets derecognised other than write-off	(3,227)	(3,697)
Changes due to change in credit risk	5,327	1,147
Total charge to/(write-back from) statement of income	4,282	(383)
Write-off	(3,687)	-
At 31 March	<u>2,899</u>	<u>2,304</u>

As at 31 March 2026, the Bank's gross exposure of other receivables that are under lifetime expected credit losses was at RM2,899,000 (2025: RM2,304,000).

10. STATUTORY DEPOSITS

Non-profit bearing statutory deposits for the Bank of RM164,984,000 (2025: RM303,783,000) 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.

11. RIGHT-OF-USE ASSETS

	<u>Premises</u>	
	2026 RM'000	2025 RM'000
<u>COST</u>		
At 1 April	3,116	3,116
Additions	1,319	-
Termination	(3,118)	-
At 31 March	<u>1,317</u>	<u>3,116</u>
<u>ACCUMULATED DEPRECIATION</u>		
At 1 April	2,878	2,401
Charge for the financial year	504	477
Termination	(3,118)	-
At 31 March	<u>264</u>	<u>2,878</u>
NET CARRYING AMOUNT	<u>1,053</u>	<u>238</u>

12. PROPERTY, PLANT AND EQUIPMENT

	<u>Renovations</u> RM'000	<u>Office equipment and furniture</u> RM'000	<u>Computer equipment</u> RM'000	<u>Total</u> RM'000
2026				
<u>COST</u>				
At 1 April 2025	1,111	120	556	1,787
Additions	90	8	82	180
Written-off	-	-	(19)	(19)
At 31 March 2026	<u>1,201</u>	<u>128</u>	<u>619</u>	<u>1,948</u>
<u>ACCUMULATED DEPRECIATION</u>				
At 1 April 2025	1,106	88	411	1,605
Charge for the financial year	10	12	89	111
Written-off	-	-	(19)	(19)
At 31 March 2026	<u>1,116</u>	<u>100</u>	<u>481</u>	<u>1,697</u>
NET CARRYING AMOUNT	<u>85</u>	<u>28</u>	<u>138</u>	<u>251</u>
2025				
<u>COST</u>				
At 1 April 2024	1,111	120	442	1,673
Additions	-	-	114	114
At 31 March 2025	<u>1,111</u>	<u>120</u>	<u>556</u>	<u>1,787</u>
<u>ACCUMULATED DEPRECIATION</u>				
At 1 April 2024	1,104	78	335	1,517
Charge for the financial year	2	10	76	88
At 31 March 2025	<u>1,106</u>	<u>88</u>	<u>411</u>	<u>1,605</u>
NET CARRYING AMOUNT	<u>5</u>	<u>32</u>	<u>145</u>	<u>182</u>

13. 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:

	2026 RM'000	2025 RM'000
Deferred tax assets, net	<u>51,973</u>	<u>51,619</u>
Movements on deferred tax:		
At 1 April	51,619	49,927
Recognised in statement of income (Note 33)	1,663	3,118
Recognised in equity	(1,309)	(1,426)
At 31 March	<u>51,973</u>	<u>51,619</u>

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

	2026 RM'000	2025 RM'000
Deferred tax assets	53,221	51,884
Deferred tax liabilities	<u>(1,248)</u>	<u>(265)</u>
	<u>51,973</u>	<u>51,619</u>

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

	Allowance for expected credit <u>losses</u> RM'000	Other <u>liabilities</u> RM'000	<u>Leases</u> RM'000	Financial investments at fair value through other comprehensive <u>income</u> RM'000	Property, plant and equipment and intangible <u>assets</u> RM'000	<u>Total</u> RM'000
<u>Deferred tax assets/(liabilities)</u>						
At 1 April 2025	45,526	5,989	17	352	(265)	51,619
Recognised in statement of income	1,439	204	46	-	(26)	1,663
Recognised in equity	-	-	-	(1,309)	-	(1,309)
At 31 March 2026	<u>46,965</u>	<u>6,193</u>	<u>63</u>	<u>(957)</u>	<u>(291)</u>	<u>51,973</u>
At 1 April 2024	41,469	6,873	43	1,778	(236)	49,927
Recognised in statement of income	4,057	(884)	(26)	-	(29)	3,118
Recognised in equity	-	-	-	(1,426)	-	(1,426)
At 31 March 2025	<u>45,526</u>	<u>5,989</u>	<u>17</u>	<u>352</u>	<u>(265)</u>	<u>51,619</u>

Note:

Other liabilities include provisions and contract liabilities.

14. INTANGIBLE ASSETS

	2026 RM'000	2025 RM'000
<u>Computer software</u>		
Cost		
At 1 April	5,300	5,189
Additions	512	111
At 31 March	<u>5,812</u>	<u>5,300</u>
Accumulated amortisation		
At 1 April	3,647	3,036
Charge for the financial year	667	611
At 31 March	<u>4,314</u>	<u>3,647</u>
Net carrying amount	<u>1,498</u>	<u>1,653</u>

15. DEPOSITS FROM CUSTOMERS

(i) By type of deposits:

	2026 RM'000	2025 RM'000
Demand deposits		
- Qard	3,865,367	4,084,985
- Tawarruq	952,756	907,756
Savings deposits		
- Qard	362,713	369,983
- Tawarruq	12,907	10,215
Term deposits		
- Tawarruq	11,371,790	9,828,475
- Negotiable Islamic Debt Certificate		
- Bai' Inah	429,341	220,705
- Money market deposits		
- Tawarruq	895,430	774,104
- Other deposits		
- Mudharabah	51,055	55,562
- Wakalah	31,757	31,860
- Qard	31,587	16,750
	<u>18,004,703</u>	<u>16,300,395</u>

15. DEPOSITS FROM CUSTOMERS (CONTD.)

	2026 RM'000	2025 RM'000
(ii) <u>The maturity structure of term deposits are as follows:</u>		
Due within six months	10,454,428	8,525,215
Six months to one year	2,354,879	2,179,662
One year to three years	1,221	222,359
Three years to five years	432	220
	<u>12,810,960</u>	<u>10,927,456</u>
	2026 RM'000	2025 RM'000
(iii) <u>By type of customers:</u>		
Domestic financial institutions	429,341	220,705
Domestic non-bank financial institutions	1,218,572	1,130,828
Government and statutory bodies	2,753,645	2,434,791
Business enterprises	6,052,742	5,554,426
Individuals	6,633,016	6,199,617
Foreign entities	149,896	150,233
Others	767,491	609,795
	<u>18,004,703</u>	<u>16,300,395</u>

16. INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTION

	Note	2026 RM'000	2025 RM'000
<u>Unrestricted investment accounts ("UA")</u>			
Mudarabah	(a)	150,695	-

Note:

(a) UA is an investment account structured based on the Shariah contract of mudarabah where the capital provider (Alliance Bank Malaysia Berhad) provides capital to be managed by the entrepreneur (Alliance Islamic Bank Berhad) and any profit generated from the capital is shared between the capital provider and the entrepreneur according to a mutually agreed profit sharing ratio. Financial losses from the investment(s) via UA are borne by the capital provider provided that such losses are not due to the misconduct, negligence or breach of specified terms by the entrepreneur. The type of mudarabah contract applied to UA is unrestricted mudarabah (mudarabah mutlaqah), a contract in which the capital provider permits the entrepreneur to manage the UA without any specific restrictions.

(i) Movement in the investment accounts due to designated financial institutions

	Note	2026 RM'000	2025 RM'000
<u>Funding inflows/(outflows)</u>			
At 1 April		-	-
New placement during the financial year		150,000	-
Redemption during the financial year		-	-
Change in profit payable		-	-
Income from investment		789	-
Expected credit losses		(17)	-
<u>Bank's share of profit</u>			
Profit distributed to mudarib		(77)	-
At 31 March	(a)	150,695	-
<u>Investment asset:</u>			
Financing	(a)	150,000	-

Note:

(a) The difference between the closing balance of the investment movement account and the investment asset balance arises from profit that was not reinvested during the financial year.

(ii) Average profit sharing ratio and average rate of return

	Investment account holder			
	2026	2025		
	Average profit sharing ratio	Average rate of return	Average profit sharing ratio	Average rate of return
	(%)	(%)	(%)	(%)
Unrestricted investment accounts ("URIA"):				
- maturity within six months	90	3.02	-	-

17. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2026 RM'000	2025 RM'000
Non-Mudharabah Fund		
Bank Negara Malaysia	<u>254,523</u>	<u>210,488</u>

18. 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.

19. LEASE LIABILITIES

	2026 RM'000	2025 RM'000
At 1 April	284	869
Additions	1,319	-
Profit expense	2	29
Lease payment	<u>(574)</u>	<u>(614)</u>
At 31 March	<u>1,031</u>	<u>284</u>

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.

20. OTHER LIABILITIES

	2026 RM'000	2025 RM'000
Other payables [Note (a)]	45,736	68,360
Bills payable	18,124	113,444
Clearing account	35,452	32,835
Sundry deposits	12,472	12,161
Provision and accruals	15,100	13,200
Financing advance payment	61,474	59,580
Contract liabilities	7,658	9,122
Amount due to holding company	214,811	-
Amount due to related company	1,111	-
Allowance for expected credit losses on commitments and contingencies [Note (b)]	<u>5,617</u>	<u>5,953</u>
	<u>417,555</u>	<u>314,655</u>

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 RM6,001,000 related to the financing income for this product which would need to be purified. The Bank had purified RM4,779,000 of the Shariah non-compliant income generated from closed accounts to charitable and religious bodies.

20. 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 2025	2,661	2,479	813	5,953
Transfer to Stage 1	67	(908)	(563)	(1,404)
Transfer to Stage 2	(500)	3,760	(443)	2,817
Transfer to Stage 3	-	(576)	1,408	832
New financial assets originated or purchased	2,100	947	-	3,047
Financial assets derecognised other than write-off	(1,019)	(1,962)	(602)	(3,583)
Changes due to change in credit risk	(1,651)	(408)	11	(2,048)
Other adjustments	(1)	-	-	(1)
	(1,004)	853	(189)	(340)
Unwinding of discount	-	-	4	4
Total (write-back from)/charge to statement of income	(1,004)	853	(185)	(336)
At 31 March 2026	1,657	3,332	628	5,617
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

Notes:

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

(ii) As at 31 March 2026, the Bank's gross exposures of commitments and contingencies that are credit impaired was at RM3,368,000 (2025: RM4,856,000).

21. OTHER BORROWING

	Note	2026 RM'000	2025 RM'000
<u>Senior Islamic Medium Term Notes</u>			
RM200 million Senior Islamic MTN	(a)	200,806	201,034

Note:

RM2.5 billion Perpetual Sukuk Programme:

RM1.2 billion Senior Sukuk Murabahah

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

As at 31 March 2026, the carrying value of Senior Islamic MTN designated as fair value hedge includes accrued profit payable of RM1,034,000 and fair value gain on hedged item of RM228,000.

22. SUBORDINATED SUKUK

	Note	2026 RM'000	2025 RM'000
<u>Subordinated Sukuk</u>			
RM100 million Additional Tier I Sukuk Wakalah	(a)	99,741	100,056
RM130 million Subordinated Sukuk Murabahah	(b)	132,441	132,441
RM100 million Subordinated Sukuk Murabahah	(c)	99,805	100,136
		<u>331,987</u>	<u>332,633</u>

Notes:

RM2.5 billion Perpetual Sukuk Programme:

RM500.0 million Islamic Additional Tier 1 Sukuk Wakalah Programme

	<u>Issuance Date</u>	<u>Principal</u>	<u>Tenure</u>	<u>Call Date</u>	<u>Profit Rate</u>	<u>Profit Payment</u>
(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

	<u>Issuance Date</u>	<u>Principal</u>	<u>Maturity Date</u>	<u>Call Date</u>	<u>Profit Rate</u>	<u>Profit Payment</u>
(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

As at 31 March 2026, the carrying value of Tier 1 Sukuk Wakalah and Tier 2 Subordinated Sukuk Murabahah designated as fair value hedge includes accrued profit payable of RM119,000 and fair value gain on hedged item of RM573,000.

23. SHARE CAPITAL

	2026		2025	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
Ordinary shares issued and fully paid: At 1 April /31 March ordinary shares with no-par value	501,978	727,065	501,978	727,065

24. RESERVES

	Note	2026 RM'000	2025 RM'000
<u>Non-distributable:</u>			
FVOCI reserves	(a)	3,188	(942)
Other reserves			
- Capital contribution from the holding company	(b)	135	-
		3,323	(942)
<u>Distributable:</u>			
Retained profits		1,080,535	970,783
		1,083,858	969,841

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.
- (b) The capital contribution from the holding company arose from the Long-term Incentive Plan ("LTIP").

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

	2026 RM'000	2025 RM'000
Income derived from investment of :		
(i) Term deposits	680,021	626,918
(ii) Other deposits	310,269	318,803
	<u>990,290</u>	<u>945,721</u>

(i) Income derived from investment of term deposits:

	2026 RM'000	2025 RM'000
Finance income and hibah		
Financing and advances	521,506	490,245
Financial investments at fair value through other comprehensive income	47,974	45,741
Financial investments at amortised cost	31,721	23,437
Money at call and deposit placements with financial institutions	19,114	16,705
	<u>620,315</u>	<u>576,128</u>
Accretion of discount less amortisation of premium	23,123	19,753
Total finance income and hibah	<u>643,438</u>	<u>595,881</u>
Other operating income		
- Fee income	32,430	28,911
- Investment gain	3,139	1,167
- Other income	1,014	959
	<u>680,021</u>	<u>626,918</u>

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 RM316,000 (2025: RM1,012,000).

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

(ii) Income derived from investment of other deposits:

	2026 RM'000	2025 RM'000
Finance income and hibah		
Financing and advances	237,945	249,302
Financial investments at fair value through other comprehensive income	21,889	23,261
Financial investments at amortised cost	14,473	11,918
Money at call and deposit placements with financial institutions	8,721	8,494
	<u>283,028</u>	<u>292,975</u>
Accretion of discount less amortisation of premium	10,550	10,045
Total finance income and hibah	<u>293,578</u>	<u>303,020</u>
Other operating income		
- Fee income	14,796	14,702
- Investment gain	1,432	593
- Other income	463	488
	<u>310,269</u>	<u>318,803</u>

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 RM144,000 (2025: RM515,000).

26. INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	2026 RM'000	2025 RM'000
Finance income and hibah		
Financing and advances	789	-
Total finance income and hibah	<u>789</u>	<u>-</u>

27. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	2026 RM'000	2025 RM'000
Finance income and hibah		
Financing and advances	66,558	62,333
Financial investments at fair value through other comprehensive income	7,212	7,069
Financial investments at amortised cost	4,769	3,622
Money at call and deposit placements with financial institutions	2,873	2,581
	<u>81,412</u>	<u>75,605</u>
Accretion of discount less amortisation of premium	3,476	3,052
Total finance income and hibah	<u>84,888</u>	<u>78,657</u>
Other operating income		
- Fee income	4,875	4,468
- Investment gain	472	180
- Other income	152	148
	<u>90,387</u>	<u>83,453</u>

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 RM47,000 (2025: RM156,000).

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

	2026 RM'000	2025 RM'000
Allowance made/(write-back of) expected credit losses on:		
(a) Financing and advances		
- Allowance made during the financial year	103,229	96,369
(b) Credit impaired on financing and advances		
- Recovered during the financial year	(32,175)	(33,650)
- Write-off during the financial year	17,297	21,465
(c) Commitments and contingencies on financing and advances		
- Write-back during the financial year	(340)	(1,119)
	<u>88,011</u>	<u>83,065</u>
Allowance for/(write-back of) expected credit losses on other receivables	<u>4,282</u>	<u>(383)</u>
	<u>92,293</u>	<u>82,682</u>

29. ALLOWANCE FOR EXPECTED CREDIT LOSSES ON FINANCIAL INVESTMENTS

	2026 RM'000	2025 RM'000
Allowance made/(write-back of) expected credit losses on:		
- Financial investments at fair value through other comprehensive income	(14)	(39)
- Financial investments at amortised cost	145	104
	<u>131</u>	<u>65</u>

30. INCOME ATTRIBUTABLE TO THE DEPOSITORS AND FINANCIAL INSTITUTIONS

	2026 RM'000	2025 RM'000
Deposits from customers:		
- Mudharabah fund	1,239	1,556
- Non-Mudharabah fund	480,955	453,636
Deposits and placements of banks and other financial institutions:		
- Non-Mudharabah fund	115	148
Recourse obligations on financing sold to Cagamas	1,493	16,760
Other borrowings	7,860	4,996
Subordinated Sukuk Murabahah	15,045	13,084
Lease liabilities	2	29
	<u>506,709</u>	<u>490,209</u>

31. INCOME ATTRIBUTABLE TO THE INVESTMENT ACCOUNT HOLDER

	2026 RM'000	2025 RM'000
Investment accounts due to designated financial institution		
- Mudarabah	<u>695</u>	<u>-</u>

32. OTHER OPERATING EXPENSES

	2026 RM'000	2025 RM'000
<u>Personnel costs</u>		
- Salaries, allowances and bonuses	119,369	105,207
- Contribution to EPF	18,725	16,432
- Share-based payment expenses under LTIP [Note (a)]	135	-
- Others	13,249	10,554
	<u>151,478</u>	<u>132,193</u>
<u>Establishment costs</u>		
- Depreciation on property, plant and equipment	111	89
- Depreciation on right-of-use assets	504	477
- Amortisation of computer software	667	611
- Rental	2,779	109
- Repairs and maintenance	838	1,740
- Water and electricity	1,041	1,290
- Information technology expenses	40,862	34,908
- Others [Note (b)]	1,614	2,598
	<u>48,416</u>	<u>41,822</u>
<u>Marketing expenses</u>		
- Promotion and advertisement	4,879	3,184
- Branding and publicity	4,028	4,188
- Others	1,419	1,167
	<u>10,326</u>	<u>8,539</u>
<u>Administration and general expenses</u>		
- Communication expenses	2,137	1,782
- Printing and stationeries	288	313
- Insurance	2,969	2,485
- Professional fees	10,167	11,366
- Others	(2,281)	6,890
	<u>13,280</u>	<u>22,836</u>
Total other operating expenses	<u>223,500</u>	<u>205,390</u>

Included in other operating expenses is the remuneration of Shariah Committee members, as disclosed in Note 40.

Note:

(a) LTIP was implemented by the holding company on 23 October 2025, in the form of a share issuance scheme and a share grant scheme ("LTIP shares") to eligible employees of the Bank. The awarded shares will be vested in stages at predetermined dates subject to performance conditions as provided in LTIP By-Laws.

Under AIS's LTIP expense, the following statements will be included:

- i) The share-based payment expense recognised by the Bank relates to services received from employees under the Group's Long-Term Incentive Plan ("LTIP"), which is administered and funded by the holding company.
- ii) In accordance with MFRS 2 Share-Based Payment, the expense is recognised over the vesting period with a corresponding credit recognised as an capital contribution from the holding company. The Bank does not incur any cash outflow, reimbursement obligation, or funding in respect of the LTIP.

32. 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:

	2026 RM'000	2025 RM'000
<u>Sharing of Other Operating Expenses</u>		
<u>Personnel costs</u>		
- Salaries, allowances and bonuses	99,450	90,611
- Contribution to EPF	15,842	14,183
- Others	11,380	8,940
	<u>126,672</u>	<u>113,734</u>
<u>Establishment costs</u>		
- Rental	2,779	109
- Repairs and maintenance	807	1,698
- Water and electricity	1,007	1,266
- Information technology expenses	40,055	34,414
- Others [Note (b)]	1,534	2,582
	<u>46,182</u>	<u>40,069</u>
<u>Marketing expenses</u>		
- Promotion and advertisement	3,455	2,028
- Branding and publicity	3,702	4,117
- Others	1,131	995
	<u>8,288</u>	<u>7,140</u>
<u>Administration and general</u>		
- Communication expenses	1,487	1,235
- Printing and stationeries	202	209
- Professional fees	7,323	6,449
- Others	(5,538)	4,302
	<u>3,474</u>	<u>12,195</u>
Total sharing of other operating expenses	<u>184,616</u>	<u>173,138</u>

Note:

- (b) 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:

	2026 RM'000	2025 RM'000
Auditors' remuneration		
- Statutory audit fees	211	239
- Audit related services	55	94
- Tax compliance works	15	15
- Tax related services	2	35

33. TAXATION AND ZAKAT

	2026 RM'000	2025 RM'000
Income tax:		
Current financial year	63,502	66,374
Over provision in prior years	(1,232)	(5,344)
	<u>62,270</u>	<u>61,030</u>
Deferred tax (Note 13)		
Current financial year	(1,664)	(3,164)
Under provision in prior years	1	46
	<u>(1,663)</u>	<u>(3,118)</u>
Tax expense for the financial year	<u>60,607</u>	<u>57,912</u>
Zakat	586	746
	<u>61,193</u>	<u>58,658</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% (2025: 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:

	2026 RM'000	2025 RM'000
Profit before taxation	<u>258,138</u>	<u>250,828</u>
Taxation at Malaysian Statutory Tax rate of 24% (2025: 24%)	61,953	60,199
Income not subject to tax	(1,518)	-
Expenses not deductible for tax purposes	1,403	3,011
Over provision of tax expense in prior years	(1,231)	(5,298)
Tax expense for the financial year	<u>60,607</u>	<u>57,912</u>

34. 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.

	2026	2025
Net profit for the financial year attributable to equity holder of the Bank (RM'000)	<u>196,945</u>	<u>192,170</u>
Weighted average numbers of ordinary shares in issue ('000)	<u>501,978</u>	<u>478,119</u>
Basic/diluted earnings per share (sen)	<u>39.2</u>	<u>40.2</u>

35. DIVIDENDS

Dividend in respect of financial year

2026	2025
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 ended 31 March 2025, was paid on 18 December 2024.

-	32,986
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6.44 sen per share on 501,977,592 ordinary shares, declared in financial year ended 31 March 2026, was paid on 18 December 2025.

32,327	-
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Second interim dividend

13.37 sen per share on 440,139,772 ordinary shares, declared in financial year ended 31 March 2024, was paid on 18 June 2024.

-	58,847
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10.93 sen per share on 501,977,592 ordinary shares, declared in financial year ended 31 March 2025, was paid on 18 June 2025.

54,866	-
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Subsequent to the financial year end, the Directors declared a single tier second interim dividend of 9.25 sen per share, on 501,977,592 ordinary shares amounting to approximately RM46,455,000 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 2027.

36. INTEREST RATE BENCHMARK REFORM

Interest Rate Benchmark Reform: KLIBOR Transition to MYOR/MYOR-i

BNM announced a phased transition from KLIBOR to MYOR and MYOR-i on 16 October 2025. The key timelines for the transition is as below:

- (a) 1 October 2026 - Industry stakeholders to complete operational readiness to offer MYOR and MYOR-i referenced products.
- (b) 1 July 2027 - KLIBOR cessation for new trades across all products. MYOR and MYOR-i are used for all new trades.
- (c) 30 June 2028 - All legacy KLIBOR-based contracts are to be converted to MYOR/MYOR-i contracts, where possible: remaining contract to incorporate fall back provisions.
- (d) 1 January 2029 - Full cessation of KLIBOR.

The following table shows the total amount of non-derivative financial assets and derivative financial instruments that have yet to transition to an alternative benchmark rate as at 31 March 2026:

	2026 RM'000	2025 RM'000
KLIBOR		
Gross carrying amount		
Financial investments at amortised cost	250,202	-
Financing and advances	91,028	-
Non-derivative financial assets	<u>341,230</u>	<u>-</u>
Notional amount		
Derivative financial liabilities		
- Profit rate swaps	<u>400,000</u>	<u>-</u>

37. 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.

	2026 RM'000	2025 RM'000
(a) <u>Transactions</u>		
Commission paid		
- related companies	42,016	35,445
Finance expenses		
- holding company	(7,587)	(7,996)
- key management personnel	(74)	(152)
Other operating expenses (sharing of expenses)		
- holding company	(184,646)	(173,173)
Profit rate swaps expense		
- holding company	(793)	-
Share-based payment expenses under LTIP		
- holding company	(135)	-
Dividend paid		
- holding company	<u>(87,193)</u>	<u>(91,833)</u>

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

	2026 RM'000	2025 RM'000
(b) <u>Balances</u>		
Financing and advances		
- key management personnel	1,348	1,535
Other assets		
- holding company	3,150	68,213
Deposits from customers		
- holding company	(229,917)	(220,705)
- key management personnel	(3,729)	(3,483)
Investment accounts due to designated financial institution		
- holding company	(150,695)	-
Subordinated sukuk		
- holding company	(132,441)	(232,578)
Lease liabilities		
- holding company	(299)	(615)
Derivative financial liabilities		
- holding company	(793)	-
Other liabilities		
- holding company	(214,810)	-
- related companies	(5,572)	(6,405)

(c) Compensation of key management personnel

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

	2026 RM'000	2025 RM'000
CEO and other key management:		
- Salary and other remuneration	6,539	6,158
- Contribution to EPF	849	862
- Benefits-in-kind	4	4
- Share-based payment expenses under LTIP	119	-
	<u>7,511</u>	<u>7,024</u>
Non-Executive Directors:		
- Fees Payable	900	695
- Allowances	197	261
	<u>1,097</u>	<u>956</u>
Included in the total key management personnel are: CEO and Non-Executive Directors' remuneration, excluding past Non-Executive Directors (Note 40)	<u>3,112</u>	<u>2,796</u>

37. 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:

	2026				2025			
	<u>Number</u>	<u>Unrestricted</u>	<u>Number</u>	<u>Deferred</u>	<u>Number</u>	<u>Unrestricted</u>	<u>Number</u>	<u>Deferred</u>
		RM'000		RM'000		RM'000		RM'000
<u>Fixed remuneration</u>								
Cash	9	6,045		-		5,653		-
<u>Variable remuneration</u>								
Share-based		-	3	119		-		-
Cash	2	2,162	3	282	7	2,080	3	247
		<u>8,207</u>		<u>401</u>		<u>7,733</u>		<u>247</u>

The number of LTIP shares awarded to key management personnel are as follows:

	2026	2025
	'000	'000
At 1 April 2025	-	-
Awarded	167	-
Exercised	-	-
Expired/forfeited	-	-
At 31 March 2026	<u>167</u>	<u>-</u>

38. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	2026 RM'000	2025 RM'000
Outstanding credit exposures with connected parties	63,771	88,100
of which:		
Total credit exposure which is impaired or in default	662	716
Total credit exposures	22,360,836	20,562,802
Percentage of outstanding credit exposures to connected parties:		
- as a proportion of total credit exposures	0.29%	0.43%
- 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.

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.

39. EMPLOYEE BENEFITS

Long-term Incentive Plan ("LTIP")

The holding company of the Bank, Alliance Bank Malaysia Berhad ("ABMB") implemented a Long-term Incentive Plan ("LTIP") on 23 October 2025, which was approved by ABMB's shareholders at its Extraordinary General Meeting held on 30 July 2025. The LTIP is governed by the LTIP By-Laws and is administered by the Long-term Incentive Plan Committee ("LTIP Committee").

The LTIP is intended to attract, retain, motivate and reward the Eligible Employees as defined in the LTIP By-Laws through the award of ABMB Shares that will be vested to them upon meeting certain performance conditions and any other vesting conditions as may be determined by the LTIP Committee in its sole and absolute discretion.

The LTIP, which is valid for ten years from the effective date on 23 October 2025, will be implemented in the form of a share issuance scheme and a share grant scheme ("LTIP shares"). The LTIP shares may be settled through issuance of new shares or transfer of existing shares, or other modes of settlement as provided in the By-Laws.

(i) Details of LTIP shares awarded:

<u>Award date</u>	<u>Fair value RM</u>	<u>Number of shares awarded '000</u>	<u>Vesting Date *</u>
29 October 2025 - First Grant	3.98	188	30 June 2028

* Subject to performance conditions

The following table indicates the number and movement of LTIP shares during the financial year ended 31 March 2026:

<u>Award Date</u>	<u>Outstanding as at 1 April 2025 '000</u>	<u>Movement during the year</u>			<u>Outstanding as at 31 March 2026 '000</u>
		<u>Awarded '000</u>	<u>Exercised '000</u>	<u>Expired/ Forfeited '000</u>	
29 October 2025 - First Grant	-	188	-	-	188

39. EMPLOYEE BENEFITS (CONTD.)

Long-term Incentive Plan ("LTIP") (contd.)

(i) Details of LTIP shares awarded: (contd.)

The fair value of LTIP shares awarded was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the LTIP shares were awarded. The fair value of LTIP shares measured, closing share price at grant date and the assumptions were as follows:

	Award Date
	29 October 2025
	First grant
Fair value of LTIP shares (RM)	3.98
Closing share price at award date (RM)	4.46
Expected volatility (%)	19.3
Vesting period (years)	2.67
Risk-free rate (%)	3.28
Expected dividend yield (%)	5.31

40. 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:

	2026 RM'000	2025 RM'000
Chief Executive Officer:		
- Salary and other remuneration	1,102	1,071
- Bonuses	622	542
- Contribution to EPF	241	226
- Benefits-in-kind	-	1
- Share-based payment expenses under LTIP	50	-
	2,015	1,840
Non-Executive Directors:		
- Fees payable	900	695
- Allowances	197	261
	1,097	956
Past Non-Executive Directors:		
- Fees payable	71	-
- Allowances	40	-
	111	-
Total CEO and Directors' remuneration	3,223	2,796
Shariah Committee members	475	474
Total CEO, Directors and Shariah Committee members' remuneration	3,698	3,270

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 from 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 (2025: RM2,000).

40. 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:

<u>BANK</u>	<u>Salary and</u> <u>other</u> <u>remuneration</u> RM'000	<u>Bonuses</u> RM'000	<u>Contribution</u> <u>to EPF</u> RM'000	<u>Fees</u> <u>payable</u> RM'000	<u>Allowances</u> RM'000	<u>Benefits-</u> <u>in-kind</u> RM'000	<u>Total</u> RM'000
2026							
<u>Chief Executive Officer:</u>							
Rizal IL-Ehzan Bin Fadil Azim *	1,152	622	241	-	-	-	2,015
	1,152	622	241	-	-	-	2,015
<u>Non-Executive Directors:</u>							
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	230	32	-	262
Dato' Ahmad Hisham Bin Kamaruddin	-	-	-	170	45	-	215
Rustam Bin Mohd Idris	-	-	-	125	33	-	158
Dr. John Lee Hin Hock	-	-	-	125	27	-	152
Mia Idora Binti Ismail	-	-	-	125	33	-	158
Oong Kee Leong	-	-	-	125	27	-	152
	-	-	-	900	197	-	1,097
<u>Past Non-Executive Directors:</u>							
Ibrahim Bin Hassan	-	-	-	71	40	-	111
	-	-	-	71	40	-	111
Total CEO and Directors' remuneration	1,152	622	241	971	237	-	3,223
<u>Shariah Committee Members:</u>							
Ustaz Ahmad Fauwaz Bin Ali @ Fadzil	-	-	-	72	20	-	92
Tuan Badrul Hisyam Bin Tuan Soh	-	-	-	90	20	-	110
Muhamad Rahimi Bin Osman	-	-	-	72	20	-	92
Rustam Bin Mohd Idris	-	-	-	72	17	-	89
Muhammad Naim Bin Omar	-	-	-	72	20	-	92
	-	-	-	378	97	-	475
	1,152	622	241	1,349	334	-	3,698

* Compensation shown in the table includes RM50,000 of share-based payment expenses under LTIP.

40. 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.):

<u>BANK</u>	Salary and other <u>remuneration</u>	<u>Bonuses</u>	Contribution to EPF	Fees payable	<u>Allowances</u>	Benefits- in-kind	<u>Total</u>
2025	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Chief Executive Officer:</u>							
Rizal IL-Ehzan Bin Fadil Azim	1,071	542	226	-	-	1	1,840
	1,071	542	226	-	-	1	1,840
<u>Non-Executive Directors:</u>							
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
Oong Kee Leong	-	-	-	8	-	-	8
	-	-	-	695	261	-	956
Total CEO and Directors' remuneration	1,071	542	226	695	261	1	2,796
<u>Shariah Committee Members:</u>							
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

41. 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 (including cyber 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 policies 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 securities 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 44 to the financial statements.

41. 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 similar 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.

	2026 RM'000	2025 RM'000
Credit risk exposure: on-balance sheet		
Cash and short-term funds (exclude cash in hand)	724,305	1,244,022
Deposits and placements with banks and other financial institutions	350,893	354,858
Financial investments at fair value through other comprehensive income	2,649,708	1,940,992
Financial investments at amortised cost	1,421,868	1,019,612
Financing and advances (exclude sales commission and handling fees)	15,613,848	14,254,512
Statutory deposits	164,984	303,783
Other assets (exclude prepayment)	78,902	82,214
Total on-balance sheet	<u>21,004,508</u>	<u>19,199,993</u>
Credit risk exposure: off-balance sheet		
Financial guarantees	91,888	87,994
Credit related commitments and contingencies	<u>3,461,174</u>	<u>3,634,574</u>
Total off-balance sheet	<u>3,553,062</u>	<u>3,722,568</u>
Total maximum exposure	<u><u>24,557,570</u></u>	<u><u>22,922,561</u></u>

41. 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.

	Government and Central <u>Bank</u>	Financial, Takaful, Business Services and <u>Real Estate</u>	Transport, Storage and <u>Communication</u>	Agriculture, Manufacturing, Wholesale & <u>Retail Trade</u>	<u>Construction</u>	<u>Household</u>	<u>Others</u>	<u>Total</u>
2026	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)	72,858	651,447	-	-	-	-	-	724,305
Deposits and placements with banks and other financial institutions	-	350,893	-	-	-	-	-	350,893
Financial investments at fair value through other comprehensive income	782,235	1,504,856	281,886	55,506	25,225	-	-	2,649,708
Financial investments at amortised cost	801,668	498,882	121,318	-	-	-	-	1,421,868
Financing and advances (exclude sales commission and handling fees)	-	2,278,262	297,409	5,344,320	721,941	6,824,229	147,687	15,613,848
Statutory deposits	164,984	-	-	-	-	-	-	164,984
Other assets (exclude prepayment)	-	-	-	-	-	-	78,902	78,902
	<u>1,821,745</u>	<u>5,284,340</u>	<u>700,613</u>	<u>5,399,826</u>	<u>747,166</u>	<u>6,824,229</u>	<u>226,589</u>	<u>21,004,508</u>
Financial guarantees	-	7,518	9,657	69,858	4,213	2	640	91,888
Credit related commitments and contingencies	-	423,408	33,947	2,117,540	465,675	394,047	26,557	3,461,174
	<u>-</u>	<u>430,926</u>	<u>43,604</u>	<u>2,187,398</u>	<u>469,888</u>	<u>394,049</u>	<u>27,197</u>	<u>3,553,062</u>
Total credit risk	<u>1,821,745</u>	<u>5,715,266</u>	<u>744,217</u>	<u>7,587,224</u>	<u>1,217,054</u>	<u>7,218,278</u>	<u>253,786</u>	<u>24,557,570</u>

41. 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.)

	Government and Central <u>Bank</u>	Financial, Takaful, Business Services and <u>Real Estate</u>	Transport, Storage and <u>Communication</u>	Agriculture, Manufacturing, Wholesale & <u>Retail Trade</u>	<u>Construction</u>	<u>Household</u>	<u>Others</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2025								
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
	<u>3,081,284</u>	<u>3,190,908</u>	<u>502,702</u>	<u>5,047,956</u>	<u>587,700</u>	<u>6,670,377</u>	<u>119,066</u>	<u>19,199,993</u>
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
	<u>-</u>	<u>455,913</u>	<u>97,954</u>	<u>2,306,548</u>	<u>401,259</u>	<u>430,228</u>	<u>30,666</u>	<u>3,722,568</u>
Total credit risk	<u>3,081,284</u>	<u>3,646,821</u>	<u>600,656</u>	<u>7,354,504</u>	<u>988,959</u>	<u>7,100,605</u>	<u>149,732</u>	<u>22,922,561</u>

41. 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.

	2026 RM'000	2025 RM'000
Gross financing and advances	16,027,180	14,638,419
Less: Allowance for expected credit losses	(413,332)	(383,907)
Financing and advances, net of ECL	<u>15,613,848</u>	<u>14,254,512</u>
Percentage of collateral held for financing and advances	<u>66.2%</u>	<u>67.4%</u>

(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.

41. 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.

41. 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, household financing, industrial production index, producer price index, debt-to-GDP 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:

<u>MEV</u>	Weighted Average Forecast		
	2028	2027	2026
(% Year on Year)	%	%	%
GDP Growth Rate	4.4	4.2	4.5
Producer Price Index	2.8	3.3	3.9
Consumer Price Index	2.3	1.8	1.7
House Price Index	1.6	1.9	1.8
Industrial Production Index	3.7	3.8	3.4
Household Financing	5.9	5.7	5.6
(Ratio)			
Debt to GDP	122.0	123.5	123.7
Unemployment Rate	3.2	3.1	3.0

41. 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.

41. 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.

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

Other financial assets are categorised in the following manner:

<u>Credit Quality</u>	<u>Credit Rating</u>	<u>Definition</u>
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.

41. 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:

2026	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
<u>Cash and short-term funds</u> <u>(exclude cash in hand)</u>				
Investment graded	651,447	-	-	651,447
Sovereign/government-backed	72,858	-	-	72,858
Gross carrying amount	724,305	-	-	724,305
Expected credit losses	-	-	-	-
Net carrying amount	724,305	-	-	724,305
<u>Deposits and placements with</u> <u>banks and other financial institutions</u>				
Investment graded	350,893	-	-	350,893
Gross carrying amount	350,893	-	-	350,893
Expected credit losses	-	-	-	-
Net carrying amount	350,893	-	-	350,893
<u>Financial investments at fair value</u> <u>through other comprehensive income</u>				
Investment graded	1,454,931	-	-	1,454,931
Sovereign/government-backed	1,194,777	-	-	1,194,777
Gross carrying amount	2,649,708	-	-	2,649,708
Expected credit losses [Note (a)]	(156)	-	-	(156)

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.

41. 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.)

2026	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Financial investments at amortised cost</u>				
Sovereign/government-backed	1,121,793	-	-	1,121,793
Unrated	300,324	-	-	300,324
Gross carrying amount	1,422,117	-	-	1,422,117
Expected credit losses	(249)	-	-	(249)
Net carrying amount	1,421,868	-	-	1,421,868
<u>Financing and advances</u>				
Low	8,842,312	76,584	-	8,918,896
Medium	4,220,357	237,228	-	4,457,585
High	1,124,579	500,806	-	1,625,385
Unrated	422,026	304,834	-	726,860
Credit impaired	-	-	298,454	298,454
Gross carrying amount	14,609,274	1,119,452	298,454	16,027,180
Expected credit losses	(89,458)	(209,241)	(114,633)	(413,332)
Net carrying amount	14,519,816	910,211	183,821	15,613,848
<u>Statutory deposits</u>				
Sovereign/government-backed	164,984	-	-	164,984
Gross carrying amount	164,984	-	-	164,984
Expected credit losses	-	-	-	-
Net carrying amount	164,984	-	-	164,984
<u>Credit related commitments and contingencies</u>				
Low	2,347,795	46,262	-	2,394,057
Medium	889,623	96,563	-	986,186
High	139,944	11,891	-	151,835
Unrated	17,616	-	-	17,616
Credit impaired	-	-	3,368	3,368
Gross carrying amount	3,394,978	154,716	3,368	3,553,062
Expected credit losses	(1,657)	(3,332)	(628)	(5,617)

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit Quality (contd.)

2026			More than 90 days	
<u>Simplified Approach</u>	<u>Current</u>	<u>past due</u>	<u>Total</u>	
	RM'000	RM'000	RM'000	
<u>Other assets (exclude prepayment)</u>				
Gross carrying amount	78,902	2,899	81,801	
Expected credit losses	-	(2,899)	(2,899)	
Net carrying amount	<u>78,902</u>	<u>-</u>	<u>78,902</u>	
2025	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>Cash and short-term funds</u>				
<u>(exclude cash in hand)</u>				
Investment graded	572,601	-	-	572,601
Sovereign/government-backed	671,421	-	-	671,421
Gross carrying amount	<u>1,244,022</u>	<u>-</u>	<u>-</u>	<u>1,244,022</u>
Expected credit losses	-	-	-	-
Net carrying amount	<u>1,244,022</u>	<u>-</u>	<u>-</u>	<u>1,244,022</u>
<u>Deposits and placements with</u>				
<u>banks and other financial institutions</u>				
Investment graded	354,858	-	-	354,858
Gross carrying amount	<u>354,858</u>	<u>-</u>	<u>-</u>	<u>354,858</u>
Expected credit losses	-	-	-	-
Net carrying amount	<u>354,858</u>	<u>-</u>	<u>-</u>	<u>354,858</u>
<u>Financial investments at fair value</u>				
<u>through other comprehensive income</u>				
Investment graded	661,338	5,013	-	666,351
Sovereign/government-backed	1,274,641	-	-	1,274,641
Gross carrying amount	<u>1,935,979</u>	<u>5,013</u>	<u>-</u>	<u>1,940,992</u>
Expected credit losses [Note (a)]	<u>(169)</u>	<u>(1)</u>	<u>-</u>	<u>(170)</u>

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.

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit Quality (contd.)

2025	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
<u>Financial investments at fair value</u>				
<u>amortised cost</u>				
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
<u>Financing and advances</u>				
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
<u>Statutory deposits</u>				
Sovereign/government-backed	303,783	-	-	303,783
Gross carrying amount	303,783	-	-	303,783
Expected credit losses	-	-	-	-
Net carrying amount	303,783	-	-	303,783
<u>Credit related commitments and contingencies</u>				
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)
<u>Simplified Approach</u>				
	<u>Current</u> RM'000	<u>More than 90 days past due</u> RM'000	<u>Total</u> RM'000	
<u>Other assets (exclude prepayment)</u>				
Gross carrying amount	82,214	2,304	84,518	
Expected credit losses	-	(2,304)	(2,304)	
Net carrying amount	82,214	-	82,214	

41. 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:

2026

<u>Measurement variables</u>	<u>MEV Change (%) / Percentage</u>	<u>+</u>	<u>-</u>
	<u>Point Change (p.p)</u>	<u>RM'000</u>	<u>RM'000</u>
House price index	16.7%	(16,735)	26,007
Unemployment rate	0.5 p.p.	25,473	(28,619)
Household Financing	3.2 p.p	27,507	(27,513)
Consumer Price Index	7.6%	14,226	(14,590)
Industrial Production Index	12.1%	(4,501)	5,111

2025

<u>Measurement variables</u>	<u>MEV Change (%) / Percentage</u>	<u>+</u>	<u>-</u>
	<u>Point Change (p.p)</u>	<u>RM'000</u>	<u>RM'000</u>
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)

41. 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, supply-chain disruptions, 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 2026.

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 2026, the balances of these pre-emptive provisions and post-model adjustments amounted to RM81,816,000 (2025: RM66,477,000).

(b) Market Risk

Market risk is the risk of potential losses in earnings arising from systemic risks that cause adverse changes in i.e., profit rates, foreign exchange rates, commodity prices and equity prices and their implied volatilities.

The Bank has established a Market Risk Management framework together with risk policies, measurement methodologies and risk limits as approved by the Group Risk Management Committee ("GRMC") to manage market risk. Market risks arising from the trading activities are monitored and 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 on a regular basis. 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.

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Market Risk Factors (contd.)

(i) Profit rate risk (contd.)

	Non-Trading Book						Non-profit sensitive	Trading Book	Total
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
2026									
Assets									
Cash and short-term funds	659,448	-	-	-	-	-	64,857	-	724,305
Deposits and placements with banks and other financial institutions	-	350,893	-	-	-	-	-	-	350,893
Financial investment at fair value through other comprehensive income	264,791	234,309	172,741	126,685	1,440,217	410,965	-	-	2,649,708
Financial investment at amortised cost	300,323	-	50,322	-	621,269	450,203	(249)	-	1,421,868
Financing and advances	12,611,313	634,801	253,946	21,039	788,037	1,420,886	(4,052)*	-	15,725,970
Other financial assets**	10	12	109	1	446	82	243,226	-	243,886
Total financial assets	13,835,885	1,220,015	477,118	147,725	2,849,969	2,282,136	303,782	-	21,116,630
Liabilities									
Deposits from customers	4,082,123	2,788,368	5,297,873	2,354,879	3,481,460	-	-	-	18,004,703
Investment accounts due to designated financial institution	-	-	150,695	-	-	-	-	-	150,695
Deposits and placements of banks and other financial institutions	-	24	683	419	158,170	95,227	-	-	254,523
Derivative financial liabilities	-	-	-	-	-	-	-	793	793
Lease liabilities	42	83	126	256	524	-	-	-	1,031
Other borrowings	-	-	-	-	200,806	-	-	-	200,806
Subordinated Sukuk	-	-	-	-	331,987	-	-	-	331,987
Other financial liabilities	1	10	68	-	16,716	-	385,660	-	402,455
Total financial liabilities	4,082,166	2,788,485	5,449,445	2,355,554	4,189,663	95,227	385,660	793	19,346,993
On-balance sheet profit sensitivity gap	9,753,719	(1,568,470)	(4,972,327)	(2,207,829)	(1,339,694)	2,186,909	(81,878)	(793)	1,769,637

* Impaired financing and ECL of the Bank are classified under the non-profit sensitive column.

** Includes statutory deposits and other assets

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Market Risk Factors (contd.)

(i) Profit rate risk (contd.)

	Non-Trading Book						Non-profit sensitive	Trading Book	Total
	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			
2025									
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

41. 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 volatile 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, which are regularly revalued against current exchange rates and reported to the Management and the Board in a timely manner.

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	Pound Sterling	Total
	RM'000	RM'000	RM'000
2026			
Liabilities			
Other financial liabilities	406	385	791
Total liabilities	<u>406</u>	<u>385</u>	<u>791</u>
On-balance sheet open position	(406)	(385)	(791)
Net open position	<u>(406)</u>	<u>(385)</u>	<u>(791)</u>
2025			
Liabilities			
Other financial liabilities	152	149	301
Total liabilities	<u>152</u>	<u>149</u>	<u>301</u>
On-balance sheet open position	(152)	(149)	(301)
Net open position	<u>(152)</u>	<u>(149)</u>	<u>(301)</u>

41. 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:

	<u>Balance</u> RM'000	<u>Average</u> <u>for the year</u> RM'000	<u>Minimum</u> RM'000	<u>Maximum</u> RM'000
2026				
Government securities	(1,233)	(1,700)	(1,116)	(2,114)
Private debt securities	(326)	(532)	(270)	(686)

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

(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 applied on the profit rate gap profile from the financial position of the Bank by taking into consideration the repricing or remaining maturity of the floating and fixed rate products respectively.

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

	2026	
	- 200 bps	+ 200 bps
	Increase/(Decrease)	
	RM'000	RM'000
Impact on net profit after tax	<u>(37,869)</u>	<u>37,869</u>
Impact on equity	<u>107,399</u>	<u>(96,565)</u>

41. 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.

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

(v) Other risk measures

(i) Stress test

Stress testing is conducted by the Bank to gauge their potential vulnerability under exceptional but plausible stressed 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 financial 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") in a timely manner. 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.

41. 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:

	Up to <u>1 month</u> RM'000	>1-3 <u>months</u> RM'000	>3-6 <u>months</u> RM'000	>6-12 <u>months</u> RM'000	>1 year <u>RM'000</u>	No specific <u>maturity</u> RM'000	Total RM'000
2026							
Assets							
Cash and short-term funds	724,305	-	-	-	-	-	724,305
Deposits and placements with banks and other financial institutions	-	350,893	-	-	-	-	350,893
Financial investment at fair value through other comprehensive income	276,051	239,441	176,606	125,129	1,832,481	-	2,649,708
Financial investments at amortised cost	4,372	1,714	54,613	-	1,361,169	-	1,421,868
Financing and advances	2,203,929	717,599	316,428	42,039	12,445,975	-	15,725,970
Other financial and non-financial assets	79,542	181	268	2,140	1,033	219,117	302,281
Total assets	3,288,199	1,309,828	547,915	169,308	15,640,658	219,117	21,175,025
Liabilities							
Deposits from customers	7,561,931	2,788,368	5,297,873	2,354,879	1,652	-	18,004,703
Investment accounts due to designated financial institution	-	-	150,695	-	-	-	150,695
Deposits and placements of banks and other financial institutions	-	62	683	418	253,360	-	254,523
Derivative financial liabilities	-	793	-	-	-	-	793
Lease liabilities	42	83	126	256	524	-	1,031
Other borrowings	-	-	1,034	-	199,772	-	200,806
Subordinated Sukuk	2,441	-	119	-	329,427	-	331,987
Other financial and non-financial liabilities	346,447	22,147	9,828	9,906	31,236	-	419,564
Total liabilities	7,910,861	2,811,453	5,460,358	2,365,459	815,971	-	19,364,102
Net maturity mismatch	(4,622,662)	(1,501,625)	(4,912,443)	(2,196,151)	14,824,687	219,117	1,810,923

41. 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.)

	Up to <u>1 month</u> RM'000	>1-3 <u>months</u> RM'000	>3-6 <u>months</u> RM'000	>6-12 <u>months</u> RM'000	>1 year <u>RM'000</u>	No specific <u>maturity</u> RM'000	<u>Total</u> RM'000
2025							
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

41. 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.

	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
2026	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non derivative financial liabilities							
Deposits from customers	7,564,641	2,901,718	5,368,130	2,419,098	1,684	-	18,255,271
Investment accounts due to designated financial institution	372	757	150,434	-	-	-	151,563
Deposits and placements of banks and other financial institutions	-	24	683	418	174,854	95,220	271,199
Lease liabilities	45	90	136	271	543	-	1,085
Other borrowings	-	-	3,706	3,579	218,064	-	225,349
Subordinated Sukuk	2,885	-	4,620	7,504	353,504	-	368,513
Other financial liabilities	306,309	7,079	3,536	3,023	3,001	-	322,948
	<u>7,874,252</u>	<u>2,909,668</u>	<u>5,531,245</u>	<u>2,433,893</u>	<u>751,650</u>	<u>95,220</u>	<u>19,595,928</u>
<u>Items not recognised in the statement of financial position</u>							
Financial guarantees	6,816	15,444	18,662	33,489	17,477	-	91,888
Credit related commitments and contingencies	2,772,606	19,965	15,480	19,215	629,761	4,147	3,461,174
	<u>2,779,422</u>	<u>35,409</u>	<u>34,142</u>	<u>52,704</u>	<u>647,238</u>	<u>4,147</u>	<u>3,553,062</u>
Total financial liabilities	<u>10,653,674</u>	<u>2,945,077</u>	<u>5,565,387</u>	<u>2,486,597</u>	<u>1,398,888</u>	<u>99,367</u>	<u>23,148,990</u>
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Profit rate derivatives	-	-	(96)	(192)	(766)	-	(1,054)
Net outflow	-	-	(96)	(192)	(766)	-	(1,054)

41. 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.)

	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2025							
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
	<u>7,844,982</u>	<u>2,898,780</u>	<u>3,748,539</u>	<u>2,255,254</u>	<u>1,002,485</u>	<u>39,571</u>	<u>17,789,611</u>
<u>Items not recognised in the statement of financial position</u>							
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
	<u>2,923,592</u>	<u>39,920</u>	<u>32,521</u>	<u>54,855</u>	<u>665,579</u>	<u>6,101</u>	<u>3,722,568</u>
Total financial liabilities	<u>10,768,574</u>	<u>2,938,700</u>	<u>3,781,060</u>	<u>2,310,109</u>	<u>1,668,064</u>	<u>45,672</u>	<u>21,512,179</u>

41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(d) Operational and Shariah Non-Compliance Risk

Operational risk refers to the risk of financial loss arising from inadequate or failed internal processes, people and systems or from external events. It includes legal risk, but excludes strategic and reputational risk. It also covers Shariah non-compliance risk which arises from the Bank's failure to comply with the Shariah rules and principles as determined by the relevant Shariah advisory councils.

Governance and Oversight

The Group's operational risk governance structure is anchored on the Board and its committees, the Group Risk Management Committee (GRMC), Executive Risk Management Committee (ERMC) and Group Operational and Technology Risk Management Committee (GOTRC). The Board, through the GRMC, provides oversight of operational risk management activities, while GOTRC oversees day-to-day operational risk exposures across the Group.

Operational Risk Management Framework

The Group's Operational Risk Management (ORM) Framework, aligned with Bank Negara Malaysia and Basel requirements, outlines the processes and methodologies for identifying, assessing, measuring, controlling, and monitoring operational risk. Group Operational Risk, under Group Risk Management, develops and implements the Framework across the Bank, while business units, supported by Risk and Compliance Officers, manage their day-to-day operational and Shariah non-compliance risks.

Operational Risk Management Process

The Group's operational risk management process is reinforced through structured activities such as risk and control identification, monitoring of key risk indicators, regular reviews of policies and procedures, continuous training on operational and Shariah non-compliance risks, and the implementation of a robust business continuity management framework.

Operational and Shariah non-compliance risk management is a continuous cycle that entails analysing the Bank's risk profile, identifying control gaps, assessing potential losses, and strengthening controls to ensure effective risk mitigation.

Regulatory Capital

For operational risk capital requirements, the Bank applies BNM's prescribed Standardised Approach under the Capital Adequacy Framework (Operational Risk).

(e) Technology and Cyber Risk

Technology and Cyber Risk refer to the potential disruption, degradation, or failure of the Bank's systems, infrastructure, and digital channels, including risks arising from external cyber threats. These risks may affect service availability, system reliability, data confidentiality, and the continuity of business operations as the Bank increases its reliance on technology and digital delivery channels.

The Bank manages technology and cyber risks through established governance structures, policies, and oversight by the Board and its committees. The Bank adopts a proactive and multi-layered approach that includes ongoing monitoring of the external threat environment, periodic independent assessments of cyber resilience, regular staff awareness initiatives, and strengthened oversight of technology-related third-party arrangements.

These measures collectively support the Bank's ability to anticipate, detect, and respond to emerging risks, while reinforcing a strong risk-aware culture across the organisation. This approach complements the Bank's broader governance framework and ensures that technology and cyber risks are managed in a prudent and consistent manner.

42. CAPITAL COMMITMENTS

	2026 RM'000	2025 RM'000
Capital expenditure:		
Authorised and contracted for	-	-
Authorised and not contracted for	193	13
	<u>193</u>	<u>13</u>

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

43. 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.

44. 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:

	2026 RM'000	2025 RM'000
<u>Credit-related exposures</u>		
Direct credit substitutes [Note (a)]	91,909	87,989
Transaction-related contingent items [Note (a)]	139,598	134,999
Short-term self-liquidating trade-related contingencies	25,657	15,013
Irrevocable commitments to extend credit:		
- maturity exceeding one year	554,748	584,893
- maturity not exceeding one year	2,741,150	2,899,674
	<u>3,553,062</u>	<u>3,722,568</u>
<u>Derivative financial instruments [Note (b)]</u>		
Profit rate related contracts:		
- over one year to three years	400,000	-
	<u>3,953,062</u>	<u>3,722,568</u>

Notes:

- (a) Included in direct credit substitutes and transaction-related contingent items are financial guarantee contract of RM91,888,000 (2025: RM87,994,000).
- (b) These derivatives are valued on gross position basis and the unrealised gains or losses have been reflected in the statement of income and statement of financial position as derivatives financial assets and derivatives financial liabilities. The fair value of derivatives are disclosed under Note 7.

45. CAPITAL ADEQUACY

The capital adequacy ratio of the Bank is computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework. The Framework sets out the approach for computing regulatory ratios, as well as the levels of those ratios at which banking institutions are required to operate. The Framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. The risk-weighted asset of the Bank is computed using the Standardised Approach for credit risk and market risk, and the Standard Computation Method for operational risk.

The Bank has sufficient capital as follows:

	2026	2025
<u>Before deducting proposed dividends</u>		
CET 1 capital ratio	12.745%	13.334%
Tier 1 capital ratio	13.471%	14.146%
Total capital ratio	16.333%	17.195%
 <u>After deducting proposed dividends</u>		
CET 1 capital ratio	12.408%	12.889%
Tier 1 capital ratio	13.134%	13.701%
Total capital ratio	15.996%	16.750%

- (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:

	2026 RM'000	2025 RM'000
<u>CET I Capital</u>		
Paid-up share capital	727,065	727,065
Retained profits	1,080,535	970,783
Other reserves	135	-
FVOCI reserves	3,032	(1,112)
	<u>1,810,767</u>	<u>1,696,736</u>
Less: Regulatory adjustments		
- Intangible assets	(1,498)	(1,653)
- Deferred tax assets	(51,973)	(51,619)
- 55% of FVOCI reserves	(1,667)	-
Total CET I Capital	<u>1,755,629</u>	<u>1,643,464</u>
Additional Tier 1 Sukuk Wakalah	100,000	100,000
Total Additional Tier 1 Capital	<u>100,000</u>	<u>100,000</u>
Total Tier I Capital	<u>1,855,629</u>	<u>1,743,464</u>
<u>Tier II Capital</u>		
Subordinated Sukuk Murabahah	230,000	230,000
Expected credit losses and regulatory reserves	164,184	145,786
Total Tier II Capital	<u>394,184</u>	<u>375,786</u>
Total Capital	<u>2,249,813</u>	<u>2,119,250</u>

45. CAPITAL ADEQUACY (CONTD.)

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

	2026 RM'000	2025 RM'000
Credit risk	13,070,554	11,662,851
Market risk	791	11,851
Operational risk	703,376	650,216
Total RWA and capital requirements	<u>13,774,721</u>	<u>12,324,918</u>

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

46. 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.

47. 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.

47. 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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
2026				
Financial assets				
Financial investment at fair value through other comprehensive income				
- Money Market Instruments	-	1,339,650	-	1,339,650
- Unquoted Securities	-	1,310,058	-	1,310,058
<u>Liabilities</u>				
Derivative financial liabilities	-	793	-	793
2025				
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

There were no transfers between Level 1 and 2 of the fair value hierarchy for the Bank during the financial years ended 31 March 2026 and 31 March 2025.

47. 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 amount RM'000
	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000	
2026					
Financial assets					
Deposits and placements with banks and other financial institutions	-	350,893	-	350,893	350,893
Financial investments at amortised cost	-	1,448,598	-	1,448,598	1,421,868
Financing and advances	-	-	15,633,912	15,633,912	15,725,970
Financial liabilities					
Deposits from customers	-	18,004,723	-	18,004,723	18,004,703
Investment accounts due to designated financial institution	-	150,695	-	150,695	150,695
Deposits and placements of banks and other financial institutions	-	380,440	-	380,440	254,523
Other borrowings	-	200,806	-	200,806	200,806
Subordinated Sukuk	-	333,378	-	333,378	331,987

47. FAIR VALUE MEASUREMENTS (CONTD.)

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

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.

2025	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total 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

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.

47. 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.

48. Offsetting Financial Assets And Financial Liabilities

In accordance with MFRS 132 Financial Instruments: Presentation, the Bank reports financial assets and financial liabilities on a net basis on the statement of financial position, only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

- (i) all financial assets and liabilities that are reported net on the statement of financial position; and
- (ii) all financial assets and liabilities that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for statement of financial position netting.

(a) Financial assets

	Gross amounts of recognised financial liabilities set off in the statement of financial position	Gross amounts of recognised financial assets	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position	Cash collateral received	Net amount
	RM'000	RM'000	RM'000	Financial instruments RM'000	RM'000	RM'000
BANK						
31 March 2026						
Derivative financial assets	-	-	-	-	-	-

(b) Financial liabilities

	Gross amounts of recognised financial assets set off in the statement of financial position	Gross amounts of recognised financial liabilities	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position	Cash collateral pledged	Net amount
	RM'000	RM'000	RM'000	Financial instruments RM'000	RM'000	RM'000
BANK						
31 March 2026						
Derivative financial liabilities	(793)	-	(793)	-	-	(793)

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements, each agreement between the Bank and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

49. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

There were no significant events during the financial year ended 31 March 2026.

50. SUBSEQUENT EVENTS

There were no material events subsequent to the reporting date that require disclosure or adjustments to the financial statements.