ALLIANCE ISLAMIC BANK

THE BANK FOR LIFE™

REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

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

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ALLIANCE ISLAMIC BANK BERHAD
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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Bank for the financial year ended 31 March 2024.

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	218,444
Taxation and zakat	(56,692)
Net profit for the financial year	161,752

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 9.10 sen per share, on 414,249,197 ordinary shares amounting to approximately RM37,697,000 in respect of the financial year ended 31 March 2023, was paid on 28 June 2023.

Subsequent to the financial year end, the Directors declared a single tier interim dividend of 13.37 sen per share, on 440,139,772 ordinary shares amounting to approximately RM58,847,000 in respect of the 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 2025.

The Directors do not propose any final dividend in respect of the financial year ended 31 March 2024.

ISSUE OF SHARES AND DEBENTURES

The Bank had on 28 June 2023 increased its issued and paid up capital from RM600,000,000 (comprising 414,249,197 ordinary shares) to RM637,500,000 (comprising 440,139,772 ordinary shares) via issuance of 25,890,575 Right Issue at RM1.4484 per share to Alliance Bank Malaysia Berhad, the holding company of the Bank amounting to RM37,500,000.

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 that has arisen since the end of the financial year other than in the ordinary course of banking business.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

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

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

DIRECTORS

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

Datuk Wan Azhar Bin Wan Ahmad (Chairman)
Ibrahim Bin Hassan
Dato' Ahmad Hisham bin Kamaruddin
Rustam bin Mohd Idris
Dr John Lee Hin Hock (Appointed with effect from 1 April 2024)

DIRECTORS' REMUNERATION

Total Directors' remuneration for the current financial year amounted to RM743,000. The details of directors' remuneration are set out in Note 33 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 33 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 THE FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2024

<u>Profitability</u>
The Bank recorded a net profit after taxation of RM161.8 million for the financial year ending 31 March 2024, lower by RM0.4 million or 0.3% year-on-year (“YoY”) due to lower revenue and higher operating expenses.

Net profit income declined by RM9.7 million or 2.3% year-on-year due to higher funding costs offset by the higher financing income. Net profit margin (“NPM”) stood at 2.46%.

<u>Financing Growth</u>
The implementation of the ACCELER8 strategic plan facilitated a notable expansion in the Bank’s financing and advances, which surged by 10.7% YoY to reach RM13.8 billion. This growth was predominantly propelled by advancements in the small and medium enterprises (“SME”), Commercial and Consumer financing, which grew by 24.4%, 13.1% and 5.7% respectively.

<u>Other Operating Income</u>
The Bank reported other operating income of RM31.9 million, marking an increase of RM6.5 million or 25.7% YoY. The increase was mainly due to higher wealth management income and trade fees.

<u>Managing Operating Expenses</u>
Operating expenses saw a rise of RM23.1 million or 14.8% YoY, resulting in a cost-to-income ratio (“CIR”) of 41.1%. The Bank remains committed to prudent cost management throughout the financial year.

BUSINESS REVIEW FOR THE FYE 31 MARCH 2024 (CONTD.)

Asset Quality
The Bank's allowance for expected credit losses on financing, advances and other financial assets posted a charge of RM38.5 million, marking a decrease of RM30.2 million YoY. The net credit cost stood at 29.2 bps, while the financing loss coverage (including regulatory reserves) was at 118.0%.

The Bank will maintain a prudent approach by implementing the credit risk framework across all business lines. This involves stratifying customers based on their risk profiles and prioritizing customer interactions accordingly. Additionally, the Bank will focus on controlling credit costs through the refinement of credit policies, tightening credit underwriting standards, and intensifying collection efforts.

Healthy Funding and Liquidity Position
The Bank’s customer deposits were recorded at RM15.1 billion and maintained a high current account/savings account (“CASA”) ratio of 32.9%. The Bank’s liquidity coverage and financing-to-funds ratios stood at 143.5% and 85.9%, respectively.

Proactive Capital Management
We continue to maintain a robust and strong capital position, with the Common Equity Tier-1 (“CET 1”) ratio at 12.9%, Tier-1 Capital Ratio at 13.8% and Total Capital Ratio at 16.0%, all comfortably surpassing regulatory thresholds.

The Bank will continue to prioritise capital conservation to support future business expansion.

Additionally, for the financial year ending 31 March 2024, the Bank declared an interim dividend of 13.37 sen per share for the financial year ended 31 March 2024.

ECONOMIC AND BUSINESS OUTLOOK FOR NEXT FINANCIAL YEAR

For 2024, Bank Negara Malaysia (“BNM’’) projects Malaysia’s gross domestic product (“GDP”) growth to range between 4% and 5%, an improvement from the 3.7% growth observed in the preceding year.

We anticipate Malaysia’s economic advancement will be bolstered by sustained domestic demand, propelled by ongoing enhancements in labour market conditions and renewed governmental efforts to stimulate growth. However, we are cognisant of the uneven nature of the overall recovery, with certain sectors experiencing continued strain. Furthermore, we maintain a cautious stance regarding potential downside risks to growth stemming from external uncertainties, such as escalating geopolitical tensions.

Looking ahead to FY2025, the Bank anticipates maintaining its positive financial performance and remains committed to realising growth objectives under ACCELER8. In FY2025, our focus areas include:

i) Continuing momentum in customer acquisition through the expansion of new-to-bank acquisition channels, leveraging digital platforms, strategic partnerships, increased productivity, and branch enhancements;

ii) Deepening client wallet share post-customer acquisition by enhancing product and channel offerings for key target segments and sectors in both Consumer and Business Banking, with the aim of driving fee income. Additionally, we will seek to maximise cross-business unit collaboration to provide more comprehensive customer service; and

iii) Strengthening Islamic banking propositions to drive incremental growth, with a focus on scaling up differentiated Islamic banking solutions such as Halal-in-One to accelerate expansion.

With a focus on prudent financing growth, robust credit risk management practices, enhancement of deposit/CASA propositions, and continued investments in technology, the Bank aims to further expand its market share in FY2025.

RATING BY EXTERNAL RATING AGENCY

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

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

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

HOLDING COMPANY

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

AUDITOR'S REMUNERATION

Total auditors' remuneration for the Bank for the financial year ended 31 March 2024 is RM314,000. Details of auditor's remuneration are set out in Note 27 to the financial statements.

SHARIAH COMMITTEE

The Shariah Committee for the financial year 2023/2024 consists of 5 members appointed by the Bank's Board of Directors. The primary roles and responsibilities of the Shariah Committee are as follows:-

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

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

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

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

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

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

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

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

(i) endorsing zakat computation and distribution; and

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

ZAKAT OBLIGATION

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

SUBSEQUENT EVENTS

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

AUDITORS

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

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

Datuk Wan Azhar Bin Wan Ahmad

Ibrahim Bin Hassan

Kuala Lumpur, Malaysia
30 May 2024

ALLIANCE ISLAMIC BANK BERHAD
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STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Datuk Wan Azhar Bin Wan Ahmad and Ibrahim Bin Hassan, being two of the Directors of Alliance Islamic Bank Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 14 to 106 are drawn up so as to give a true and fair view of the financial position of the Bank as at 31 March 2024 and the financial performance of the Bank for the financial year ended 31 March 2024 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

Datuk Wan Azhar Bin Wan Ahmad

Ibrahim Bin Hassan

Kuala Lumpur, Malaysia
30 May 2024

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 14 to 106 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Ronnie Royston Fernandiz at Kuala Lumpur in the Federal Territory of Kuala Lumpur on 30 May 2024

Ronnie Royston Fernandiz
MIA Membership No. (CA 13837)

Before me,

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

SHARIAH COMMITTEE'S REPORT

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

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

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

During the period under review we had convened twelve 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 engagement sessions with the Board of Directors during the period under review.

In our opinion:

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

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

(c) The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 March 2024 that we have reviewed are in compliance with Shariah principles;

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

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

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

(i) Commodity Murabahah ("CM") Trading for a Cashline-i facility was delayed. The SNCE was due to oversight by the designated team members and dual control weakness in operations. The Bank had taken appropriate actions by performing a look back on similar accounts, enhancing the system and refunding the profit amounting to RM4,859.45 to the affected customer.

(ii) AIS House Financing Product based on Bai' Bithaman Ajil ("BBA") for Properties under Construction breached BNM Murabahah Policy Document and Circular on Implementation of SAC's Resolution on Bai 'Inah. The Bank has identified the root cause and remediation plans are in place to address the SNCE. The remediation plans are currently in progress.

Note:
A total of RM10,500,000 has been provisioned in conjunction with item f(ii) above.

SHARIAH COMMITTEE'S REPORT (CONTD.)

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 2024 had been conducted in conformity with Shariah.

Signed on behalf of the Shariah Committee

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

Professor Dr. Muhamad Rahimi bin Osman
Shariah Committee Member

30 May 2024

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 2024, 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 2024, 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 a summary of material accounting policies, as set out on pages 14 to 106.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Directors for the financial statements

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

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

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.)

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.

(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.

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

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

ONG CHING CHUAN
02907/11/2025 J
Chartered Accountant

Kuala Lumpur
30 May 2024

ALLIANCE ISLAMIC BANK BERHAD
200701018870 (776882-V)
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STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024

	Note	2024 RM'000	2023 RM'000
ASSETS			
Cash and short-term funds	3	1,315,522	1,474,713
Financial investments at fair value through other comprehensive income	4	1,818,464	1,752,388
Financial investments at amortised cost	5	813,434	596,779
Derivative financial assets	6	-	25
Financing and advances	7	13,556,542	12,149,772
Other assets	8	11,750	12,255
Statutory deposits with Bank Negara Malaysia	9	273,600	244,900
Tax recoverable		-	1,094
Right-of-use assets	10	715	266
Property, plant and equipment	11	156	150
Deferred tax assets	12	49,927	44,039
Intangible assets	13	2,153	2,045
TOTAL ASSETS		17,842,263	16,278,426
LIABILITIES AND EQUITY			
Deposits from customers	14	15,102,735	14,185,132
Deposits and placements of banks and other financial institutions	15	189,063	195,431
Derivative financial liabilities	6	-	2,496
Recourse obligation on financing sold to Cagamas	16	502,878	100,133
Lease liabilities	17	869	296
Other liabilities	18	296,185	229,039
Provision for taxation		14,607	-
Provision for zakat		917	930
Subordinated sukuk	19	232,483	232,259
TOTAL LIABILITIES		16,339,737	14,945,716
Share capital	20	637,500	600,000
Reserves	21	865,026	732,710
TOTAL EQUITY		1,502,526	1,332,710
TOTAL LIABILITIES AND EQUITY		17,842,263	16,278,426
COMMITMENTS AND CONTINGENCIES	37	3,633,360	3,492,699

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

STATEMENT OF INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

	Note	2024 RM'000	2023 RM'000
Income derived from investment of depositors' funds and others	22	810,739	698,340
Income derived from investment of shareholder's funds	23	79,722	65,464
Allowance for expected credit losses on financing, advances and other financial assets	24	(38,426)	(68,655)
(Allowance for)/write-back of expected credit losses on financial investments	25	(73)	1
Total distributable income		851,962	695,150
Income attributable to the depositors and financial institutions	26	(454,337)	(324,556)
Total net income		397,625	370,594
Other operating expenses	27	(179,181)	(156,065)
Profit before taxation		218,444	214,529
Taxation and zakat	28	(56,692)	(52,338)
Net profit for the financial year		161,752	162,191
Net profit for the financial year attributable to:			
Equity holder of the Bank		161,752	162,191
Earnings per share attributable to Equity holder of the Bank - basic/diluted (sen)	29	37.3	39.2

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

	2024 RM'000	2023 RM'000
Net profit for the financial year	161,752	162,191
Other comprehensive income/(expense):		
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/(loss) from change in fair values	12,050	(6,823)
- Realised gain transferred to statement of income on disposal	(1,277)	(1,477)
- Transfer (to)/from deferred tax	(2,585)	1,992
- Changes in expected credit losses	73	(1)
Other comprehensive income/(expense), net of tax	8,261	(6,309)
Total comprehensive income for the financial year	170,013	155,882
Total comprehensive income for the financial year attributable to:		
Equity holder of the Bank	170,013	155,882

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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

	← Non-distributable reserves →			Distributable reserves	
	Ordinary shares RM'000	Regulatory reserves RM'000	FVOCI reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2023	600,000	19,339	(13,681)	727,052	1,332,710
Net profit for the financial year	-	-	-	161,752	161,752
Other comprehensive income	-	-	8,261	-	8,261
Total comprehensive income	-	-	8,261	161,752	170,013
Transfer from regulatory reserves	-	(19,339)	-	19,339	-
Issue of ordinary shares	37,500	-	-	-	37,500
Dividend paid to shareholder (Note 30)	-	-	-	(37,697)	(37,697)
At 31 March 2024	637,500	-	(5,420)	870,446	1,502,526

	Ordinary shares RM'000	Regulatory reserves RM'000	FVOCI reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2022	600,000	-	(7,372)	668,707	1,261,335
Net profit for the financial year	-	-	-	162,191	162,191
Other comprehensive expense	-	-	(6,309)	-	(6,309)
Total comprehensive (expense)/income	-	-	(6,309)	162,191	155,882
Transfer to regulatory reserves	-	19,339	-	(19,339)	-
Dividend paid to shareholder (Note 30)	-	-	-	(84,507)	(84,507)
At 31 March 2023	600,000	19,339	(13,681)	727,052	1,332,710

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

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

	2024 RM'000	2023 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	218,444	214,529
Adjustments for:		
Accretion of discount less amortisation of premium of financial investments	(36,494)	(16,716)
Allowance for expected credit losses on financing and advances	29,212	69,232
Allowance for expected credit losses on other receivables	293	413
Allowance for/(write-back of) expected credit losses on commitments and contingencies	4,165	(382)
Allowance for/(write-back of) expected credit losses on financial investments	73	(1)
Amortisation of computer software	574	447
Depreciation of property, plant and equipment	113	130
Depreciation of right-of-use assets	688	497
Income from financial investments at amortised cost	(23,710)	(13,291)
Income from financial investments at fair value through other comprehensive income	(72,376)	(70,988)
Net gain from sale of financial assets at fair value through profit and loss	(31)	(37)
Net gain from sale of financial investments at fair value through other comprehensive income	(1,277)	(1,477)
Net loss on sale of investment amortised cost	-	1,478
Unrealised (gain)/loss from derivative financial instruments	(3,301)	2,085
Profit expense on recourse obligation on financing sold to Cagamas	14,906	6,582
Profit expense on lease liabilities	46	31
Profit expense on subordinated sukuk	11,959	12,088
Cash flows from operating activities before working capital changes	143,284	204,620
Changes in working capital:		
Deposits from customers	917,603	1,572,189
Deposits and placements of banks and other financial institutions	(6,368)	(20,801)
Financial asset at fair value through profit and loss	31	37
Financing and advances	(1,435,983)	(886,991)
Other assets	212	9,256
Other liabilities	63,928	(20,637)
Statutory deposits with Bank Negara Malaysia	(28,700)	(214,462)
Cash (used in)/generated from operating activities	(345,993)	643,211
Taxation and zakat paid	(50,424)	(56,538)
Net cash (used in)/generated from operating activities	(396,417)	586,673

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTD.)

	2024 RM'000	2023 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Income from financial investments at amortised cost	19,541	9,598
Income from financial investments at fair value through other comprehensive income	68,917	72,852
Profit income from derivative instruments	(117)	(2,181)
Additional capital injection from holding company	37,500	-
Purchase of property, plant and equipment	(124)	(82)
Proceeds from disposal of property, plant and equipment	4	-
Purchase of intangible assets	(682)	(1,048)
Purchase of:		
- financial investments at fair value through other comprehensive income	(2,669,913)	(175,000)
- financial investments at amortised cost	(264,747)	(363,978)
Redemption/disposal of:		
- financial investments at fair value through other comprehensive income	2,626,532	281,502
- financial investments at amortised cost	82,517	-
Net cash used in investing activities	(100,572)	(178,337)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholder of the company	(37,697)	(84,507)
Repayment of lease liabilities	(609)	(525)
Issuance/(repayment) of recourse obligation on financing sold to Cagamas		
- Principal	400,014	(250,026)
- Profit received	(12,175)	(6,872)
Profit expense on subordinated sukuk	(11,735)	(9,493)
Net cash generated from/(used in) financing activities	337,798	(351,423)
Net change in cash and cash equivalents	(159,191)	56,913
Cash and cash equivalents at beginning of financial year	1,474,713	1,417,800
Cash and cash equivalents at end of financial year	1,315,522	1,474,713
Cash and cash equivalents comprise the following:		
Cash and short-term funds (Note 3)	1,315,522	1,474,713

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (CONTD.)

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

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

	Recourse obligations on financing sold to Cagamas	Lease liabilities	Subordinated Sukuk	Total
	RM'000	RM'000	RM'000	RM'000
At 1 April 2022	350,449	411	229,664	580,524
Cash flow				
- Profit payment	(6,872)	-	(9,493)	(16,365)
- Repayment	(250,026)	(525)	-	(250,551)
Non-cash changes				
- Profit accrued	6,582	31	12,088	18,701
- Additions, remeasurement and termination of contracts	-	379	-	379
At 31 March 2023	100,133	296	232,259	332,688

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2024

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 May 2024.

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 34(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 34(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 overlays and post model adjustments to determine a sufficient overall level of allowance for ECL as at 31 March 2024. The basis is further disclosed in Note 34(a)(vii).

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

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Bank for the financial year beginning 1 April 2023 are as follows:

- Amendments to MFRS 101 and MFRS Practice Statement 2 on "Disclosure of Accounting Policies"
- Amendments to MFRS 108 on "Definition of Accounting Estimates"
- Amendments to MFRS 112 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

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.

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:

<u>Financial year beginning after 1 April 2024</u>

(i) Amendments to MFRS 16 "Lease Liability in a Sales and Leaseback"

The amendments specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 "Revenue from Contracts with Customers" to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

The amendments shall be applied retrospectively to sales and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

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.)

<u>Financial year beginning after 1 April 2024 (contd.)</u>

(ii) Amendments to MFRS 101 "Classification of Liabilities as Current or Non-current" ("2020 amendments")

The amendments clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A financing is classified as non-current if a covenant is breached after the reporting date.

In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), the conversion option that is not an equity instrument as defined in MFRS 132 "Financial Instruments: Presentation" is considered in the current or non-current classification of the convertible instrument.

The amendments shall be applied retrospectively.

(iii) Amendments to MFRS 101 "Non-current Liabilities with Covenants" ("2022 amendments")

The amendments specify that covenants of financing arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

The amendments shall be applied retrospectively.

<u>Financial year beginning after 1 April 2025</u>

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

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

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

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(b) Intangible Assets: Computer Software

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

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

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

(c) Property, Plant and Equipment and Depreciation

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

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

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

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(d) Financial Assets

(i) Classification

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

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

Business model assessment

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

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

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

In applying the SPPI test, the Bank consider 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 introduct 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 statements of income or statements 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 assets 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 classify 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 classify 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 settle 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 solely payment of principal and interest (“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 is 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 is not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as amount due to Cagamas Berhad.

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

(e) Derivative Financial Instrument and Hedge Accounting

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

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

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

Derivatives that qualify for hedge accounting are designated as either:

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

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

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

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

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

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

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

(i) Fair Value Hedge

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

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

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

(ii) Cash Flow Hedge

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

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

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

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects the statements 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 statements of income.

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(f) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(g) Other Assets

Other receivables, deposits and amount due from related party 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 34.

(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 conculded 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 is 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 statements 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 statements 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 and computer software 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 statements of income, but are transferred to retained earnings when realised.

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

(j) Repurchase Agreements

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

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

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(k) Bills and Acceptances Payable

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

(l) Subordinated Sukuk

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

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

(m) Provisions

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

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

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

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

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(n) Leases

Lease in which the Bank is a Lessee

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

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Bank are 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 reassess 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.)

<u>Lease in which the Bank is a Lessee (contd.)</u>

(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 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

Finance 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 statements 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 statements 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 statements 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 statements 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 maturity within one month that are readily convertible into cash with insignificant risk of changes in value.

(w) Employee Benefits

(i) Short-Term Employee Benefits

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

(ii) Defined Contribution Plans

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

2. MATERIAL ACCOUNTING POLICIES (CONTD.)

(x) Contingent Assets and Contingent Liabilities

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

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

(y) Financial Guarantee Contracts

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

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

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

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

3. CASH AND SHORT-TERM FUNDS

	2024 RM'000	2023 RM'000
Cash and balances with banks and other financial institutions	40,820	39,824
Money at call and deposit placements maturing within one month	1,274,702	1,434,889
	1,315,522	1,474,713

4. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 RM'000	2023 RM'000
At fair value - debt instruments		
Money market instruments:		
Malaysian Government investment issues	701,076	454,512
	701,076	454,512
Unquoted securities:		
Sukuk	1,117,388	1,297,876
	1,117,388	1,297,876
Total financial investments at FVOCI	1,818,464	1,752,388

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 2023	136	-	136
Transfer to Stage 2	(2)	4	2
New financial assets originated or purchased	74	-	74
Financial assets derecognised other than write-off	(18)	-	(18)
Changes due to change in credit risk	15	-	15
Total charge to income statement	69	4	73
At 31 March 2024	205	4	209

	12-month ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Total RM'000
At 1 April 2022	137	-	137
New financial assets originated or purchased	39	-	39
Financial assets derecognised other than write-off	(4)	-	(4)
Changes due to change in credit risk	(36)	-	(36)
Total write-back from income statement	(1)	-	(1)
At 31 March 2023	136	-	136

Notes:

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

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

5. FINANCIAL INVESTMENTS AT AMORTISED COST

	2024 RM'000	2023 RM'000
At amortised cost		
Money market instruments:		
Malaysian Government investment issues	656,884	440,246
	656,884	440,246
Unquoted securities:		
Sukuk	156,550	156,533
	156,550	156,533
Total financial investments at amortised cost	813,434	596,779

Movements in allowance for expected credit losses are as follows:

	12-Month ECL (Stage 1)	
	2024 RM'000	2023 RM'000
At 1 April	-	-
New financial investments originated or purchased	-	412
Changes due to change in credit risk	-	(412)
Total write-back from income statement	-	-
At 31 March	-	-

Notes:

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

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

6. DERIVATIVE FINANCIAL ASSETS/(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 34.

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.

6. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONTD.)

	As at 2024			As at 2023		
		Fair value			Fair value	
	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000
Hedging derivatives						
Profit rate related contracts:						
Profit rate swaps						
- over three years	-	-	-	298,000	25	(2,496)
Total derivatives assets/(liabilities)	-	-	-	298,000	25	(2,496)

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 income statement 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.

During the financial year, the Bank has fully designated the fair value hedge due to change in risk management objective.

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

31 March 2024	Nominal amount RM'000	Fair value Assets 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 fixed profit rate %
Profit rate risk							
Profit rate swaps	-	-	-	-	-	Three years to five years	0.00%

31 March 2023	Nominal amount RM'000	Fair value Assets 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 fixed profit rate %
Profit rate risk							
Profit rate swaps	298,000	25	(2,496)	(2,568)	-	Three years to five years	3.86%

6. DERIVATIVE FINANCIAL ASSETS/(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 ("SOFP") for any hedged items that have ceased to be adjusted for hedging gains and losses RM'000
31 March 2024					
Hedged items					
Debt instruments	Financial investments at fair value through other comprehensive income	-	-	-	-

	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 ("SOFP") for any hedged items that have ceased to be adjusted for hedging gains and losses RM'000
31 March 2023					
Hedged items					
Debt instruments	Financial investments at fair value through other comprehensive income	294,198	2,568	2,568	-

7. FINANCING AND ADVANCES

By types and Shariah concepts:

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

7. FINANCING AND ADVANCES (CONTD.)

By types and Shariah concepts (contd.):

	Notes	Bai` Bithaman Ajil RM'000	Tawarruq RM'000	Al-Ijarah Thumma Al-Bai`/ AITAB RM'000	Murabahah RM'000	Qard RM'000	Bai` Al-Dayn RM'000	Bai` `Inah RM'000	Total Financing and Advances RM'000
31 March 2023									
At amortised cost									
Cash line financing		20,645	1,252,583	-	-	15,914	-	-	1,289,142
Term financing									
- Housing financing		3,435,891	-	-	-	-	-	-	3,435,891
- Hire purchase receivables	(a)	-	-	75,920	-	-	-	-	75,920
- Other term financing		1,824,420	4,323,089	-	-	-	-	82,892	6,230,401
Bills receivables		-	-	-	17,047	-	-	-	17,047
Trust receipts		-	-	-	53,379	-	-	-	53,379
Claims on customers under acceptance credits		-	-	-	857,059	-	110,340	-	967,399
Staff financing (including financing to Directors of RM Nil)		11,560	-	-	-	-	-	-	11,560
Revolving credits	(b)	52,703	362,621	-	-	-	-	-	415,324
Gross financing and advances		5,345,219	5,938,293	75,920	927,485	15,914	110,340	82,892	12,496,063
Add : Sales commission and handling fees									70,120
Less: Allowance for expected credit losses on financing and advances									(416,411)
Total net financing and advances									12,149,772

Notes:

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

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

7. FINANCING AND ADVANCES (CONTD.)

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

	2024 RM'000	2023 RM'000
At 1 April	15,914	25,947
Sources of Qard fund:		
- Shareholders' fund	9,391	37,385
Uses of Qard fund:		
- Purchase of landed property - Residential	(987)	(687)
- Personal use	(5,353)	(10,457)
- Working capital	(8,587)	(21,274)
- Other	-	(15,000)
At 31 March	10,378	15,914

(ii) By maturity structure:

	2024 RM'000	2023 RM'000
Within one year	2,957,247	2,788,909
One year to three years	529,086	360,815
Three years to five years	772,588	997,929
Over five years	9,576,699	8,348,410
Gross financing and advances	13,835,620	12,496,063

(iii) By type of customers:

	2024 RM'000	2023 RM'000
Domestic non-bank financial institutions	287,152	118,521
Domestic business enterprises		
- Small and medium enterprises	5,364,013	4,530,060
- Others	1,385,919	1,417,081
Individuals	6,717,958	6,347,558
Other domestic entities	9,446	10,804
Foreign entities	71,132	72,039
Gross financing and advances	13,835,620	12,496,063

(iv) By profit rate sensitivity:

	2024 RM'000	2023 RM'000
Fixed rate		
- Housing financing	14,127	16,044
- Hire purchase receivables	50,890	75,920
- Other fixed rate financing	3,057,175	2,609,910
Variable rate		
- Base financing rate plus	6,212,666	5,505,893
- Base rate plus	3,631,417	3,444,162
- Cost plus	869,345	844,134
Gross financing and advances	13,835,620	12,496,063

7. FINANCING AND ADVANCES (CONTD.)

(v) By economic purposes:

	2024 RM'000	2023 RM'000
Purchase of transport vehicles	64,574	88,027
Purchase of landed property	6,033,607	5,434,296
of which: - Residential	*3,608,324*	*3,489,110*
- Non-residential	*2,425,283*	*1,945,186*
Purchase of fixed assets excluding land and buildings	56,926	64,717
Personal use	3,200,974	2,924,093
Construction	223,246	166,561
Working capital	3,306,868	2,905,979
Others	949,425	912,390
Gross financing and advances	13,835,620	12,496,063

(vi) By economic sectors:

	2024 RM'000	2023 RM'000
Primary agriculture	452,817	424,186
Mining and quarrying	17,401	23,372
Manufacturing	1,521,352	1,338,633
Electricity, gas and water	17,106	12,717
Construction	534,350	433,063
Wholesale, retail trade, restaurants and hotels	2,589,317	2,213,570
Transport, storage and communication	230,726	210,172
Financing, insurance, real estate and business services	1,542,555	1,307,586
Community, social and personal services	140,907	113,167
Household	6,789,089	6,419,597
Gross financing and advances	13,835,620	12,496,063

(vii) By geographical distribution:

	2024 RM'000	2023 RM'000
Northern region	1,754,667	1,466,426
Central region	9,163,109	8,276,022
Southern region	1,373,354	1,344,449
Sabah region	1,226,464	1,092,768
Sarawak region	318,026	316,398
Gross financing and advances	13,835,620	12,496,063

7. FINANCING AND ADVANCES (CONTD.)

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

	2024 RM'000	2023 RM'000
At 1 April	352,834	278,334
Impaired during the financial year	474,943	413,169
Reclassified as unimpaired during the financial year	(329,474)	(186,506)
Recovered during the financial year	(26,243)	(21,169)
Financial assets derecognised other than write-off during the financial year	(48,825)	(27,056)
Amount written-off	(107,777)	(103,938)
At 31 March	315,458	352,834

	2024	2023
Gross impaired financing ratio	2.28%	2.82%
Net impaired financing ratio	1.45%	1.80%

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 RM107,777,000 (2023: RM103,938,000) 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:

	2024 RM'000	2023 RM'000
Purchase of transport vehicles	1,661	2,530
Purchase of landed property	153,615	165,449
of which: - Residential	*127,940*	*146,275*
- Non-residential	*25,675*	*19,174*
Purchase of fixed assets excluding land & buildings	157	689
Personal use	122,540	143,531
Working capital	26,511	35,226
Others	10,974	5,409
Gross impaired financing and advances	315,458	352,834

7. FINANCING AND ADVANCES (CONTD.)

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

	2024 RM'000	2023 RM'000
Primary agriculture	1,736	1,242
Manufacturing	21,786	9,577
Construction	11,065	13,229
Wholesale, retail trade, restaurants and hotels	19,951	28,444
Transport, storage and communication	977	1,139
Financing, insurance, real estate and business services	1,703	829
Community, social and personal services	4,887	4,592
Household	253,353	293,782
Gross impaired financing and advances	315,458	352,834

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

	2024 RM'000	2023 RM'000
Northern region	40,720	34,375
Central region	224,455	249,617
Southern region	30,273	50,768
Sabah region	18,773	17,482
Sarawak region	1,237	592
Gross impaired financing and advances	315,458	352,834

7. FINANCING AND ADVANCES (CONTD.)

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

	12-month ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Lifetime ECL Credit impaired (Stage 3) RM'000	Total RM'000
At 1 April 2023	66,042	219,623	130,746	416,411
Transfer to Stage 1	55,837	(129,516)	(21)	(73,700)
Transfer to Stage 2	(48,660)	213,385	(80,578)	84,147
Transfer to Stage 3	(829)	(119,777)	136,789	16,183
New financial assets originated or purchased	41,599	25,935	3,940	71,474
Financial assets derecognised other than write-off	(13,429)	(41,479)	(11,148)	(66,056)
Changes due to change in credit risk	(10,954)	(655)	8,773	(2,836)
	23,564	(52,107)	57,755	29,212
Unwinding of discount	-	-	8,326	8,326
Total charge to /(write-back from) income statement	23,564	(52,107)	66,081	37,538
Write-off	-	(1,669)	(80,103)	(81,772)
At 31 March 2024	89,606	165,847	116,724	372,177
At 1 April 2022	96,075	188,675	124,106	408,856
Transfer to Stage 1	70,822	(113,379)	(144)	(42,701)
Transfer to Stage 2	(90,241)	212,062	(47,216)	74,605
Transfer to Stage 3	(1,210)	(107,216)	119,127	10,701
New financial assets originated or purchased	23,193	23,457	4,813	51,463
Financial assets derecognised other than write-off	(16,177)	(26,284)	(7,304)	(49,765)
Changes due to change in credit risk	(16,420)	43,953	(2,604)	24,929
	(30,033)	32,593	66,672	69,232
Unwinding of discount	-	-	(1,384)	(1,384)
Total (write-back from)/charge to income statement	(30,033)	32,593	65,288	67,848
Other movements	-	-	23,458	23,458
Write-off	-	(1,645)	(82,106)	(83,751)
At 31 March 2023	66,042	219,623	130,746	416,411

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

7. FINANCING AND ADVANCES (CONTD.)

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

Impact of movements in gross carrying amount on expected credit losses

2024

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

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

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

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

2023

Stage 1 expected credit losses ("ECL") for the Bank decreased by RM30.0 million as a result of financing and advances that were fully repaid, having movement in the existing account balances during the financial year, accounts closed or migrated to Stage 2 or Stage 3 due to deterioration in credit quality. The decrease was partly offset by newly originated financing and advances, and the migration to Stage 1 from Stage 2 or Stage 3 due to the improvement in credit quality.

Stage 2 ECL increased by RM30.9 million, as a result of financing and advances migrated from Stage 1 into Stage 2, which were mainly due to the increase in credit risk observed on certain segments such as Personal Financing and Mortgages. The increase was partly offset by repayment, 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 RM6.6 million, as a result of financing and advances migrated to Stage 3 from Stage 1 and Stage 2 as a result of deterioration in credit quality. The increase was partly offset by the accounts written off mainly from personal financing segment, and migration of Stage 3 to Stage 1 or Stage 2 due to improvement in credit quality or account fully repaid.

Total ECL movements in 2023 is also affected by the changes in forward-looking economic inputs and the reversal of the pre-emptive overlay provisions from the estimated impacts of the COVID-19 pandemic. The overlays have been applied to determine a sufficient overall level of ECL. These overlays were taken to reflect the potential impact to delinquencies and defaults arising from escalation of credit risk.

8. OTHER ASSETS

	2024 RM'000	2023 RM'000
Other receivables	8,627	7,287
Deposits	93	93
Prepayment	5,717	7,269
	14,437	14,649
Less:		
Allowance for expected credit losses on other receivables [Note]	(2,687)	(2,394)
	11,750	12,255

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

	Lifetime ECL 2024 RM'000	Lifetime ECL 2023 RM'000
At 1 April	2,394	1,747
Effect of business transfer	-	454
New financial assets originated or purchased	1,004	1,050
Financial assets derecognised other than write-off	(1,340)	(1,741)
Changes due to change in credit risk	629	1,104
Total charge to income statement	293	413
Write-off	-	(220)
At 31 March	2,687	2,394

As at 31 March 2024, the Bank's gross exposure of other receivables that are under lifetime expected credit losses was at RM2,687,000 (2023: RM2,394,000).

9. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

Non-profit bearing statutory deposits for the Bank of RM273,600,000 (2023: RM244,900,000) is maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amount of which are determined as a set percentage of total eligible liabilities.

10. RIGHT-OF-USE ASSETS

	Premises 2024 RM'000	Premises 2023 RM'000
COST		
At 1 April	1,980	1,601
Remeasurement	1,136	379
At 31 March	3,116	1,980
ACCUMULATED DEPRECIATION		
At 1 April	1,714	1,217
Charge for the financial year	687	497
At 31 March	2,401	1,714
NET CARRYING AMOUNT	715	266

11. PROPERTY, PLANT AND EQUIPMENT

	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Total RM'000
2024				
COST				
At 1 April 2023	1,171	110	354	1,635
Additions	3	10	111	124
Disposal	-	-	(5)	(5)
Written-off	(63)	-	(18)	(81)
At 31 March 2024	1,111	120	442	1,673
ACCUMULATED DEPRECIATION				
At 1 April 2023	1,153	62	270	1,485
Charge for the financial year	14	16	84	114
Disposal	-	-	(1)	(1)
Written-off	(63)	-	(18)	(81)
At 31 March 2024	1,104	78	335	1,517
NET CARRYING AMOUNT	7	42	107	156
2023				
COST				
At 1 April 2022	1,167	78	308	1,553
Additions	4	32	46	82
At 31 March 2023	1,171	110	354	1,635
ACCUMULATED DEPRECIATION				
At 1 April 2022	1,105	54	196	1,355
Charge for the financial year	48	8	74	130
At 31 March 2023	1,153	62	270	1,485
NET CARRYING AMOUNT	18	48	84	150

12. DEFERRED TAX

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

	2024 RM'000	2023 RM'000
Deferred tax assets, net	49,927	44,039

	2024 RM'000	2023 RM'000
Movements on deferred tax:		
At 1 April	44,039	41,558
Recognised in statement of income (Note 28)	8,473	489
Recognised in equity	(2,585)	1,992
At 31 March	49,927	44,039

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

	2024 RM'000	2023 RM'000
Deferred tax assets	50,163	44,221
Deferred tax liabilities	(236)	(182)
	49,927	44,039

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

Deferred tax assets/(liabilities)	Allowance for expected credit losses RM'000	Other liabilities RM'000	Leases RM'000	Fair Value Hedge Reserve RM'000	Financial investments at fair value through other comprehensive income RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 April 2023	35,120	4,725	13	616	3,747	(182)	44,039
Recognised in statement of income	6,349	2,148	30	-	-	(54)	8,473
Recognised in equity	-	-	-	228	(2,813)	-	(2,585)
At 31 March 2024	41,469	6,873	43	844	934	(236)	49,927
At 1 April 2022	33,108	6,190	12	-	2,371	(123)	41,558
Recognised in statement of income	2,012	(1,465)	1	-	-	(59)	489
Recognised in equity	-	-	-	616	1,376	-	1,992
At 31 March 2023	35,120	4,725	13	616	3,747	(182)	44,039

Note:
Other liabilities include provisions and deferred income.

13. INTANGIBLE ASSETS

	2024 RM'000	2023 RM'000
Computer software		
Cost		
At 1 April	4,679	3,631
Additions	682	1,048
Written-off	(172)	-
At 31 March	5,189	4,679
Accumulated amortisation		
At 1 April	2,634	2,187
Charge for the financial year	574	447
Written-off	(172)	-
At 31 March	3,036	2,634
Net carrying amount	2,153	2,045

14. DEPOSITS FROM CUSTOMERS

(i) By type of deposits:

	2024 RM'000	2023 RM'000
Demand deposits		
- Qard	4,143,573	3,988,431
- Tawarruq	452,317	313,943
Savings deposits		
- Qard	370,352	402,711
- Tawarruq	6,980	5,108
Term deposits		
- Tawarruq	8,698,901	7,439,686
- Negotiable Islamic Debt Certificate		
- Bai' Inah	211,862	203,373
- Money market deposits		
- Tawarruq	1,105,821	1,713,208
- Other deposits		
- Mudharabah	59,338	59,584
- Wakalah	31,516	32,049
- Qard	22,075	27,039
	15,102,735	14,185,132

14. DEPOSITS FROM CUSTOMERS (CONTD.)

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

	2024 RM'000	2023 RM'000
Due within six months	8,397,566	6,701,955
Six months to one year	1,261,319	2,312,160
One year to three years	470,628	257,450
Three years to five years	-	203,374
	10,129,513	9,474,939

(iii) By type of customers:

	2024 RM'000	2023 RM'000
Domestic financial institutions	211,862	203,391
Domestic non-bank financial institutions	1,685,184	1,968,705
Government and statutory bodies	1,555,505	1,692,549
Business enterprises	4,815,602	4,435,343
Individuals	6,100,219	5,574,302
Foreign entities	146,885	102,047
Others	587,478	208,795
	15,102,735	14,185,132

15. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2024 RM'000	2023 RM'000
Non-Mudharabah Fund		
Licensed investment banks	-	11,561
Bank Negara Malaysia	189,063	183,870
	189,063	195,431

16. RECOURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS

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

17. LEASE LIABILITIES

	2024 RM'000	2023 RM'000
At 1 April	296	411
Profit expense	46	31
Lease payment	(609)	(525)
Remeasurement	1,136	379
At 31 March	869	296

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

18. OTHER LIABILITIES

	2024 RM'000	2023 RM'000
Other payables [Note (a)]	127,744	130,009
Bills payable	16,897	7,311
Clearing account	34,331	32,041
Sundry deposits	7,066	8,814
Provision and accruals	15,736	8,639
Amount due to holding company	83,606	37,702
Amount due to related company	3,712	1,596
Allowance for expected credit losses on commitments and contingencies [Note (b)]	7,093	2,927
	296,185	229,039

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 RM10,500,000 related to the financing income for this product which would need to be purified.

18. OTHER LIABILITIES (CONTD.)

Notes (contd.):

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

	12-month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
At 1 April 2023	693	2,011	223	2,927
Transfer to Stage 1	177	(1,798)	-	(1,621)
Transfer to Stage 2	(155)	2,197	(107)	1,935
Transfer to Stage 3	-	(151)	876	725
New financial assets originated or purchased	1,540	821	-	2,361
Financial assets derecognised other than write-off	(573)	(4,480)	(474)	(5,527)
Changes due to change in credit risk	549	5,972	(229)	6,292
Other adjustments	1	(1)	-	-
	1,539	2,560	66	4,165
Unwinding of discount	-	-	1	1
Total charge to income statement	1,539	2,560	67	4,166
At 31 March 2024	2,232	4,571	290	7,093
At 1 April 2022	1,174	2,135	5	3,314
Transfer to Stage 1	60	(1,081)	-	(1,021)
Transfer to Stage 2	(60)	1,732	(105)	1,567
Transfer to Stage 3	-	(60)	429	369
New financial assets originated or purchased	787	543	-	1,330
Financial assets derecognised other than write-off	(528)	(1,111)	(1,415)	(3,054)
Changes due to change in credit risk	(741)	(149)	1,314	424
Other adjustments	1	2	-	3
	(481)	(124)	223	(382)
Unwinding of discount	-	-	(5)	(5)
Total (write-back from)/charge to income statement	(481)	(124)	218	(387)
At 31 March 2023	693	2,011	223	2,927

Notes:

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

(ii) As at 31 March 2024, the Bank's gross exposures of commitments and contingencies that are credit impaired was at RM1,422,000 (2023: RM584,000).

19. SUBORDINATED SUKUK

	Note	2024 RM'000	2023 RM'000
Subordinated Sukuk			
RM130 million Subordinated Sukuk Murabahah	(a)	132,441	132,409
RM100 million Additional Tier I Sukuk Wakalah	(b)	-	99,850
RM100 million Additional Tier I Sukuk Wakalah	(c)	100,042	-
		232,483	232,259

Notes:

RM800.0 million Tier 2 Subordinated Sukuk Murabahah Programme

	Issuance Date	Principal	Maturity Date	Call Date	Profit Rate	Profit Payment
(a)	29 April 2022	RM130 million	29 April 2032	29 April 2027	4.45% per annum	Accrued and payable semi-annually in arrears

RM2.5 billion Perpetual Sukuk Programme

	Issuance Date	Principal	Maturity Date	Call Date	Profit Rate	Profit Payment
(b)	29 March 2019	RM100 million	Perpetual non-callable five (5) years	29 March 2024	5.95% per annum	Accrued and payable semi-annually in arrears
(c)	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

The Bank had on 29 March 2024 completed the following transactions:

(i) Fully redeemed its RM100.0 million Basel III-compliant Islamic AT1 Sukuk Wakalah ("AT1 Sukuk") that was issued on 29 March 2019 under the AISB's RM2.5 billion Sukuk Programme; and

(ii) Issuance of RM100.0 million AT1 Sukuk in nominal value pursuant to AISB's existing Sukuk Programme.

20. SHARE CAPITAL

	2024 Number of ordinary shares '000	2024 RM'000	2023 Number of ordinary shares '000	2023 RM'000
Ordinary shares issued and fully paid:				
At 1 April /31 March ordinary shares with no-par value	440,140	637,500	414,249	600,000

21. RESERVES

	Note	2024 RM'000	2023 RM'000
Non-distributable:			
Regulatory reserves	(a)	-	19,339
FVOCI reserves	(b)	(5,420)	(13,681)
Distributable:			
Retained profits		870,446	727,052
		865,026	732,710

21. RESERVES (CONTD.)

Notes:

(a) Regulatory reserves represent the Bank's compliance with BNM Revised Policy Documents in Financial Reporting and Financial Reporting for Islamic Banking Institutions effective 1 January 2018 whereby the Bank must maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

(b) 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.

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

	2024 RM'000	2023 RM'000
Income derived from investment of :		
(i) Term deposits	522,993	420,010
(ii) Other deposits	287,746	278,330
	810,739	698,340

(i) Income derived from investment of term deposits:

	2024 RM'000	2023 RM'000
Finance income and hibah		
Financing and advances	407,896	327,673
Financial investments at fair value through other comprehensive income	42,508	39,036
Financial investments at amortised cost	13,926	7,309
Money at call and deposit placements with financial institutions	18,499	22,854
	482,829	396,872
Accretion of discount less amortisation of premium	21,434	9,192
Total finance income and hibah	504,263	406,064
Other operating income		
- Fee income	17,379	14,812
- Investment gain/(loss)	305	(1,249)
- Other income	1,046	383
	522,993	420,010

Note:

Included in financing income earned on financing and advances for the current financial year is financing accrued on impaired financing of the Bank amounting to RM1,416,000 (2023: RM1,493,000).

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

(ii) Income derived from investment of other deposits:

	2024 RM'000	2023 RM'000
Finance income and hibah		
Financing and advances	224,421	217,141
Financial investments at fair value through other comprehensive income	23,388	25,868
Financial investments at amortised cost	7,661	4,843
Money at call and deposit placements with financial institutions	10,178	15,145
	265,648	262,997
Accretion of discount less amortisation of premium	11,793	6,091
Total finance income and hibah	277,441	269,088
Other operating income		
- Fee income	9,562	9,815
- Investment gain/(loss)	168	(827)
- Other income	575	254
	287,746	278,330

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 RM779,000 (2023: RM989,000).

23. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	2024 RM'000	2023 RM'000
Finance income and hibah		
Financing and advances	62,177	51,072
Financial investments at fair value through other comprehensive income	6,480	6,084
Financial investments at amortised cost	2,123	1,139
Money at call and deposit placements with financial institutions	2,820	3,562
	73,600	61,857
Accretion of discount less amortisation of premium	3,267	1,433
Total finance income and hibah	76,867	63,290
Other operating income		
- Fee income	2,649	2,309
- Investment gain/(loss)	46	(195)
- Other income	160	60
	79,722	65,464

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 RM216,000 (2023: RM233,000).

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

	2024 RM'000	2023 RM'000
Allowance for expected credit losses on:		
(a) Financing and advances		
- Allowance made during the financial year	29,212	69,232
(b) Credit impaired on financing and advances		
- Recovered during the financial year	(23,725)	(23,960)
- Write-off during the financial year	28,481	23,352
(c) Commitments and contingencies on financing and advances		
- Allowance made/(write-back) during the financial year	4,165	(382)
	38,133	68,242
Allowance for expected credit losses on other receivables	293	413
	38,426	68,655

25. ALLOWANCE FOR/(WRITE-BACK OF) EXPECTED CREDIT LOSSES ON FINANCIAL INVESTMENTS

	2024 RM'000	2023 RM'000
Allowance for/(write-back of) expected credit losses on:		
- Financial investments at fair value through other comprehensive income	73	(1)
	73	(1)

26. INCOME ATTRIBUTABLE TO THE DEPOSITORS AND FINANCIAL INSTITUTIONS

	2024 RM'000	2023 RM'000
Deposits from customers:		
- Mudharabah fund	1,748	1,474
- Non-Mudharabah fund	425,265	303,508
Deposits and placements of banks and other financial institutions:		
- Non-Mudharabah fund	413	873
Recourse obligations on financing sold to Cagamas	14,906	6,582
Subordinated Sukuk Murabahah	11,959	12,088
Lease liabilities	46	31
	454,337	324,556

27. OTHER OPERATING EXPENSES

	2024 RM'000	2023 RM'000
Personnel costs		
- Salaries, allowances and bonuses	96,115	78,404
- Contribution to EPF	15,536	12,554
- Others	8,798	8,915
	120,449	99,873
Establishment costs		
- Depreciation on property, plant and equipment	113	130
- Depreciation on right-of-use assets	688	497
- Amortisation of computer software	574	447
- Rental	120	344
- Repairs and maintenance	1,769	1,447
- Water and electricity	1,361	1,134
- Information technology expenses	28,663	25,614
- Others [Note (a)]	1,244	1,907
	34,532	31,520
Marketing expenses		
- Promotion and advertisement	1,555	3,766
- Branding and publicity	3,873	1,806
- Others	1,139	959
	6,567	6,531
Administration and general expenses		
- Communication expenses	2,072	2,092
- Printing and stationeries	348	259
- Insurance	3,953	3,571
- Professional fees	8,549	8,019
- Others	2,711	4,200
	17,633	18,141
Total other operating expenses	179,181	156,065

Included in the other operating expenses are the Shariah Committee members' remuneration of RM463,500 (2023: RM381,000).

27. 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:

	2024 RM'000	2023 RM'000
Sharing of Other Operating Expenses		
Personnel costs		
- Salaries, allowances and bonuses	82,687	68,233
- Contribution to EPF	13,452	10,822
- Others	7,684	7,722
	103,823	86,777
Establishment costs		
- Rental	120	344
- Repairs and maintenance	1,720	1,420
- Water and electricity	1,332	1,108
- Information technology expenses	28,254	25,023
- Others [Note (a)]	1,244	1,907
	32,670	29,802
Marketing expenses		
- Promotion and advertisement	222	2,905
- Branding and publicity	3,694	1,128
- Others	1,018	896
	4,934	4,929
Administration and general		
- Communication expenses	1,346	1,200
- Printing and stationeries	257	190
- Professional fees	4,439	4,433
- Others	436	2,340
	6,478	8,163
Total sharing of other operating expenses	147,905	129,671

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

Included in the other operating expenses are the following:

	2024 RM'000	2023 RM'000
Auditors' remuneration		
- Statutory audit fees	207	161
- Audit related services	89	258
- Tax compliance works	14	14
- Tax related services	4	9

28. TAXATION AND ZAKAT

	2024 RM'000	2023 RM'000
Income tax:		
Current financial year	64,750	56,527
Under/(over) provision in prior years	135	(3,700)
	64,885	52,827
Deferred tax (Note 12)		
Current financial year	(8,152)	(3,133)
(Over)/under provision in prior years	(321)	2,644
	(8,473)	(489)
Tax expense for the financial year	56,412	52,338
Zakat	280	-
	56,692	52,338

Income tax is calculated at the Malaysian statutory tax rate of 24% (2023: 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:

	2024 RM'000	2023 RM'000
Profit before taxation	218,444	214,529
Taxation at Malaysian Statutory Tax rate of 24% (2023: 24%)	52,427	51,487
Expenses not deductible for tax purposes	4,171	1,907
Over provision of tax expense in prior years	(186)	(1,056)
Tax expense for the financial year	56,412	52,338

29. 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.

	2024	2023
Net profit for the financial year attributable to equity holder of the Bank (RM'000)	161,752	162,191
Weighted average numbers of ordinary shares in issue ('000)	433,915	414,249
Basic/diluted earnings per share (sen)	37.3	39.2

30. DIVIDENDS

	Dividend in respect of financial year	
	2024	2023
	RM'000	RM'000
Recognised during the financial year:		
First interim dividend		
10.42 sen per share on 414,249,197 ordinary shares, declared in financial year ending 31 March 2023, was paid on 15 December 2022.	-	43,165
Second interim dividend		
9.98 sen per share on 414,249,197 ordinary shares, declared in financial year ending 31 March 2022, was paid on 16 June 2022.	-	41,342
9.10 sen per share on 414,249,197 ordinary shares, declared in financial year ending 31 March 2023, was paid on 28 June 2023.	37,697	-

Subsequent to the financial year end, the Directors declared a single tier interim dividend of 13.37 sen per share, on 440,139,772 ordinary shares amounting to approximately RM58,847,000 in respect of the 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 2025.

31. 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.

	2024 RM'000	2023 RM'000
(a) Transactions		
Commission paid		
- related companies	33,602	24,817
Other operating (expense)/income		
- holding company	(75)	(2,004)
- related companies	-	13
Finance expenses		
- holding company	(5,801)	(5,899)
- related companies	(121)	(247)
- key management personnel	(201)	(70)
Other operating expenses (sharing of expenses)		
- holding company	(146,157)	(129,687)
- related companies	(1,764)	-
Dividend paid		
- holding company	(37,697)	(84,507)

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

(b) Balances

	2024 RM'000	2023 RM'000
Financing and advances		
- key management personnel	1,460	1,007
Other assets		
- holding company	-	617
Deposits from customers		
- holding company	(211,862)	(203,374)
- key management personnel	(6,076)	(3,058)
Deposits and placements of banks and other financial institutions		
- related companies	-	(11,561)
Subordinated Sukuk		
- holding company	(132,441)	(132,409)
Lease liabilities		
- holding company	(609)	(526)
Other liabilities		
- holding company	(83,606)	(50,991)
- related companies	(3,713)	(1,596)

(c) Compensation of key management personnel

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

	2024 RM'000	2023 RM'000
CEO and other key management:		
- Salary and other remuneration	4,761	4,669
- Contribution to EPF	708	675
- Benefits-in-kind	4	3
	5,473	5,347
Non-Executive Directors:		
- Fees Payable	570	570
- Allowances	173	252
	743	822
Included in the total key management personnel are:		
CEO and Non-Executive Directors' remuneration, excluding past Non-Executive Directors (Note 33)	2,291	2,460

31. 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:

	2024				2023			
	Number	Unrestricted RM'000	Number	Deferred RM'000	Number	Unrestricted RM'000	Number	Deferred RM'000
Fixed remuneration								
Cash		5,003		-		4,481		-
Variable remuneration								
Cash	7	1,013	2	200	6	1,558	1	130
		6,016		200		6,039		130

32. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	2024 RM'000	2023 RM'000
Outstanding credit exposures with connected parties	62,444	115,408
of which:		
Total credit exposure which is impaired or in default	-	194
Total credit exposures	19,029,145	17,362,764
Percentage of outstanding credit exposures to connected parties:		
- as a proportion of total credit exposures	0.33%	0.66%
- 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.

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

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

33. 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:

	2024 RM'000	2023 RM'000
Chief Executive Officer:		
- Salary and other remuneration	1,060	984
- Bonuses	293	451
- Contribution to EPF	195	203
	1,548	1,638
Non-Executive Directors:		
- Fees payable	570	570
- Allowances	173	252
	743	822
Total CEO and Directors' remuneration	2,291	2,460
Shariah Committee members	456	393
Total CEO, Directors and Shariah Committee members' remuneration	2,747	2,853

Notes:

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

(b) Directors of the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising form acts committed in their capacity as Directors of the Bank, provided that such Directors have not acted negligently, fraudulently or dishonestly or is in breach of his or her duty of trust. The total apportioned amounts of insurance effected for the Bank was at RM1,000 (2023: RM1,000).

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

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

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

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

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

BANK 2023	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payable RM'000	Allowances RM'000	Total RM'000
Chief Executive Officer:						
Rizal IL-Ehzan Bin Fadil Azim	984	451	203	-	-	1,638
	984	451	203	-	-	1,638
Non-Executive Directors:						
Datuk Wan Azhar bin Wan Ahmad	-	-	-	200	38	238
Ibrahim bin Hassan	-	-	-	135	109	244
Dato' Ahmad Hisham bin Kamaruddin	-	-	-	135	61	196
Rustam bin Mohd Idris	-	-	-	100	44	144
	-	-	-	570	252	822
Total Directors' remuneration	984	451	203	570	252	2,460
Shariah Committee Members:						
Assoc. Prof. Dr. Badruddin bin Hj Ibrahim	-	-	-	-	2	2
Ustaz Ahmad Fauwaz Bin Ali @ Fadzil	-	-	-	60	16	76
Tuan Badrul Hisyam bin Tuan Soh	-	-	-	72	15	87
Muhamad Rahimi bin Osman	-	-	-	68	14	82
Rustam bin Mohd Idris	-	-	-	60	13	73
Muhammad Naim Bin Omar	-	-	-	60	13	73
	-	-	-	320	73	393
	984	451	203	890	325	2,853

34. FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

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

(a) Credit Risk

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

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

Also, credit risk arises from financial transactions with counterparties (including interbank money market activities and debt instruments), of which the amount of credit exposure in respect of these instruments are 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 37 to the financial statements.

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(i) Maximum exposure to credit risk

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

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

	2024 RM'000	2023 RM'000
Credit risk exposure: on-balance sheet		
Cash and short-term funds (exclude cash in hand)	1,315,522	1,474,713
Financial investments at fair value through other comprehensive income	1,818,464	1,752,388
Financial investments at amortised cost	813,434	596,779
Derivative financial assets	-	25
Financing and advances (exclude sales commission and handling fees)	13,463,443	12,079,652
Statutory deposits with BNM	273,600	244,900
Other assets (exclude prepayment)	6,033	4,986
Total on-balance sheet	17,690,496	16,153,443
Credit risk exposure: off-balance sheet		
Financial guarantees	88,677	81,685
Credit related commitments and contingencies	3,544,683	3,113,014
Total off-balance sheet	3,633,360	3,194,699
Total maximum exposure	21,323,856	19,348,142

34. 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.

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

34. 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.)

2023	Government and Central Bank RM'000	Financial, Takaful, Business Services and Real Estate RM'000	Transport, Storage and Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,474,713	-	-	-	-	-	-	1,474,713
Financial investments at fair value through other comprehensive income	454,512	874,351	303,706	74,374	45,445	-	-	1,752,388
Financial investments at amortised cost	440,246	101,343	55,190	-	-	-	-	596,779
Derivative financial assets	-	25	-	-	-	-	-	25
Financing and advances (exclude sales commission and handling fees)	-	1,302,226	208,921	3,967,751	407,286	6,084,990	108,478	12,079,652
Statutory deposits with BNM	244,900	-	-	-	-	-	-	244,900
Other assets (exclude prepayment)	-	-	-	-	-	-	4,986	4,986
	2,614,371	2,277,945	567,817	4,042,125	452,731	6,084,990	113,464	16,153,443
Financial guarantees	-	6,522	5,259	64,120	5,716	22	46	81,685
Credit related commitments and contingencies	-	465,444	58,396	1,827,380	276,769	458,357	26,668	3,113,014
	-	471,966	63,655	1,891,500	282,485	458,379	26,714	3,194,699
Total credit risk	2,614,371	2,749,911	631,472	5,933,625	735,216	6,543,369	140,178	19,348,142

34. 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 charged 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.

	2024 RM'000	2023 RM'000
Gross financing and advances	13,835,620	12,496,063
Less: Allowance for expected credit losses	(372,177)	(416,411)
Net financing and advances	13,463,443	12,079,652
Percentage of collateral held for financing and advances	68.4%	69.6%

(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 considers available reasonable and supportable forward-looking information.

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 reschedule 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:

<u>Quantitative criteria:</u>
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.

34. 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.

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iv) Credit Risk Measurement (contd.)

(c) Measurement of ECL (contd.)

Loss given default ("LGD")

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

(d) Forward-looking information

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

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

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

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

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

The forward-looking estimates were adjusted as below:

	Weighted Average Forecast		
MEV	2026	2025	2024
(% Year on Year)	%	%	%
GDP Growth Rate	4.4	4.3	4.3
Producer Price Index	1.8	2.3	2.4
Consumer Price Index	2.3	2.3	2.8
Credit Consumption	2.6	3.6	8.6
Unemployment Rates	3.4	3.3	3.3
House Price Index	2.6	2.5	1.7
Debt to GDP	130.4	130.6	131.4

34. 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.

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit Quality

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

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

Other financial assets are categorised in the following manner:

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

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

34. 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:

2024	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)				
Investment graded	717,565	-	-	717,565
Sovereign/government-backed	597,957	-	-	597,957
Gross carrying amount	1,315,522	-	-	1,315,522
Expected credit losses	-	-	-	-
Net carrying amount	1,315,522	-	-	1,315,522
Financial investments at fair value through other comprehensive income				
Investment graded	777,850	5,024	-	782,874
Sovereign/government-backed	1,035,590	-	-	1,035,590
Gross carrying amount	1,813,440	5,024	-	1,818,464
Expected credit losses [Note (a)]	(205)	(4)	-	(209)
Financial investments at amortised cost				
Sovereign/government-backed	813,434	-	-	813,434
Gross carrying amount	813,434	-	-	813,434
Expected credit losses	-	-	-	-
Net carrying amount	813,434	-	-	813,434
Financing and advances				
Low	7,605,040	334,254	-	7,939,294
Medium	3,675,003	218,418	-	3,893,421
High	856,655	322,777	-	1,179,432
Unrated	197,524	310,491	-	508,015
Credit impaired	-	-	315,458	315,458
Gross carrying amount	12,334,222	1,185,940	315,458	13,835,620
Expected credit losses	(89,606)	(165,847)	(116,724)	(372,177)
Net carrying amount	12,244,616	1,020,093	198,734	13,463,443
Statutory deposits with BNM				
Sovereign/government-backed	273,600	-	-	273,600
Gross carrying amount	273,600	-	-	273,600
Expected credit losses	-	-	-	-
Net carrying amount	273,600	-	-	273,600

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.

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit Quality (contd.)

2024	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Credit related commitments and contingencies				
Low	2,482,330	13,345	-	2,495,675
Medium	905,732	128,408	-	1,034,140
High	76,253	8,501	-	84,754
Unrated	17,369	-	-	17,369
Credit impaired	-	-	1,422	1,422
Gross carrying amount	3,481,684	150,254	1,422	3,633,360
Expected credit losses	(2,232)	(4,571)	(290)	(7,093)

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

2023	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)				
Sovereign/government-backed	1,474,713	-	-	1,474,713
Gross carrying amount	1,474,713	-	-	1,474,713
Expected credit losses	-	-	-	-
Net carrying amount	1,474,713	-	-	1,474,713
Financial investments at fair value through other comprehensive income				
Investment graded	644,704	-	-	644,704
Sovereign/government-backed	1,107,684	-	-	1,107,684
Gross carrying amount	1,752,388	-	-	1,752,388
Expected credit losses [Note (a)]	(136)	-	-	(136)

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.

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit Quality (contd.)

2023	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial investments at fair value amortised cost				
Sovereign/government-backed	596,779	-	-	596,779
Gross carrying amount	596,779	-	-	596,779
Expected credit losses	-	-	-	-
Net carrying amount	596,779	-	-	596,779
Financing and advances				
Low	6,648,047	494,735	-	7,142,782
Medium	3,123,463	263,214	-	3,386,677
High	467,488	480,651	-	948,139
Unrated	429,776	235,855	-	665,631
Credit impaired	-	-	352,834	352,834
Gross carrying amount	10,668,774	1,474,455	352,834	12,496,063
Expected credit losses	(66,042)	(219,623)	(130,746)	(416,411)
Net carrying amount	10,602,732	1,254,832	222,088	12,079,652
Statutory deposits with BNM				
Sovereign/government-backed	244,900	-	-	244,900
Gross carrying amount	244,900	-	-	244,900
Expected credit losses	-	-	-	-
Net carrying amount	244,900	-	-	244,900
Credit related commitments and contingencies				
Low	2,139,032	60,784	-	2,199,816
Medium	708,974	102,789	-	811,763
High	52,922	4,776	-	57,698
Unrated	124,838	-	-	124,838
Credit impaired	-	-	584	584
Gross carrying amount	3,025,766	168,349	584	3,194,699
Expected credit losses	(693)	(2,011)	(223)	(2,927)

Simplified Approach	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
Gross carrying amount	4,986	2,394	7,380
Expected credit losses	-	(2,394)	(2,394)
Net carrying amount	4,986	-	4,986

34. 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:

2024

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

2023

Measurement variables	MEV Change (%)/ Percentage Point Change (p.p)	+ RM'000	- RM'000
House price index	9.6%	(13,351)	17,085
Consumption credit	3.7 p.p	5,309	(5,688)
Unemployment rate	0.6 p.p	4,478	(4,221)
GDP growth	6.4%	(1,794)	1,463
Producer price index	3.8%	418	(343)
Industrial production index	5.7%	(1,630)	1,516

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(vii) Overlays and adjustments for ECL

The Bank continued to apply overlays and post-model adjustments to address economic uncertainties and external risks including, but not limited to, international trade trends, the prevailing effects of high policy rates and inflation, as well as the potential consequences of global geopolitical tensions for the adequacy of the overall level of ECL for the year ended 31 March 2024.

These overlays 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 overlays and post-model adjustments involved significant level of judgement and reflect the Management's views of possible severities of the post pandemic impacts and paths of recovery in the forward-looking assessment for ECL estimation purposes.

As at 31 March 2024, the balances of these overlays and post-model adjustments amounted to RM50,261,000 (2023: RM109,451,000).

(b) Market Risk

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

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

Market Risk Factors

(i) Profit rate risk

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

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

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of profit rates on its financial position and cash flows. The effects of changes in the levels of 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.

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Market Risk Factors (contd.)

(i) Profit rate risk (contd.)

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

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

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Market Risk Factors (contd.)

(i) Profit rate risk (contd.)

	Non-Trading Book								
2023	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading Book RM'000	Total RM'000
Assets									
Cash and short-term funds	1,434,889	-	-	-	-	-	39,824	-	1,474,713
Financial investment at fair value through other comprehensive income	-	40,688	146,204	20,461	938,423	606,612	-	-	1,752,388
Financial investment at amortised cost	-	30,383	-	20,416	187,001	358,979	-	-	596,779
Derivative financial assets	-	-	-	-	-	-	-	25	25
Financing and advances	9,807,637	461,291	203,352	25,118	677,092	969,546	5,736*	-	12,149,772
Other financial assets**	-	-	-	-	2,895	572	246,419	-	249,886
Total financial assets	11,242,526	532,362	349,556	65,995	1,805,411	1,935,709	291,979	25	16,223,563
Liabilities									
Deposits from customers	4,495,404	1,810,832	1,950,095	2,312,160	3,616,641	-	-	-	14,185,132
Deposits and placements of banks and other financial institutions	13,157	4,047	4,396	5,352	21,819	146,660	-	-	195,431
Derivative financial liabilities	-	-	-	-	-	-	-	2,496	2,496
Recourse obligation on financing sold to Cagamas	-	-	-	-	100,133	-	-	-	100,133
Lease liabilities	43	86	167	-	-	-	-	-	296
Subordinated Sukuk	-	-	-	99,850	132,409	-	-	-	232,259
Other financial liabilities	-	7	27	-	-	39,341	181,025	-	220,400
Total financial liabilities	4,508,604	1,814,972	1,954,685	2,417,362	3,871,002	186,001	181,025	2,496	14,936,147
On-balance sheet profit sensitivity gap	6,733,922	(1,282,610)	(1,605,129)	(2,351,367)	(2,065,591)	1,749,708	110,954	(2,471)	1,287,416

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

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Market Risk Factors (contd.)

(ii) Foreign exchange risk

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

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

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

	US Dollars RM'000	Pound Sterling RM'000	Total RM'000
2024			
Liabilities			
Other financial liabilities	173	68	241
Total liabilities	173	68	241
On-balance sheet open position	(173)	(68)	(241)
Net open position	(173)	(68)	(241)
2023			
Liabilities			
Other financial liabilities	89	33	122
Total liabilities	89	33	122
On-balance sheet open position	(89)	(33)	(122)
Net open position	(89)	(33)	(122)

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Market Risk Measures

(iii) Value at risk ("VaR")

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

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

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

	Balance	Average for the year	Minimum	Maximum
	RM'000	RM'000	RM'000	RM'000
2023				
Government securities	(4,699)	(5,148)	(4,699)	(5,464)
Private debt securities	(1,984)	(1,652)	(1,417)	(1,984)

(iv) Profit Rate Risk Sensitivity

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

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

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

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

34. 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.

	2023	
	- 200 bps	**+ 200 bps**
	Increase/(Decrease)	
	RM'000	RM'000
Impact on net profit after tax	(47,519)	47,519
Impact on equity	101,060	(104,697)

(v) Other risk measures

(i) Stress test

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

(ii) Sensitivity analysis

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

(c) Liquidity Risk

Liquidity risk is the risk that the Bank is unable 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 GRMC. A contingency funding plan is also established by the Bank as a forward-looking measure to ensure that liquidity risk can be addressed according to the degrees of key risk indicators, and which incorporates alternative funding strategies which are ready to be implemented on a timely basis to mitigate the impact of unforeseen adverse changes in liquidity in the market place.

34. 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 on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees 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:

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

34. 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 on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees 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.)

2023	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	1,474,713	-	-	-	-	-	1,474,713
Financial investment at fair value through other comprehensive income	5,794	47,125	149,844	20,123	1,529,502	-	1,752,388
Financial investments at amortised cost	2,994	31,503	1,499	20,134	540,649	-	596,779
Derivative financial assets	-	-	-	-	25	-	25
Financing and advances	1,981,588	506,032	229,567	30,297	9,402,288	-	12,149,772
Other financial and non-financial assets	4,520	1,400	1,676	3,242	3,279	290,632	304,749
Total assets	3,469,609	586,060	382,586	73,796	11,475,743	290,632	16,278,426
Liabilities							
Deposits from customers	7,651,221	1,810,832	1,950,095	2,312,160	460,824	-	14,185,132
Deposits and placements of banks and other financial institutions	13,157	4,047	4,396	5,352	168,479	-	195,431
Derivative financial liabilities	-	-	-	-	2,496	-	2,496
Recourse obligation on financing sold to Cagamas	-	128	-	-	100,005	-	100,133
Lease liabilities	43	86	167	-	-	-	296
Subordinated Sukuk	2,409	-	49	99,801	130,000	-	232,259
Other financial and non-financial liabilities	127,713	244	4,847	2,948	94,217	-	229,969
Total liabilities	7,794,543	1,815,337	1,959,554	2,420,261	956,021	-	14,945,716
Net maturity mismatch	(4,324,934)	(1,229,277)	(1,576,968)	(2,346,465)	10,519,722	290,632	1,332,710

34. 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.

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

34. 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.)

2023	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	7,656,575	1,826,496	1,978,515	2,381,728	443,529	-	14,286,843
Deposits and placements of banks and other financial institutions	13,253	4,032	4,380	5,332	21,775	146,660	195,432
Recourse obligation on financing sold to Cagamas	-	1,047	1,047	2,094	105,240	-	109,428
Lease liabilities	44	88	170	-	-	-	302
Subordinated Sukuk	2,837	-	2,999	105,700	150,240	-	261,776
Other financial liabilities	115,274	40	4,263	-	22	-	119,599
	7,787,983	1,831,703	1,991,374	2,494,854	720,806	146,660	14,973,380
Items not recognised in the statement of financial position							
Financial guarantees	6,573	13,973	13,758	33,531	13,850	-	81,685
Credit related commitments and contingencies	2,522,255	22,951	2,279	7,712	542,278	15,539	3,113,014
	2,528,828	36,924	16,037	41,243	556,128	15,539	3,194,699
Total financial liabilities	10,316,811	1,868,627	2,007,411	2,536,097	1,276,934	162,199	18,168,079
Derivatives financial liabilities							
Derivatives settled on a net basis							
Profit rate derivatives	-	-	(177)	(353)	(2,476)	-	(3,006)
Net outflow	-	-	(177)	(353)	(2,476)	-	(3,006)

34. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(d) Operational and Shariah Non-Compliance Risk

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

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

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

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

The Bank applies the Basic Indicator Approach for operational risk capital charge computation.

35. CAPITAL COMMITMENTS

	2024 RM'000	2023 RM'000
Capital expenditure:		
Authorised and contracted for	337	467
Authorised and not contracted for	272	74
	609	541

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

36. 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.

37. 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:

	2024 RM'000	2023 RM'000
<u>Credit-related exposures</u>		
Direct credit substitutes [Note (a)]	88,732	81,609
Transaction-related contingent items [Note (a)]	92,383	72,678
Short-term self-liquidating trade-related contingencies	16,786	17,760
Forward assets purchase	9,502	15,000
Irrevocable commitments to extend credit:		
- maturity exceeding one year	692,129	495,519
- maturity not exceeding one year	2,733,828	2,512,133
	3,633,360	3,194,699
<u>Derivative financial instruments [Note (b)]</u>		
Profit rate related contracts:		
- over three years	-	298,000
	3,633,360	3,492,699

<u>Notes:</u>

(a) Included in direct credit substitutes and transaction-related contingent items are financial guarantee contract of RM88,677,000 (2023: RM81,685,000).

(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 6.

38. CAPITAL ADEQUACY

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

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

	2024	2023
(i) <u>With transitional arrangements</u>		
<u>Before deducting proposed dividends</u>		
CET 1 capital ratio	12.938%	13.717%
Tier 1 capital ratio	13.785%	14.694%
Total capital ratio	16.049%	17.122%

38. CAPITAL ADEQUACY (CONTD.)

	2024	2023
(i) With transitional arrangements (contd.)		
After deducting proposed dividends		
CET 1 capital ratio	12.930%	13.715%
Tier 1 capital ratio	13.778%	14.692%
Total capital ratio	16.042%	17.120%
(ii) Without transitional arrangements		
Before deducting proposed dividends		
CET 1 capital ratio	12.287%	12.401%
Tier 1 capital ratio	13.134%	13.377%
Total capital ratio	15.398%	15.806%
After deducting proposed dividends		
CET 1 capital ratio	12.279%	12.399%
Tier 1 capital ratio	13.127%	13.375%
Total capital ratio	15.391%	15.804%

Note:
The capital adequacy ratios after deducting proposed dividends have included the Rights Issue as disclosed in Note 43 to the financial statement.

(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:

	2024 RM'000	2023 RM'000
CET I Capital		
Paid-up share capital	637,500	600,000
Retained profits	870,446	727,052
Regulatory reserves	-	19,339
FVOCI reserves	(5,629)	(13,817)
	1,502,317	1,332,574
(Less)/add: Regulatory adjustments		
- Intangible assets	(2,153)	(2,045)
- Deferred tax assets	(49,927)	(44,039)
- Regulatory reserves	-	(19,339)
- Transitional arrangements	76,848	134,523
Total CET I Capital	1,527,085	1,401,674
Additional Tier 1 Sukuk Wakalah	100,000	99,801
Total Additional Tier 1 Capital	100,000	99,801
Total Tier I Capital	1,627,085	1,501,475
Tier II Capital		
Subordinated Sukuk Murabahah	130,000	130,000
Expected credit losses and regulatory reserves	137,224	118,121
Total Tier II Capital	267,224	248,121
Total Capital	1,894,309	1,749,596

38. CAPITAL ADEQUACY (CONTD.)

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

	2024 RM'000	2023 RM'000
Credit risk	10,977,956	9,449,676
Market risk	242	123
Operational risk	824,883	768,617
Total RWA and capital requirements	11,803,081	10,218,416

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

39. 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.

40. 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.

40. 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:

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

2023	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial investment at fair value through other comprehensive income				
- Money Market Instruments	-	454,512	-	454,512
- Unquoted Securities	-	1,297,876	-	1,297,876
Derivative financial assets	-	25	-	25
Liabilities				
Derivative financial liabilities	-	2,496	-	2,496

There were no transfers between Level 1 and 2 of the fair value hierarchy for the Bank during the financial years ended 31 March 2024 and 31 March 2023.

40. 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 reasonably approximate to their fair values.

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

	Fair value				Carrying
	Level 1	Level 2	Level 3	Total	amount
2023	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Financial investments at amortised cost	-	606,658	-	606,658	596,779
Financing and advances	-	-	12,308,290	12,308,290	12,149,772
Financial liabilities					
Deposits from customers	-	14,187,370	-	14,187,370	14,185,132
Deposits and placements of banks and other financial institutions	-	193,247	-	193,247	195,431
Recourse obligation on financing sold to Cagamas	-	100,003	-	100,003	100,133
Subordinated Sukuk	-	229,801	-	229,801	232,259

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.

40. 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.

41. 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 assets RM'000	Gross amounts of recognised financial liabilities set off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position: Financial instruments RM'000	Related amounts not set off in the statement of financial position: Cash collateral received RM'000	Net amount RM'000
BANK						
31 March 2024						
Derivative financial assets	**-**	-	**-**	**-**	**-**	**-**
31 March 2023						
Derivative financial assets	**25**	-	**25**	**-**	**-**	**25**

(b) Financial liabilities

	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set off in the statement of financial position RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position: Financial instruments RM'000	Related amounts not set off in the statement of financial position: Cash collateral pledged RM'000	Net amount RM'000
BANK						
31 March 2024						
Derivative financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**
31 March 2023						
Derivative financial liabilities	**(2,496)**	-	**(2,496)**	-	-	**(2,496)**

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.

42. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

There were no significant events during the financial year ended 31 March 2024.

43. SUBSEQUENT EVENTS

The Directors of the Bank have proposed 40,012,707 Rights Issue at RM1.4484 per share to Alliance Bank Malaysia Berhad, the holding company of the Bank amounting to RM57,954,404. The ordinary share of the Bank will increase from RM637,500,000 to RM695,454,404.