ALLIANCE ISLAMIC BANK

THE BANK FOR LIFE

PILLAR 3 REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

ALLIANCE ISLAMIC BANK

Alliance Islamic Bank Berhad 200701018870 (776882-V)

BASEL II PILLAR 3 REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

ALLIANCE ISLAMIC BANK BERHAD
200701018870 (776882-V)

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1.0 Overview

Bank Negara Malaysia's ("BNM")'s Capital Adequacy Framework require Alliance Islamic Bank Berhad ("Bank") to maintain an adequate level of capital to withstand potential losses arising from its operations. BNM's Capital Adequancy Framework cover three main aspects:

(a) Pillar 1 - covers the calculation of risk-weighted assets for cedit risk, market risk and operational risk;

(b) Pillar 2 - involves assessment of other risks (e.g. rate of return risk in the banking book, liquidity risk and concentration risk) not covered under Pillar 1. This promotes the adoption of forward-looking approaches to capital management and stress testing / risk simulation techniques; and

(c) Pillar 3 - covers disclosure and external communication of risk and capital information by banks.

The Pillar 3 Disclosure for the financial year ended 31 March 2025 for the Bank is in accordance with BNM's Capital Adequacy Framework for Islamic Banks ("CAFIB") - Disclosures Requirements (Pillar 3).

Bank has adopted the Standardised Approach for credit risk and market risk, and BNM's standard computation method for operational risk in determining the capital requirements of Pillar 1.

1.1 Medium and Location of Disclosure

The Pillar 3 Disclosure will be made available under the Governance & Investor Relations section of the Group's website at http://www.alliancebank.com.my/islamic/home.aspx and as a separate report in the annual and half-yearly financial reports.

1.2 Basis of Disclosure

The Bank's Pillar 3 Disclosure is governed by the Bank's Pillar 3 Disclosure Policy. This policy outlines the minimum disclosure standards, the approach for determining the appropriateness of information disclosed and the internal controls over the disclosure process. Pillar 3 Disclosure is to be read in conjunction with the Bank's financial statements for the financial year ended 31 March 2025. Whilst this document discloses the Bank's assets both in terms of exposures and capital requirements, the information disclosed herein may not be directly comparable with the information in the financial statements for financial year ended 31 March 2025 published by the Bank.

These disclosures have been reviewed and verified by an independent internal party and approved by the Board of Directors ("Board").

1.3 Comparative Information

The corresponding Pillar 3 Disclosure in the preceding reporting period would be as at 31 March 2024.

1.0 Overview (cont'd.)

1.4 Scope of Application

The Pillar 3 Disclosure provided in this document is in respect of the Bank, which is involved in Islamic banking financial services.

There are no significant restrictions or other major impediments on transfer of funds or regulatory capital between the Bank and its holding company, Alliance Bank Malaysia Berhad ("ABMB").

There were no capital deficiencies in the Bank as at financial year end.

2.0 Capital

The Bank maintains a strong capital base to support its current activities and future growth, to meet regulatory capital requirements at all times and to buffer against potential losses.

The Bank's Internal Capital Adequacy Assessment Process ("ICAAP") covers the following:

(a) Assesses inherent risks in the business against risk captured under Pillar 1, and risks not sufficiently or not captured under Pillar 1;

(b) Estimates the potential impact of extreme but plausible events on the Group's earnings, balance sheet and capital via stress testing;

(c) Sets internal capital targets which include buffers to cushion potential stress losses and contingency plan(s) where warranted; and

(d) Regularly monitors and reports portfolio risk profiles, required capital and available capital.

ICAAP results are regularly reported to Group Risk Management Committee ("GRMC") and the Board to facilitate proactive capital management.

2.0 Capital (cont'd.)

2.1 Capital Adequacy Ratios

BNM's Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions which took effect on 9 December 2020 has ended on 31 March 2024.

Effective from 1 April 2024, the capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy framework. The framework sets out the approach for computing regulatory ratios as well as the levels of those ratios at which banking institutions are required to operate. The framework is to strengthen capital adequacy standards, in line with the requirement set forth under Basel III. The risk-weighted assets of the Bank are computed using the Standardised Approach for credit risk and market risk, and BNM's standard computation method for operational risk.

(a) The Bank has sufficient capital as follows:

	2025	2024
(i) With Transitional Arrangements		
Before Deducting Proposed Dividends		
CET I Capital Ratio	13.334%	12.938%
Tier I Capital Ratio	14.146%	13.785%
Total Capital Ratio	17.195%	16.049%
After Deducting Proposed Dividends		
CET I Capital Ratio	12.889%	12.930%
Tier I Capital Ratio	13.701%	13.778%
Total Capital Ratio	16.750%	16.042%
(ii) Without Transitional Arrangements		
Before Deducting Proposed Dividends		
CET I Capital Ratio	13.334%	12.287%
Tier I Capital Ratio	14.146%	13.134%
Total Capital Ratio	17.195%	15.398%
After Deducting Proposed Dividends		
CET I Capital Ratio	12.889%	12.279%
Tier I Capital Ratio	13.701%	13.127%
Total Capital Ratio	16.750%	15.391%

The Bank's capital ratios comply with the prescribed capital adequacy ratios under BNM's Capital Adequacy Framework for Islamic Banks.

2.0 Capital (cont'd.)

2.2 Capital Structure

The total regulatory capital of the Bank consists of eligible Tier 1 and Tier 2 capital satisfying the requirements laid out in BNM's Guideline on Capital Adequacy Framework for Islamic Banks (Capital Components).

Common Equity Tier 1 (CET1), a component of Tier 1 capital, has the highest Loss-Absorption Capability which consists of ordinary share capital, retained profits and reserves, net of regulatory adjustments.

Other forms of regulatory capital maintained by the Bank (in addition to CET1) include additional Tier 1 capital instruments and Tier 2 capital such as subordinated obligations, surplus eligible provisions over expected losses and general provisions.

The following tables present the components of CET I, Tier I and Tier II capital:

	2025 RM'000	2024 RM'000
CET I Capital/Tier I Capital		
Paid-up Share Capital	727,065	637,500
Retained Profits	970,783	870,446
Regulatory Reserves (Note 1)	-	-
Financial Investments at Fair Value Through Other Comprehensive Income (FVOCI) Reserves	(1,112)	(5,629)
	1,696,736	1,502,317
(Less)/Add: Regulatory Adjustments		
- Intangible Assets	(1,653)	(2,153)
- Deferred Tax Assets	(51,619)	(49,927)
- Transitional Arrangements	-	76,848
Total CET I Capital	1,643,464	1,527,085
Additional Tier 1 Sukuk Wakalah	100,000	100,000
Total Additional Tier 1 Capital	100,000	100,000
Total Tier I Capital	1,743,464	1,627,085
Tier II Capital		
Subordinated Sukuk Murabahah	230,000	130,000
Expected Credit Losses and Regulatory Reserves (Note 1 & Note 2)	145,786	137,224
Total Tier II Capital	375,786	267,224
Total Capital	2,119,250	1,894,309

Note 1: The Bank maintained its prudent stand in relation to maintaining the regulatory reserves to preserve the potential deterioration of credit quality.

Note 2: Expected Credit Losses ("ECL") for S1 and S2 only.

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2.0 Capital (cont'd.)

2.3 Risk Weighted Assets ("RWA") and Capital Requirements

Regulatory Capital Requirements

The following table presents the minimum regulatory capital requirements of the Bank:

2025 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(a) Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	2,564,382	2,564,382	-	-
Public Sector Entities	361,114	361,114	31,102	2,488
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks	1,049,868	1,049,868	208,965	16,717
Takaful Companies, Securities Firms			-	-
and Fund Managers	24,139	24,139	24,139	1,931
Corporates	6,281,830	6,122,546	4,936,485	394,919
Regulatory Retail	4,537,488	4,421,274	3,541,078	283,286
Residential Real Estate ("RRE") Financing	4,411,617	4,410,764	1,809,564	144,765
Higher Risk Assets	888	888	1,332	107
Other Assets	114,762	114,762	114,762	9,181
Defaulted Exposures	186,655	186,583	170,888	13,671
Total On-Balance Sheet Exposures	19,532,743	19,256,320	10,838,315	867,065
Off-Balance Sheet Exposures:				
Credit-Related Off-Balance Sheet Exposures	1,029,637	946,684	823,971	65,918
Derivative Financial Instruments	-	-	-	-
Defaulted Exposures	422	422	565	45
Total Off-Balance Sheet Exposures	1,030,059	947,106	824,536	65,963
Total On and Off-Balance Sheet Exposures	20,562,802	20,203,426	11,662,851	933,028
(b) Market Risk				
	Long Position	Short Position		
Profit Rate Risk	-	-	-	-
Foreign Exchange Risk	-	(301)	301	24
	-	(301)		
Option Risk			11,550	924
Total			11,851	948
(c) Operational Risk			650,216	52,017
Total	20,562,802	20,203,426	12,324,918	985,993

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2.0 Capital (cont'd.)

2.3 RWA and Capital Requirements (cont'd.)

Regulatory Capital Requirements (cont'd.)

The following table presents the minimum regulatory capital requirements of the Bank (cont'd.):

	2024 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(a)	Credit Risk				
	On-Balance Sheet Exposures:				
	Sovereigns/Central Banks	2,229,517	2,229,517	-	-
	Public Sector Entities	179,932	179,932	4,011	321
	Banks, DFIs and Multilateral Development Banks	773,525	773,525	153,697	12,296
	Takaful Companies, Securities Firms and Fund Managers	77,684	77,684	76,127	6,090
	Corporates	5,785,353	5,615,429	4,546,218	363,697
	Regulatory Retail	4,238,974	4,138,005	3,308,975	264,718
	RRE Financing	4,400,929	4,400,430	1,794,147	143,532
	Higher Risk Assets	960	960	1,440	115
	Other Assets	102,348	102,348	102,348	8,188
	Defaulted Exposures	199,597	199,206	174,022	13,922
	Total On-Balance Sheet Exposures	17,988,819	17,717,036	10,160,985	812,879
	Off-Balance Sheet Exposures:				
	Credit-Related Off-Balance Sheet Exposures	1,040,069	974,763	816,653	65,332
	Derivative Financial Instruments	-	-	-	-
	Defaulted Exposures	257	256	318	25
	Total Off-Balance Sheet Exposures	1,040,326	975,019	816,971	65,357
	Total On and Off-Balance Sheet Exposures	19,029,145	18,692,055	10,977,956	878,236
(b)	Market Risk	Long Position	Short Position		
	Profit Rate Risk	-	-	-	-
	Foreign Exchange Risk	-	(242)	242	19
		-	(242)		
	Option Risk			-	-
	Total			242	19
(c)	Operational Risk	-	-	824,883	65,991
	Total	19,029,145	18,692,055	11,803,081	944,246

Note: The Bank does not use Profit-Sharing Investment Account ("PSIA") as a risk absorbent mechanism.

The Bank does not have exposure to any Large Exposure Risk for equity holdings specificed in BNM's Guidelines on Investment in Shares, Interest-in-Shares and Collective Investment Schemes.

3.0 Risk Management

The Board and the Management of the Bank are committed to ensure that the Bank's corporate objectives are supported by a sound risk strategy with an effective risk management framework that is appropriate to the nature, scale and complexity of the Bank's activities.

3.1 Risk Management Framework

The Bank's risk management framework recognises the diversity of the organisation's activities by balancing the Board's strong supervision with well-defined independent risk management functions within each business area. The Bank's Risk Management Framework is embedded in our respective business activities in order to integrate risk-taking and decision-making with prudent risk management principles. It provides a structured approach for the Bank to form a consolidated and aggregated view of all risks identified at entity, business segment and product levels; and to manage these risks in a holistic manner alongside business objectives and compliance requirements.

3.2 Risk Governance and Organisation

The Bank adopts the Three Lines of Defence model in managing risks collectively. The Three Lines of Defence comprises the following:

(a) 1st Line of Defence, whereby the risk taking role is played by Business Units and aided by Business Support functions;

(b) 2nd Line of Defence, whereby the independent risk control role is played by Group Risk Management and Group Compliance (inclusive of the Shariah Review Team); and

(c) 3rd Line of Defence, whereby the independent risk assurance role is played by Group Internal Audit.

The governance structure adopted within the Group provides a transparent and effective system that promotes active involvement from the Board and Senior Management in the risk management process to ensure a uniform view of risk across the Group.

The Board established the GRMC to assist the Board to oversee risk-related and compliance-related frameworks, strategies, policies and methodologies.

The Executive Risk Management Committee ("ERMC") and other Management Committees oversee and advise the Management on risk-related matters including risk policies, to support the sustainability of the Bank.

3.3 Risk Strategy

The Bank establishes appropriate risk governance, processes and controls in order to pursue its strategic business objectives with confidence, to protect its balance sheet and stakeholders' interest, and to deliver sustainable profitability. While it may not be possible or feasible to eliminate all inherent risks within the Bank, a set of risk mitigation techniques has been established to reduce the impact of these risks.

3.4 Risk Appetite

Risk Appetite describes the high-level risk parameters and thresholds the Bank is willing to assume in pursuit of its strategic business objectives. These high-level thresholds are then cascaded, where appropriate, into more granular limits and targets across the various portfolios and business units.

3.5 Risk Culture

Our Board members, Senior Management and staff are all ambassadors of the Bank's risk culture. Hence, the Bank employs the key elements of leadership, supervision, guidance, counselling and communication to shape and cultivate a desirable risk culture.

3.6 Risk Management Process

The Bank's risk management process embeds the Bank's culture and practices. It starts with risk identification, followed by risk assessment, risk mitigation and control, risk monitoring, risk reporting, escalation and disclosure. The risk management processes of different types of risk are explained in the following sections.

4.0 Credit Risk

Credit risk is the risk of financial loss resulting from the failure of the Bank’s customers or counterparties to fulfil their contractual obligations to pay their financing or to settle financial commitments. Credit risk arises mainly from financing and advances activities and holding of debt securities.

Credit Risk Management

The Board, via the GRMC, established a Credit Risk Management Framework ("CRMF") which outlines the broad principles for managing credit risk of the Group.

Credit approval is under the purview of the Executive Committee, Group Management Credit Committee and Credit Underwriters, depending on the size and complexity of the financing.

Retail financing are subject to portfolio reviews and corporate financing are subject to periodic individual borrower or group reviews. The Portfolio Review Committee for the respective lines of business, assisted by embedded risk units, helps to manage the portfolio quality, and formulates action plans to manage identified risks. The process also ensures alignment of business strategy with the Bank's risk appetite.

Potential problem financing or issues related to portfolios are identified through our Early Warning Framework and thematic reviews, where applicable. Impaired loans are recovered internally or through authorised agents.

In the aspect of credit risk measurement, quantitative tools such as application and behavioural scorecards (for retail financing) and credit rating model (for corporate financing) play an integral role in supporting risk informed pricing, underwriting and portfolio management strategies. In order to manage model risk and ensure that the models remain fit-for-purpose, periodic model validations of all credit models are carried out by an independent validation team within Group Risk Management. The broad principles and framework governing the validation of credit models are set out in the Independent Model Validation Framework. Validation covers both quantitative and qualitative aspects of the model, such as back-testing to assess model performance and accuracy, as well as qualitative evaluation of rating system operations, model design, governance and data quality.

Entity-level Risk Dashboards are escalated to the ERMC (Senior Management Level), GRMC (Board Level) and the Board for deliberation and strategic direction.

Group Risk Management is responsible for assessing the adequacy and effectiveness of the risk management framework, policies and guidelines. Embedded risk units are responsible for monitoring business activities and ensuring that they are carried out within the approved policies and business models.

Group Risk Management also performs periodic post approval credit reviews on a sampling basis covering the Consumer, Small and Medium Enterprises ("SME"), Corporate and Commercial portfolios to independently assess the quality of credit practices across the Group. The review reports are presented to the GRMC and Group Audit Committee for their notation. Status of all outstanding issues are tracked until closure.

Stress testing is used to identify potential vulnerable risk areas of the Bank's portfolios to stress events and assess the impact to earnings and capital. Stress tests are performed using a variety of market and economic assumptions to assess possible vulnerability and to formulate effective mitigation actions when required. Sensitivity analysis are conducted to assess the potential effect of individual risk factors.

Group Internal Audit reviews the Bank's credit processes regularly and recommends corrective measures or enhancements. These reviews provide Senior Management with the assurance that the policies, processes and guidelines are adhered to.

Impaired Financing and Provisions

Past due accounts are loan accounts with any payment of principal and/or profit due and not paid, but are not classified as impaired. Financing are classified as impaired if the mandatory impairment thresholds are exceeded or judgmentally impaired when there are reasonable grounds to believe that the borrower may not be able to repay the entire financing amount.

Provisions for expected credit losses are carried out based on the MFRS 9 approach, financing with defined risk characteristics are transferred to Stage 2 and provisions are estimated based on potential losses for the remaining lifetime of the exposures. Impaired loans are classified as Stage 3 under MFRS 9. Financing that are not classified as Stage 2 or 3 will remain in Stage 1 where provisions will be estimated based on the probability of default over the next 12 months.

Please refer to Note 2(h)(i) of the audited financial statements for accounting policies on impairment of financial assets.

4.0 Credit Risk (cont'd.)

4.1 Distribution of Credit Exposures

(a) Geographical Distribution

The following tables represent the Bank's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account any collateral held or other credit enhancements and after allowance for impairment, where appropriate.

	Geographical Region					
2025	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Total RM'000
Exposure Class						
On-Balance Sheet Exposures:						
Sovereigns/Central Banks	-	2,564,382	-	-	-	2,564,382
Public Sector Entities	-	210,884	-	150,230	-	361,114
Banks, DFIs and Multilateral Development Banks	-	1,045,860	-	-	4,008	1,049,868
Takaful Companies, Securities Firms and Fund Managers	-	24,139	-	-	-	24,139
Corporates	1,094,011	3,924,604	443,103	631,649	188,463	6,281,830
Regulatory Retail	687,405	2,833,496	525,191	352,963	138,433	4,537,488
RRE Financing	126,499	3,634,483	370,311	250,997	29,327	4,411,617
Higher Risk Assets	-	792	96	-	-	888
Other Assets	-	114,762	-	-	-	114,762
Defaulted Exposures	19,923	143,210	11,353	11,406	763	186,655
Total On-Balance Sheet Exposures	**1,927,838**	**14,496,612**	**1,350,054**	**1,397,245**	**360,994**	**19,532,743**
Off-Balance Sheet Exposures:						
Credit-Related Off-Balance Sheet Exposures	196,379	595,763	106,516	66,372	64,607	1,029,637
Derivative Financial Instruments	-	-	-	-	-	-
Defaulted Exposures	20	384	-	18	-	422
Total Off-Balance Sheet Exposures	**196,399**	**596,147**	**106,516**	**66,390**	**64,607**	**1,030,059**
Total Credit Exposures	**2,124,237**	**15,092,759**	**1,456,570**	**1,463,635**	**425,601**	**20,562,802**

4.0 Credit Risk (cont'd.)

4.1 Distribution of Credit Exposures (cont'd.)

(a) Geographical Distribution (cont'd.)

The following tables represent the Bank's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account any collateral held or other credit enhancements and after allowance for impairment, where appropriate (cont'd.).

	Geographical Region					
2024	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Total RM'000
Exposure Class						
On-Balance Sheet Exposures:						
Sovereigns/Central Banks	-	2,229,517	-	-	-	2,229,517
Public Sector Entities	-	159,878	-	20,054	-	179,932
Banks, DFIs and Multilateral Development Banks	-	768,514	-	-	5,011	773,525
Takaful Companies, Securities Firms and Fund Managers	7,673	70,011	-	-	-	77,684
Corporates	935,855	3,695,082	447,384	554,288	152,744	5,785,353
Regulatory Retail	629,538	2,606,960	500,349	372,884	129,243	4,238,974
RRE Financing	135,565	3,586,016	390,607	258,958	29,783	4,400,929
Higher Risk Assets	-	833	127	-	-	960
Other Assets	-	102,348	-	-	-	102,348
Defaulted Exposures	21,674	146,594	18,057	12,573	699	199,597
Total On-Balance Sheet Exposures	**1,730,305**	**13,365,753**	**1,356,524**	**1,218,757**	**317,480**	**17,988,819**
Off-Balance Sheet Exposures:						
Credit-Related Off-Balance Sheet Exposures	191,247	590,537	98,031	94,902	65,352	1,040,069
Derivative Financial Instruments	-	-	-	-	-	-
Defaulted Exposures	-	234	3	20	-	257
Total Off-Balance Sheet Exposures	**191,247**	**590,771**	**98,034**	**94,922**	**65,352**	**1,040,326**
Total Credit Exposures	**1,921,552**	**13,956,524**	**1,454,558**	**1,313,679**	**382,832**	**19,029,145**

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4.0 Credit Risk (cont'd.)

4.1 Distribution of Credit Exposures (cont'd.)

(b) Industry Distribution

The following table represents the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged.

2025	Government & Central Bank	Financial, Takaful & Business Services & Real Estate	Transport, Storage & Communication	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposure Class								
Sovereigns/Central Banks	2,556,475	7,907	-	-	-	-	-	2,564,382
Public Sector Entities	-	361,114	-	-	-	-	-	361,114
Banks, DFIs and Multilateral Development Banks	-	1,049,868	-	-	-	-	-	1,049,868
Takaful Companies, Securities Firms and Fund Managers	-	24,139	-	-	-	-	-	24,139
Corporates	-	1,796,734	554,433	3,389,063	428,477	59	113,064	6,281,830
Regulatory Retail	-	387,609	41,221	1,647,922	163,684	2,264,016	33,036	4,537,488
RRE Financing	-	-	-	-	-	4,411,617	-	4,411,617
Higher Risk Assets	-	-	-	-	-	888	-	888
Other Assets	-	-	-	-	-	-	114,762	114,762
Defaulted Exposures	-	651	484	23,293	1,946	156,998	3,283	186,655
Total On-Balance Sheet Exposures	**2,556,475**	**3,628,022**	**596,138**	**5,060,278**	**594,107**	**6,833,578**	**264,145**	**19,532,743**
Credit-Related Off-Balance Sheet Exposures	-	125,755	38,166	563,476	113,330	178,507	10,403	1,029,637
Derivative Financial Instruments	-	-	-	-	-	-	-	-
Defaulted Exposures	-	-	-	172	-	250	-	422
Total Off-Balance Sheet Exposures	**-**	**125,755**	**38,166**	**563,648**	**113,330**	**178,757**	**10,403**	**1,030,059**
Total Credit Exposures	**2,556,475**	**3,753,777**	**634,304**	**5,623,926**	**707,437**	**7,012,335**	**274,548**	**20,562,802**

4.0 Credit Risk (cont'd.)

4.1 Distribution of Credit Exposures (cont'd.)

(b) Industry Distribution (cont'd.)

The following table represents the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged (cont'd.).

2024	Government & Central Bank	Financial, Takaful & Business Services & Real Estate	Transport, Storage & Communication	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposure Class								
Sovereigns/Central Banks	2,229,517	-	-	-	-	-	-	2,229,517
Public Sector Entities	-	179,932	-	-	-	-	-	179,932
Banks, DFIs and Multilateral Development Banks	-	773,525	-	-	-	-	-	773,525
Takaful Companies, Securities Firms and Fund Managers	-	77,684	-	-	-	-	-	77,684
Corporates	-	1,681,301	510,889	3,068,911	411,806	6,500	105,946	5,785,353
Regulatory Retail	-	366,622	50,435	1,558,701	156,526	2,074,771	31,919	4,238,974
RRE Financing	-	-	-	-	-	4,400,929	-	4,400,929
Higher Risk Assets	-	-	-	-	-	960	-	960
Other Assets	-	-	-	-	-	-	102,348	102,348
Defaulted Exposures	-	531	613	23,877	1,314	169,996	3,266	199,597
Total On-Balance Sheet Exposures	**2,229,517**	**3,079,595**	**561,937**	**4,651,489**	**569,646**	**6,653,156**	**243,479**	**17,988,819**
Credit-Related Off-Balance Sheet Exposures	-	151,326	29,465	556,344	89,335	204,365	9,234	1,040,069
Derivative Financial Instruments	-	-	-	-	-	-	-	-
Defaulted Exposures	-	42	-	131	-	84	-	257
Total Off-Balance Sheet Exposures	**-**	**151,368**	**29,465**	**556,475**	**89,335**	**204,449**	**9,234**	**1,040,326**
Total Credit Exposures	**2,229,517**	**3,230,963**	**591,402**	**5,207,964**	**658,981**	**6,857,605**	**252,713**	**19,029,145**

4.0 Credit Risk (cont'd.)

4.1 Distribution of Credit Exposures (cont'd.)

(c) Residual Contractual Maturity

The following table represents the residual contractual maturity for major types of gross credit exposure for on-balance sheet financial assets of the Bank:

2025	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Exposure Class						
Sovereigns/Central Banks	671,421	-	10,115	41,138	1,841,708	2,564,382
Public Sector Entities	150,230	-	-	-	210,884	361,114
Banks, DFIs and Multilateral Development Banks	649,103	354,858	-	-	45,907	1,049,868
Takaful Companies, Securities Firms and Fund Managers	20,010	-	-	-	4,129	24,139
Corporates	1,075,953	540,467	193,243	92,335	4,379,832	6,281,830
Regulatory Retail	542,510	154,583	67,947	31,689	3,740,759	4,537,488
RRE Financing	324,883	32	132	445	4,086,125	4,411,617
Higher Risk Assets	-	-	-	-	888	888
Other Assets	6,882	544	816	1,292	105,228	114,762
Defaulted Exposures	17,212	285	52	1,855	167,251	186,655
Total On-Balance Sheet Exposures	**3,458,204**	**1,050,769**	**272,305**	**168,754**	**14,582,711**	**19,532,743**

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	Total RM'000
Exposure Class						
Sovereigns/Central Banks	597,957	-	-	51,154	1,580,406	2,229,517
Public Sector Entities	20,054	-	-	-	159,878	179,932
Banks, DFIs and Multilateral Development Banks	722,576	-	-	-	50,949	773,525
Takaful Companies, Securities Firms and Fund Managers	70,649	2,729	263	-	4,043	77,684
Corporates	1,036,743	517,762	187,162	89,706	3,953,980	5,785,353
Regulatory Retail	508,205	124,110	49,680	22,880	3,534,099	4,238,974
RRE Financing	397,390	34	77	268	4,003,160	4,400,929
Higher Risk Assets	-	-	-	-	960	960
Other Assets	2,967	799	1,199	1,847	95,536	102,348
Defaulted Exposures	13,783	92	155	155	185,412	199,597
Total On-Balance Sheet Exposures	**3,370,324**	**645,526**	**238,536**	**166,010**	**13,568,423**	**17,988,819**

4.0 Credit Risk (cont'd.)

4.2 Impaired Financing and Advances and Allowance for ECL Analysis

Impaired financing and advances are exposures where the customers have failed to make a principal and/or profit payment for more than three months. In addition, where customers are deemed incapable of continuing repayment obligations, the exposures will be judgmentally impaired. Where exposures are restructured or rescheduled due to increase in credit risk, the exposures are also classified as impaired.

Past Due but Not Impaired Financing and Advances Analysis

Past due but not impaired financing and advances are exposures where the customers have failed to make a principal and/or profit payment when contractually due, and include exposures which are due one or more days after the contractual due date but not more than three months. Under MFRS 9, exposures more than 30 days past due are transferred to Stage 2. For exposures that are structured to pay principal and/or profit at quarterly intervals or longer, a default of payment will trigger an impairment.

Impaired and Past Due Financing and Advances and Allowance for ECL - Industry Analysis

	Impaired Financing, Advances and Financing RM'000	Past Due Financing RM'000	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-Credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Stage 3 ECL Charged/ (Write-Back) (net) RM'000	Stage 3 write-off (net) RM'000
2025							
Financial, Takaful & Business Services and Real Estate	1,925	28,326	3,332	6,154	1,322	262	-
Transport, Storage & Communication	928	-	737	1,010	450	141	(60)
Agriculture, Manufacturing, Wholesale & Retail Trade	38,382	22,778	22,009	21,690	15,710	2,858	(6,379)
Construction	11,904	1,964	2,498	4,636	9,968	207	-
Household	229,172	440,647	66,667	152,138	72,033	75,494	(87,662)
Others	5,091	1,005	461	1,126	1,966	328	(464)
Total	287,402	494,720	95,704	186,754	101,449	79,290	(94,565)
2024							
Financial, Takaful & Business Services and Real Estate	1,703	26,899	3,307	3,150	1,172	426	-
Transport, Storage & Communication	977	100	858	430	369	48	(344)
Agriculture, Manufacturing, Wholesale & Retail Trade	43,473	12,363	19,968	10,282	19,600	7,167	(13,443)
Construction	11,065	7,079	1,944	6,840	9,760	(909)	(1,333)
Household	253,353	339,768	62,658	143,679	84,201	59,075	(64,983)
Others	4,887	324	871	1,466	1,622	274	-
Total	315,458	386,533	89,606	165,847	116,724	66,081	(80,103)

4.0 Credit Risk (cont'd.)

4.2 Impaired Financing and Advances and Allowance for ECL Analysis (cont'd.)

Impaired and Past Due Financing and Advances and Allowance for ECL - Geographical

	Impaired Financing, Advances and Financing RM'000	Past Due Financing RM'000	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Stage 3 ECL Charged/ (Write-Back) (net) RM'000	Stage 3 write-off (net) RM'000
2025							
Northern Region	38,414	24,309	11,759	16,406	18,546	7,292	(7,818)
Central Region	213,754	403,953	70,807	146,262	71,103	71,413	(79,001)
Southern Region	16,283	36,122	6,548	13,145	4,920	72	(7,374)
Sabah Region	17,788	27,679	4,863	6,955	6,380	504	(324)
Sarawak Region	1,163	2,657	1,727	3,986	500	9	(48)
Total	287,402	494,720	95,704	186,754	101,449	79,290	(94,565)
2024							
Northern Region	40,720	22,007	11,062	12,145	19,071	6,592	(4,708)
Central Region	224,455	311,296	64,844	135,587	78,694	55,588	(59,171)
Southern Region	30,273	31,969	6,776	11,150	12,222	2,509	(15,747)
Sabah Region	18,773	18,251	5,189	5,281	6,199	1,044	(425)
Sarawak Region	1,237	3,010	1,735	1,684	538	348	(52)
Total	315,458	386,533	89,606	165,847	116,724	66,081	(80,103)

4.0 Credit Risk (cont'd.)

4.2 Impaired Financing and Advances and Allowance for ECL Analysis (cont'd.)

Movements in allowance for ECL on financing and advances are as follows:

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
At 1 April 2024	89,606	165,847	116,724	372,177
Transfer to Stage 1	63,784	(152,531)	(917)	(89,664)
Transfer to Stage 2	(61,683)	279,025	(73,355)	143,987
Transfer to Stage 3	(18)	(120,527)	148,238	27,693
New financial assets originated or purchased	45,337	28,825	3,118	77,280
Financial assets derecognised other than write-off	(25,772)	(34,557)	(12,218)	(72,547)
Changes due to change in credit risk	(15,541)	22,451	2,710	9,620
	6,107	22,686	67,576	96,369
Unwinding of discount	-	-	11,714	11,714
Total charge to / (write-back from) income statement	6,107	22,686	79,290	108,083
Write-off	(9)	(1,779)	(94,565)	(96,353)
At 31 March 2025	**95,704**	**186,754**	**101,449**	**383,907**

	12 months 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**

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

4.0 Credit Risk (cont'd.)

4.3 Assignment of Risk-Weights for Portfolios Under the Standardised Approach

The following tables represent the credit exposures by risk-weights and after credit risk mitigation:

	<------------------------------ Exposures after netting and credit risk mitigation								------------------------------>		
2025 Risk-Weights	Sovereigns /Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and Multilateral Development Banks RM'000	Takaful Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	RRE Financing RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
0%	2,564,382	205,603	5,045	-	689,325	188,977	-	-	-	3,653,332	-
20%	-	159,506	1,044,823	-	648,215	103,870	1,553	-	-	1,957,967	391,593
35%	-	-	-	-	-	-	3,535,648	-	-	3,535,648	1,237,477
50%	-	-	1,200	-	3,353	14,505	672,412	-	-	691,470	345,735
75%	-	-	-	-	-	2,730,401	345	-	-	2,730,746	2,048,059
100%	-	-	-	33,739	5,411,997	1,695,817	366,500	-	114,762	7,622,815	7,622,815
150%	-	-	-	-	6,465	2,785	983	1,215	-	11,448	17,172
Total Exposures	2,564,382	365,109	1,051,068	33,739	6,759,355	4,736,355	4,577,441	1,215	114,762	20,203,426	11,662,851
Risk-Weighted Assets by Exposures	-	31,901	209,565	33,739	5,553,014	3,775,822	1,942,226	1,822	114,762	11,662,851	
Average Risk Weight	0%	9%	20%	100%	82%	80%	42%	150%	100%	58%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

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4.0 Credit Risk (cont'd.)

4.3 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd.)

The following tables represent the credit exposures by risk-weights and after credit risk mitigation (cont'd.) :

2024 Risk-Weights	Sovereigns /Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and Multilateral Development Banks RM'000	Takaful Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	RRE Financing RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	<------ Exposures after netting and credit risk mitigation								------>		
0%	2,229,517	169,380	5,037	1,557	464,290	129,794	-	-	-	2,999,575	-
20%	-	50,054	768,487	-	775,355	151,493	1,812	-	-	1,747,201	349,440
35%	-	-	-	-	-	-	3,548,851	-	-	3,548,851	1,242,098
50%	-	-	1,000	-	4,870	14,151	707,709	-	-	727,730	363,865
75%	-	-	-	-	-	2,604,246	1,760	-	-	2,606,006	1,954,505
100%	-	-	-	76,582	4,985,092	1,550,273	337,685	-	102,348	7,051,980	7,051,980
150%	-	-	-	-	5,463	3,963	-	1,286	-	10,712	16,068
Total Exposures	2,229,517	219,434	774,524	78,139	6,235,070	4,453,920	4,597,817	1,286	102,348	18,692,055	10,977,956
Risk-Weighted Assets by Exposures	-	10,011	154,197	76,582	5,150,793	3,546,776	1,935,320	1,929	102,348	10,977,956	
Average Risk Weight	0%	5%	20%	98%	83%	80%	42%	150%	100%	59%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

4.0 Credit Risk (cont'd.)

4.3 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd.)

For the purpose of determining counterparty risk-weights, the Bank uses external credit assessments from Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation Berhad ("MARC"), Standard and Poor's ("S&P"), Moody's, Fitch Ratings, and Rating and Investment Information, Inc ("R&I" [Refer to Note 1]). In the context of the Bank's portfolio, external credit assessments are mainly applicable to banks/financial institutions and rated corporations. The Bank follows the process prescribed under BNM Capital Adequacy Framework for Islamic Banks (CAFIB)-Basel II to map the ratings to the relevant risk weights. The ratings are monitored and updated regularly to ensure that the latest and most appropriate risk-weights are applied in the capital computation.

The following tables show the rated credit exposures according to ratings by approved External Credit Assessment Institutions ("ECAIs"), or as prescribed under the CAFIB:

Long-Term Rating

Rating Category	S&P	Moody's	Fitch	RAM	MARC	R&I*
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A+ to A3	A+ to A-	A+ to A-
3	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	BBB1+ to BB3	BBB+ to BB-	BBB+ to BB-
4	B+ to D	B1 to C	B+ to D	B to D	B+ to D	B+ to D
5	Unrated					

Short-Term Rating

Rating Category	S&P	Moody's	Fitch	RAM	MARC	R&I*
1	A-1	P-1	F1+, F1	P-1	MARC-1	a-1+, a-1
2	A-2	P-2	F2	P-2	MARC-2	a-2
3	A-3	P-3	F3	P-3	MARC-3	a-3
4	Others	Others	B to D	NP	MARC-4	b, c
5	Unrated					

* Note 1: R&I rating is not recognised for Islamic debt securities.

2025

Exposure Class	Rating Categories 1	2	3	4	5	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
(i) Exposures risk-weighted using Sovereigns and Central Banks rating						
Sovereigns and Central Banks (Refer to Note 2)	-	2,564,382	-	-	-	2,564,382
Public Sector Entities	-	205,603	-	-	-	205,603
Corporates	-	444,456	-	-	-	444,456
Banks, DFIs and Multilateral Development Banks	-	5,045	-	-	-	5,045
Total	-	3,219,486	-	-	-	3,219,486
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	918,214	72,493	-	-	55,316	1,046,023
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
Total	918,214	72,493	-	-	55,316	1,046,023
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	5,281	-	-	-	154,225	159,506
Corporates	620,208	-	-	-	5,921,275	6,541,483
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	33,739	33,739
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Total	625,489	-	-	-	6,109,239	6,734,728

Note 2: The Federal Government and Central Bank of Malaysia are accorded 0% risk weight as provided under the Capital Adequacy Framework.

Note: There is no outstanding securitisation contract in the Bank that requires disclosure of ratings and short-term rating of securitisation by approved ECAIs.

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4.0 Credit Risk (cont'd.)

4.3 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd.)

The following table shows the rated credit exposures according to ratings by approved ECAIs, or as prescribed under the CAFIB (cont'd.):

2024

Exposure Class	Rating Categories 1	2	3	4	5	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
(i) Exposures risk-weighted using Sovereigns and Central Banks rating						
Sovereigns and Central Banks (Refer to Note 2)	-	2,229,517	-	-	-	2,229,517
Public Sector Entities	-	169,380	-	-	-	169,380
Corporates	-	326,148	-	-	-	326,148
Banks, DFIs and Multilateral Development Banks	-	5,037	-	-	-	5,037
Total	-	2,730,082	-	-	-	2,730,082
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	763,476	-	-	-	6,011	769,487
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
Total	763,476	-	-	-	6,011	769,487
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	-	-	-	-	50,054	50,054
Corporates	736,963	-	-	-	5,394,216	6,131,179
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	78,140	78,140
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Total	736,963	-	-	-	5,522,410	6,259,373

Note 2: The Federal Government and Central Bank of Malaysia are accorded 0% risk weight as provided under the Capital Adequancy Framework.

Note: There is no outstanding securitisation contract in the Bank that requires disclosure of ratings and short term rating of securitisation by approved ECAIs.

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4.0 Credit Risk (cont'd.)

4.4 Credit Risk Mitigation ("CRM")

The Bank generally does not extend credit solely based on collateral. Instead, credit facilities are granted based on customers' creditworthiness. Collaterals that are eligible for credit risk mitigation will be accepted only after their marketability, liquidity, legal enforceability, transferability and stability of values are accessed in accordance with the Group's policy on collateral valuation. The policy also prescribes the frequency of valuation for different collateral/security types, based on liquidity and volatility of the collateral value and the underlying product or risk exposures.

As a practical approach towards mitigating credit risk, the Bank accepts a wide range of collaterals. The main types of collateral acceptable to the Bank include cash, guarantees, commercial and residential real estates, and physical collateral/ financial collateral, e.g. motor vehicles or shares. Guarantees are accepted only when the financial standing of the guarantors have been ascertained.

However, for capital computation purposes, the BNM's Capital Adequancy Framework apply more restrictive rules on collaterals that qualify as credit risk mitigants. As a result, not all of the collaterals accepted by the Bank can be used to reduce the Bank's capital adequacy requirement.

The following tables represent the Bank's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the Capital Adequacy Framework for Islamic Banks.

2025 **Exposure Class**	**Exposures before CRM** RM'000	**Exposures covered by guarantees/ credit derivatives (Note 1)** RM'000	**Exposures covered by eligible financial collateral** RM'000	**Exposures covered by other eligible collateral** RM'000
Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	2,564,382	-	-	-
Public Sector Entities	361,114	-	-	-
Banks, DFIs and Multilateral Development Banks	1,049,868	-	-	-
Takaful Companies, Securities Firms and Fund Managers	24,139	-	-	-
Corporates	6,281,830	251,040	159,285	-
Regulatory Retail	4,537,488	283,872	116,214	-
RRE Financing	4,411,617	1,553	854	-
Higher Risk Assets	888	-	-	-
Other Assets	114,762	-	-	-
Defaulted Exposures	186,655	3,843	71	-
Total On-Balance Sheet Exposures	19,532,743	540,308	276,424	-
Off-Balance Sheet Exposures:				
Off-Balance Sheet Exposures Other than Over The Counter ("OTC") Derivatives or Credit Derivatives	1,029,637	26,966	82,953	-
Defaulted Exposures	422	1	-	-
Total Off-Balance Sheet Exposures	1,030,059	26,967	82,953	-
Total On and Off-Balance Sheet Exposures	20,562,802	567,275	359,377	-

Note 1: The exposures covered by guarantees/credit derivative refer to the exposures guaranteed by eligible guarantors.

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4.0 Credit Risk (cont'd.)

4.4 Credit Risk Mitigation ("CRM") (cont'd.)

2024 **Exposure Class**	**Exposures before CRM** RM'000	**Exposures covered by guarantees/ credit derivatives (Note 1)** RM'000	**Exposures covered by eligible financial collateral** RM'000	**Exposures covered by other eligible collateral** RM'000
Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	2,229,517	-	-	-
Public Sector Entities	179,932	-	-	-
Banks, DFIs and Multilateral Development Banks	773,525	-	-	-
Takaful Companies, Securities Firms and Fund Managers	77,684	1,557	-	-
Corporates	5,785,353	161,170	169,925	-
Regulatory Retail	4,238,974	274,293	100,969	-
RRE Financing	4,400,929	1,814	499	-
Higher Risk Assets	960	-	-	-
Other Assets	102,348	-	-	-
Defaulted Exposures	199,597	2,268	391	-
Total On-Balance Sheet Exposures	17,988,819	441,102	271,784	-
Off-Balance Sheet Exposures:				
Off-Balance Sheet Exposures Other than OTC Derivatives or Credit Derivatives	1,040,069	20,073	65,306	-
Defaulted Exposures	257	16	1	-
Total Off-Balance Sheet Exposures	1,040,326	20,089	65,307	-
Total On and Off-Balance Sheet Exposures	19,029,145	461,191	337,091	-

Note 1: The exposures covered by guarantees/credit derivative refer to the exposures guaranteed by eligible guarantors.

4.0 Credit Risk (cont'd.)

4.5 Off-Balance Sheet Exposures and Counterparty Credit Risk

Off-balance sheet exposures of the Bank are mainly from the commitments to extend credit including the unutilised or undrawn portions of credit facilities.

The off-balance sheet exposures and their related counterparty credit risk of the Bank are as follows:

2025	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Credit-Related Exposures			
Direct Credit Substitutes	87,989	87,989	69,205
Transaction-Related Contingent Items	134,999	67,500	31,787
Short-Term Self-Liquidating Trade-Related Contingencies	15,013	3,003	1,702
Forward Assets Purchase	-	-	-
Irrevocable Commitments to Extend Credit:			
- Maturity exceeding one year	584,893	292,160	230,635
- Maturity not exceeding one year	2,899,674	579,407	491,207
	3,722,568	1,030,059	824,536

2024	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Credit-Related Exposures			
Direct Credit Substitutes	88,732	88,732	69,752
Transaction-Related Contingent Items	92,383	46,191	30,147
Short-Term Self-Liquidating Trade-Related Contingencies	16,786	3,357	2,388
Forward Assets Purchase	9,502	9,502	-
Irrevocable Commitments to Extend Credit:			
- Maturity exceeding one year	692,129	345,778	271,768
- Maturity not exceeding one year	2,733,828	546,766	442,916
	3,633,360	1,040,326	816,971

5.0 Market Risk

For Islamic banking, market risk refers to fluctuations in values of tradable, marketable or leaseable assets (including sukuk) and in off-balance sheet individual portfolios such as restricted investment accounts. This risk relates to the current and future volatility of market values of specific assets, e.g. the market value of a Sukuk or Murabahah assets purchased to be delivered over a specific period; and of foreign exchange rates.

5.1 Market Risk Management

The Board, via the GRMC provides oversight on market risk management activities. Its responsibilities include reviewing and approving risk management policies, risk exposures and limits whilst ensuring the necessary infrastructure and resources are in place.

At Senior Management level, the Group Assets and Liabilities Management Committee ("GALCO") manages the Group’s market risk by reviewing and recommending market risk frameworks and policies; ensuring that market risk limits and parameters are within the approved thresholds; and aligning market risk management with business strategy and planning.

Organisationally, market risks are managed collectively via the Three Lines of Defence concept. Group Financial Markets, as the risk taking unit assumes ownership of the risk and manages the risk within the approved policies, risk limits and parameters as set by the GRMC or GALCO. The risk control function is undertaken by Group Risk Management which provides independent monitoring, valuation and reporting of the market exposures. This is supplemented by periodic review by Group Internal Audit.

5.2 Traded Market Risk

For the Bank, market risk is managed using an integrated approach which involves the following processes:

(a) Identification of market risk in new products and changes in risk profiles of existing exposures;

(b) Assessment of the type and magnitude of market risks which takes into account the activity and market role undertaken;

(c) Adoption of various market risk measurement tools and techniques to quantify market risk exposures; and

(d) Scheduled and exception reporting on market risk exposures.

Market risk exists in the Group's activities in fixed income securities, foreign exchange and financial derivatives, which are transacted primarily by Group Financial Markets (Treasury) department. Trading positions are held intentionally for short-term resale and with the intent of benefiting from actual or expected short-term price movements while banking book positions are held until maturity or as available-for-sale. Hence, these positions are susceptible to market movements.

These exposures are governed by approved policies, risk limits and parameters which are set in relation to the Group's risk appetite and strategy. Besides that, treasury activities are monitored and reported independently by Group Market Risk on a daily basis. Market risk limits, exposures as well as any limit breaches or exceptions are reported to GALCO, ERMC, and GRMC. The risk measures are outlined below:

(a) Value-at-Risk ("VaR"): The Group has adopted the historical simulation approach where historical scenarios are generated based on actual past market movements. A snapshot of the end-of-day's positions is taken and full revaluation of the treasury positions is performed for each day’s historical scenario versus the previous day’s position.The VaR estimate is derived from the value of the 99th percentile of the loss distribution curve level and computed on a one-day holding period, i.e. the model is attempting to estimate the potential loss over the next 24 hours, based on historical market volatility. The Group currently adopts the hypothetical profit and loss ("P&L") approach for back testing purposes. Hypothetical P&L for back testing purposes refers to the simulated P&L that is generated by applying the day’s price movements to the previous day’s end-of-day portfolio.

(b) Price Value of a Basis Point ("PV01") Limit: PV01 measures the sensitivity of the portfolio to adverse movements in profit rates. This limit is expressed in terms of potential losses to the entire portfolio for an adverse one basis point movement in profit rates.

(c) The Total Net Open Position ("NOP"): The NOP limits represent the maximum permissible amount of net open position that the FX Spot & Swap Trading Desk dealers can maintain at any point in time.

(d) Gamma and Vega Limits for FX and Profit Options: Gamma value parameter of an option is a risk parameter that measures the changes of the portfolio Delta due to changes in the underlying Spot value. Vega risk of an option measures and computes the changes in portfolio value due to parallel shift in volatility surface.

(e) Others: Other limits include Stop Loss Limits, Tenure Limits and Transaction Limits. These limits provide additional control on the trading portfolio. In addition, stress testing is conducted to gauge and identify potential vulnerability risk areas of a bank’s portfolio in accordance with a range of stressed scenarios or sensitivity analysis. It provides a forward looking assessment of risk exposures under stressed conditions which enables the Bank to assess potential worst case scenarios and develop appropriate management actions and contingency plans.

5.0 Market Risk (cont'd.)

5.2 Traded Market Risk (cont'd.)

Hedging Policies and Strategies

The Bank had established a policy which outlines the broad principles and policies governing hedging activities by the Bank. Generally, the Bank enters into hedges to manage or reduce risk exposures. All hedging strategies in the trading and banking book are approved by the GALCO and monitored independently by Group Market Risk Management. Further, all hedging strategies are designated upfront and recorded separately under the hedging portfolios. Hedging positions and effectiveness, if any, are monitored and reported monthly to Senior Management.

The following actions describe the financial hedges that may be entered into to mitigate the profit rate risk exposures of the Bank.

(a) Fair value hedge
The Bank use profit rate swaps to hedge its exposure to changes in the fair value of bonds.

(b) Cash flow hedge
The Bank use foreign currency swaps (hedging instrument) to hedge the foreign exchange risks (USD) arising from the foreign currency interbank borrowing (hedged item) denominated in USD.

Market risk capital charge

For the Bank, the market risk charge is computed on the standardised approach and the capital charges are mainly on the Islamic bonds/ sukuk, if any.

Regulatory capital requirements

The risk-weighted assets and capital requirements for the various categories of risk under market risk are as follows:

2025	**Risk-Weighted Assets** RM'000	**Capital Requirements** RM'000
Profit Rate Risk		
- General Profit Rate Risk	-	-
- Specific Profit Rate Risk	-	-
	-	-
Foreign Exchange Risk	301	24
Option Risk	11,550	924
	11,851	948

2024	**Risk-Weighted Assets** RM'000	**Capital Requirements** RM'000
Profit Rate Risk		
- General Profit Rate Risk	-	-
- Specific Profit Rate Risk	-	-
	-	-
Foreign Exchange Risk	242	19
Option Risk	-	-
	242	19

5.0 Market Risk (cont'd.)

5.3 Non-Traded Market Risk

Non-traded market risk is the inherent risks arising from banking book activities. The primary risk factors include rate of return risk in the banking book.

5.3.1 Rate of Return Risk in the Banking Book

Rate of Return Risk in the Banking Book ("RORBB") is the risk that occurs when movements in profit rates affect a banking organisation's earnings or economic value. Profit rate changes affect the Bank's earnings by altering profit rate-sensitive income and expenses, affecting its Net Profit Income ("NPI"). It also affects the underlying value of banking assets, liabilities and off-balance sheet instruments as the present value of future cash flows changes when there are changes in profit rate.

Risk Governance

RORBB is managed collectively by GALCO, Group Financial Markets, Group Finance and Group Risk Management. Each of these parties has defined roles and responsibilities to provide oversight and manage RORBB within the defined framework and structure as approved by the GRMC/Board. GALCO assumes the overall responsibility in managing RORBB by setting the directions, strategy and risk limits/parameters for the Bank. Group Financial Markets is tasked to execute the strategies as approved by GALCO to manage the assets/liabilities as well as the funding and liquidity needs of the Bank/Group where the Group and its entities have operated above the minimum regulatory requirement for Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR"). Group Finance and Group Risk Management provides support in respect of risk monitoring and reporting of the banking book exposures and ensuring regulatory as well as accounting requirements are met.

RORBB Management

The guiding principles in managing RORBB include:

(a) Adopting a prudent approach to manage RORBB in ways that commensurate with the Group's size and business activities. This is achieved via establishing robust RORBB policies, measures and strategies, and complemented by regular monitoring and reporting;

(b) Checking to ensure that RORBB is accurately measured and any mismatches identified, reviewed and reported monthly to GALCO;

(c) Setting proper gapping limits and the limits monitored closely; and

(d) Practising comprehensive RORBB reporting and review process, with aggregated information and supporting details to facilitate the assessment of the Group's sensitivity to changes in market conditions.

The Bank uses a range of tools, including the following primary measures to quantify and monitor RORBB:

(a) Repricing gap analysis to measure profit rate from the earnings perspective, i.e. impact of profit rate changes to earnings in the short term;

(b) Net profit income simulations to assess the impact of profit rate changes on short term earnings volatility;

(c) Economic value ("EV") simulations that measure the asset-liability impact of adverse profit rate movements on the economic value of the Bank's capital; and

(d) Product behavioural testing is applied regularly to ensure the risk assessment is able to withstand any market profit rate changes within the risk tolerance of the Bank.

The measures rely on key assumptions such as the behaviour of profit rates, the re-pricing characteristics and stability of indeterminate or non-maturity deposits and financing as well as changes in financing and deposit product balances influenced by various behavioural characteristics under different profit rate scenarios.

Group Risk Management performs independent monitoring of the profit rate benchmarks to ensure compliance. Any exceptions are reported and appropriate remedial actions are taken, where necessary. Schedule reporting via risk dashboards are provided to Senior Management, GRMC and the Board. The risk dashboards provide a visual gauge ("dashboard view") on the RORBB of the Bank.

The Bank is guided by BNM's guidelines and Basel standards on management of RORBB.

5.0 Market Risk (cont'd.)

5.3 Non-Traded Market Risk (cont'd.)

5.3.1 Rate of Return Risk in the Banking Book (cont'd.)

The following tables present the Bank's projected sensitivity shock based on standard scenario as outlined in BNM's Reporting Requirements for Rate of Return Risk in the Banking Book Policy Document issued on 30 June 2020 across all maturities applied on the Bank's rate of return sensitivity gap as at reporting date.

	MYR RM'000	USD RM'000	SGD RM'000	Other Foreign Currencies ("FCY") RM'000	TOTAL RM'000
2025					
Impact on Net Profit Income ("NPI")					
Parallel 200 bps up	50,661	-	-	-	50,661
Parallel 200 bps down	(50,661)	-	-	-	(50,661)
Impact on Economic Value ("EV")					
Parallel 200 bps up	(86,605)	-	-	-	(86,605)
Parallel 200 bps down	86,605	-	-	-	86,605
Steepener	(105,928)	-	-	-	(105,928)
Flattener	89,561	-	-	-	89,561
Short Rate Up	(10,914)	-	-	-	(10,914)
Short Rate Down	10,914	-	-	-	10,914

	MYR RM'000	USD RM'000	SGD RM'000	Other FCY RM'000	TOTAL RM'000
2024					
Impact on NPI					
Parallel 200 bps up	51,798	-	-	-	51,798
Parallel 200 bps down	(51,798)	-	-	-	(51,798)
Impact on EV					
Parallel 200 bps up	(161,314)	-	-	-	(161,314)
Parallel 200 bps down	161,314	-	-	-	161,314
Steepener	(177,084)	-	-	-	(177,084)
Flattener	143,939	-	-	-	143,939
Short Rate Up	(35,133)	-	-	-	(35,133)
Short Rate Down	35,133	-	-	-	35,133

The reported amounts do not capture the impact of business growth or of management actions as the impact is based on the balance sheet as at reporting date. In reality, GALCO seeks to proactively change the profit attributable to rate of return risk to minimise losses and maximise revenue.

Actual dates may differ from contractual dates for both financing and deposit owing to prepayments/premature withdrawals. When possible and material, financing prepayments and deposit premature withdrawals are generally estimated based on past statistics and trends. The impact on NPI and EV are measured on a monthly basis for the Bank and quarterly for the Group, both of which are reported to GALCO and the Group Risk Management Committee.

5.0 Market Risk (cont'd.)

5.3 Non-Traded Market Risk (cont'd.)

5.3.2 BNM Liquidity Coverage Ratio ("LCR")

Liquidity risk can be defined as the risk where an entity is unable to fund increases in assets and meet financial obligations as they come due without incurring unacceptable losses. Liquidity risk measures are usually expressed in the form of various liquidity risk measurement ratios and triggers.

It is essential to adopt a conservative and prudent approach in the measurement of liquidity risk. This is achieved by the establishment of robust liquidity risk management policies, measures and strategies that are complemented by regular monitoring and reporting process.

The liquidity risk management references BNM's LCR to gauge its liquidity exposure, complemented with BNM's Net Stable Funding Ratio ("NSFR") which requires the Group to maintain sufficient liquidity, including a cushion of unencumbered, High Quality Liquid Assets ("HQLA") to withstand a range of stress events.

The Group is in compliance with the minimum regulatory requirements ratio to LCR and NSFR within the period from April 2024 to March 2025.

The following tables show the LCR and NSFR positions and are presented on average basis. The average position is calculated as the simple average of past 12 monthly observations in that financial period.

	2025	**2024**
In RM'000		
Average HQLA	3,529,099	3,180,782
Average Cash Outflow	2,414,760	2,603,644
Average Cash Inflow	493,541	630,567
Average Net Cash Outflow	1,921,219	1,973,077
Average LCR Ratio %	183.69%	161.21%

6.0 Operational Risk

Operational risk is the risk of direct or indirect financial loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk but excludes strategic and reputational risks.

Operational Risk Management

Management, escalation and reporting of operational risks are instituted through the Group Operational and Technology Risk Management Committee ("GOTRC"), ERMC, and GRMC as well as the Board.

The Board, via GRMC provides oversight on operational risk management activities.

At Senior Management level, GOTRC manages the day-to-day operational risk exposures. The roles and responsibilities of GOTRC include:

(a) Providing strategic guidance on operational issues and monitoring the implementation of Operational Risk Management ("ORM") Framework;

(b) Reviewing and monitoring operational risk issues, reports and action plans;

(c) Evaluating and agreeing on initiatives to strengthen operational processes or infrastructure; and

(d) Promoting risk awareness and operational risk management culture.

The Group practises operational risk management as outlined in the ORM Framework, in accordance with Basel and regulatory guidelines. The Group applies operational risk tools and methodologies in the identification, assessment, measurement, control and monitoring of operational risks. Other efforts by the Group include the ORM awareness training which is given to all staff, and regular business continuity and disaster recovery plans.

6.0 Operational Risk (cont'd.)

The Group's operational risk management process is depicted in the table below:

Identification	Identify the various risks inherent to each product, process and activity, as well as adverse trends of risk parameters
Assessment	- Risk Control Self-Assessment ("RCSA") - Controls Testing ("CT") - Key Risk Indicators ("KRI") - Loss Event Data ("LED") - Scenario Analysis ("SA")
Mitigation & Control	- Set risk mitigation measures and controls - Insurance/takaful - Outsourcing - Business Continuity Management
Reporting	- Escalate and highlight regular operational risk reports to Senior Management and the Board - Highlight new/emerging risk areas and the controls in place
Disclosure	Provide regular risk disclosure to regulators through the Pillar 3 disclosure report and regulatory reports on operational risk, e.g. Operational Risk Reporting ("ORR") reporting

The customary tools employed by the Group for the management of operational risk are:

(a) **RCSA** - An operational risk tool that is used to identify and assess risks inherent in the Group's operations and to evaluate the overall effectiveness of the internal controls in mitigating the identified risks;

(b) **CT** - Complements the RCSA process by validating the effectiveness of the controls measures identified and highlight control lapses;

(c) **KRI** - A quantitative and statistical parameter, often financial in nature and focuses on business processes and activities to identify emerging risks and potential changes in operational risk profiles;

(d) **LED** - The process of collecting, evaluating, monitoring and reporting operational risk events, loss amount and irregularities; and

(e) **SA** - Assessment made to identify potential operational risk events and potential outcomes including identifying potential significant operational risks and the need for additional risk management, controls or mitigation solutions.

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

7.0 Shariah Governance Disclosures

Shariah Non-Compliance Risk is the risk of loss that arise from the risk of failure to comply with Shariah rules and principles as determined by the Shariah Advisory Council of BNM and the Bank's Shariah Committee. To manage the risks, the Bank has adopted the following guiding principles:

(a) A sound Shariah Compliance Framework which governs the operations of the Bank and outlines the roles of key functionalities within the Bank, including but not limited to the Shariah risk management process. This is in line with the Shariah governance policy document issued by BNM;

(b) The Board of Directors, assisted by the Shariah Committee and Senior Management, provides oversight on Shariah compliance aspects of the Bank’s overall operations. This, amongst others, includes:

- Oversight and implementation of the Shariah Compliance Framework;
- Regular review of Shariah non-compliant income and issues;
- Addressing Shariah non-compliance findings; and
- Ensuring compliance with regulatory and internal requirements including disclosures.

(c) Appointment of a qualified Shariah Committee member who also serves as AIS Board member; serving as a ‘bridge’ between the Board and the Shariah Committee;

(d) Ongoing Shariah reviews and training to raise risk awareness and ensure compliance to Shariah rules and principles. This includes:

- Regular assessment on Shariah compliance in the activities and operations of the Bank. The findings of the review are reported to the Shariah Committee for deliberation and decision;

- Performing research and studies on Shariah issues, including providing day-to-day Shariah advice and consultancy to relevant parties; and

- Conducting Shariah-related training and ongoing engagement with relevant parties to raise awareness on Shariah non-compliance risk.

(e) Escalation and reporting processes of Shariah non-compliant income and issues governed through designated escalation channels, which include the Board and Shariah Committee; and

(f) Periodic engagement between the Board and the Shariah Committee to discuss Shariah research, Shariah compliance and the views of scholars on Islamic banking activities.

Shariah Non-Compliant Income and Events

During the period under review, there were two actual Shariah Non-Compliance Events ("SNCE") as follows:

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

ii. Telegraphic Transfer for Purchase of Praying Materials
The SNCE was due to oversight by the designated team members and dual control weakness in operations.The commission amounting to RM2 has been channelled to charity.

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