SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

[Company No. 201001042446 (926374-U)]
(Incorporated in Malaysia)

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2025

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

The Directors have pleasure in submitting their report and the audited financial statements of Sumitomo Mitsui Banking Corporation Malaysia Berhad ("the Bank") for the financial year ended 31 March 2025.

Principal activities

The Bank is principally engaged in the provision of banking and related financial services. There has been no significant change in the nature of these activities during the financial year.

Ultimate holding corporation

The Directors regard Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Financial Group, Inc. as immediate and ultimate holding corporations respectively, during the financial year and until date of this report. Both companies are incorporated in Japan.

Results	**RM'000**
Profit before taxation	356,386
Tax expense	(88,382)
Profit for the year	268,004

Dividends

Since the end of the previous financial year, no dividend was paid and the Directors do not recommend any dividend to be paid for the financial year.

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Bad and doubtful debts and financing

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that all known bad debts have been written off and adequate provision made for impaired loans, advances and financing.

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad debts or the amount of the provision for impaired loans, advances and financing in the Bank inadequate to any substantial extent.

Current assets

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that the value of any current assets, other than debts and financing, which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

Valuation methods

At the date of this report, the Directors are not aware of any circumstances, which have arisen that would render adherence to the existing method of valuation of assets or liabilities of the Bank's financial statements 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 and 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 those that may arise in the ordinary course of the banking business.

No contingent liability 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 substantially affect the ability of the Bank to meet its 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, that would render any amount stated in the financial statements misleading.

Items of an unusual nature

In the opinion of the Directors, other than as disclosed in the financial statements, the financial performance of the Bank for the financial year ended 31 March 2025 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Directors

Directors who served during the financial year until the date of this report are as follows:

Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah
Woo Chew Hong
Lim Tuang Ooi
Lo Nyen Khing
Anand Mahadevan (Appointed on 26 May 2025)
Hiroshi Nishimura (Resigned on 9 May 2025)

Directors' interests in shares

None of the Directors holding office at the end of the financial year had any interest in the shares of the Bank and of its related corporations during the financial year.

Directors' remuneration

The Directors' remuneration paid to or receivable by the Directors of the Bank during the financial year are as follows:

	RM'000
Fees	723
Salaries and other remunerations	323
	1,046

Directors' benefits

Since the end of previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full-time employee of the Bank) by reason of a contract made by the Bank or a related corporation 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.

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 Directors might acquire benefits by means of the acquisition of shares in, or debenture of, the Bank or any other body corporate.

Auditors' remuneration

Total amount paid to or receivable by the Auditors as their remuneration for their services as auditors is as follows:

	RM'000
Statutory audit - current year	422

Compliance with Bank Negara Malaysia's expectations on financial reporting

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with including those as set out in the Guidelines on Financial Reporting.

Bank ratings

On 25 November 2024, RAM Rating Services Berhad had reaffirmed the Bank's long and short-term financial institution ratings of AA1 Stable and P1 respectively.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Bank during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Bank during the financial year.

Indemnity and insurance costs

The Bank has put in place a Directors and Officers Insurance scheme with a maximum sum insured amount and premium paid of RM4.71 million and RM24,840 respectively effective for the financial year.

During the financial year, there were no indemnity given or insurance effected for auditors of the Bank.

Business results for the financial year ended 31 March 2025

For the financial year ended 31 March 2025, the Bank recorded profit before taxation of RM356.4 million, a decrease of RM5.1 million (31 March 2024: RM361.5 million). The declined in performance was mainly attributed to the lower writeback of impairment on loans, advances and financing and other financial assets of RM13.7 million to RM8.8 million (31 March 2024: RM22.5 million) and decrease in other operating income of RM9.1 million to RM235.1 million (31 March 2024: RM244.2 million) . The decrease was slightly offset by higher net interest income of RM19.8 million to RM272.4 million. Consequently, the Bank recorded profit after taxation of RM268.0 million, an increase of RM5.9 million (31 March 2024: RM262.1 million).

The total assets recorded an increase of 2.2% to RM27,152.2 million as at 31 March 2025 (31 March 2024: RM26,556.4 million). This was mainly attributed to the 66.0% increase in deposits and placements with banks and other financial institutions amounting to RM3,376.4 million (31 March 2024: RM2,033.9 million) and increase in other assets of 273.5% amounting to RM344.7 million (31 March 2024: RM92.3 million). The increase was partially offset by the decrease in loans, advances and financing of 6.1% amounting to RM13,476.8 million (31 March 2024: RM14,353.4 million).

The total liabilities recorded an increase of 1.5% to RM22,733.5 million as at 31 March 2025 (31 March 2024: RM22,408.2 million). This was largely due to the higher deposits from customers of 4.7% amounting to RM18,528.1 million as at 31 March 2025 (31 March 2024: RM17,689.3 million).

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Outlook for the financial year ending 31 March 2026

Malaysia's economy grew by 5.0% in the fourth quarter of 2024 (4Q 2023: 2.9%) led by investment growth, resulting in the best performance in 12 years. The growth was driven by positive momentum across all sectors except agriculture, and mining and quarrying.

The construction sector accelerated by 20.7% marking its fastest expansion since 2021. All segments recorded robust growth particularly the non-residential buildings led by data centre-related projects. In addition, renovation and maintenance across residential, commercial and industrial segments recorded strong demand. High-way and other off-shore platform development also surged during the quarter.

On the global front, 2024 saw sustained economic expansion supported by strong global trade. However, policy uncertainties and expected financial markets volatility present downside risk to global economy outlook as well as international trade.

Islamic Finance Outlook for the financial year ending 31 March 2026

In the year 2025, the domestic Islamic banking industry in Malaysia has grown its assets size by 8.5% outpacing the growth of total banking industry assets which stood at 4.1%. This is mainly contributed by the growth of financing assets of 8.2% in comparison to the growth of total industry banking financing of 5.6%. Household is the key sector contributing to 64% of the total financing.

For this financial year, the Islamic banking industry in Malaysia is expected to remain resilient driven by strong demand from domestic markets amid global uncertainty. According to BNM annual report 2024, the Malaysian economy is projected to grow 4.5% - 5.5% in 2025 backed by domestic and improving external demand (Islamic finance contributed 0.9% of total GDP in 2024), in spite of the headline inflation being targeted between 2% to 3.5%. Islamic Banking will further concentrate in enhancing value based intermediation and promoting green and sustainable finance which is the sustainable way forward.

Meanwhile, for the Bank, we have increased Islamic financing assets through new disbursements under foreign currency and Malaysian Ringgit. The Bank remains committed to expand its Malaysian Ringgit products and services within Islamic Banking Window (IBW) to promote a diverse range of financial solutions to customer along with relevant international currencies' products and services.

Corporate Governance Disclosures

Board of Directors

The members of the Board bring to the Bank a wealth of knowledge, experience and skills in a wide range of areas, inter alia, business strategy, finance, risk management and technology, which are key for the delivery of the necessary corporate governance oversight required by Bank Negara Malaysia ("BNM"). In addition, the composition by the members of the Board is designed to uphold the highest standards of independence and compliance to corporate governance and by setting in place, the strategy and direction of the Bank through the formulation of policies and establishment of the respective Board Committees. These policies will be subjected to regular reviews and enhancements as and when the need arises. All policies are formulated to take into consideration the principles and standards as set by BNM in its Guidelines on Corporate Governance (BNM/RH/PD 029-9) and the Shariah Governance Policy Document.

Board composition

The Board currently has five (5) members, comprising one (1) Independent Non-Executive Chairman, three (3) Independent Non-Executive Directors and one (1) Executive Director. The Board has a majority of Independent Directors which complies with the BNM's Policy Document on Corporate Governance. A brief profile of each member of the Board is presented on pages 8 to 12 of the financial statements.

As stipulated in the Board Charter of the Bank, the tenure of Independent Non-Executive Directors of the Bank shall not exceed an aggregate of six (6) years, save and except for exceptional circumstances that the tenure could be further extended up to a maximum term of nine (9) years.

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Corporate Governance Disclosures (continued)

Board composition (continued)

Profile of each Director is as follows:

1. **Dato’ Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah (“Dato’ Wan Fadzmi”)**
   (Age 59, Malaysian)
   (Independent Non-Executive Chairman)

   Dato' Wan Fadzmi was appointed as an Independent Non-Executive Director on 1 April 2018 and subsequently redesignated as Chairman on 15 May 2021. He is a member of the Board Risk Management Committee, the Board Audit Committee and the Board Nominations and Remuneration Committee.

   He has extensive experience in domestic and international banking. During his 22 years career in Malayan Banking Berhad, Dato’ Wan Fadzmi held various senior management positions including chief executive and country heads for the bank’s operations in London, New York and Hong Kong. In addition, he was director of Global Financial Banking Strategic Business Group at RHB Bank Berhad from July 2010 to June 2011 before assuming the position as the president/chief executive officer at Bank Pertanian Malaysia Berhad from July 2011 until August 2017.

   Dato’ Wan Fadzmi has received many accolades in his career including Outstanding CEO 2017 from Association Development Financial Institution in Asia Pacific in Macau, China and CEO of the Year at the Global Islamic Finance Award 2016 in Jakarta, Indonesia.

   He holds a Bachelor of Construction Economics from RMIT University, Melbourne, Australia and attended the Advanced Management Program at The Wharton Business School, University of Pennsylvania, USA and the Senior Executive Finance Program at the Templeton College, University of Oxford. He is a Chartered Banker (Asian Institute of Chartered Bankers) and Fellow of Institute of Corporate Directors Malaysia (ICDM).

   He is the Independent Non-Executive Director of Hap Seng Consolidated Berhad, Zurich General Takaful Malaysia Berhad and Malaysian Rating Corporation Berhad. He is also the member of the Investment Panel of Lembaga Tabung Angkatan Tentera.

   Dato' Wan Fadzmi has attended the following trainings held during the year:-

   - Responsibility Mapping Engagement with Directors of Financial Institutions
   - 3rd Malaysian Banking Conference 2024 ‘Banking in the Era of Gen AI - Reshaping Banking, Innovating for the New Economy & Accelerating Sustainability’
   - Preventing Fraud: The Board's Roles and Responsibilities
   - CPD Regulatory Training
   - Distinguished Board Leadership Series 2024: Digital Transformation of the World’s Best Bank
   - Leading the Way: Developing Credible Transition Plans for Financial Institutions
   - Special Lecture: How Global Events Will Affect the Outlook for the Financial Industry in 2025

   Dato' Wan Fadzmi does not have any shareholding in the Bank.

Corporate Governance Disclosures (continued)

Board composition (continued)

2. **Lo Nyen Khing**
   (Age 62, Malaysian)
   (Independent Non-Executive Director)

   Mr. Lo was appointed as an Independent Non-Executive Director of the Bank on 1 February 2024. He is the Chairman of Board Audit Committee, and a member of the Board Risk Management Committee and the Board Nominations and Remuneration Committee.

   He has over 30 years of experience in the financial industry from the Asia Pacific region with a successful track record of growing few banking businesses in the course of his career. Mr. Lo held various senior management positions including Group Head, Corporate Banking for CIMB Group, Vice Chief Executive Officer of PT Bank CIMB Niaga Tbk, Chief Risk Officer of OCBC, North Asia, Regional General Manager for South East Asia and President Director for OCBC Indonesia as well as Country Risk Manager of Citibank Indonesia.

   He holds a Master of Business Administration from Western Illinois University from United States of America, completed Senior Executive Program for Asia and Advanced Management Programme from the University of Michigan and University of Oxford.

   Mr. Lo has attended the following trainings held during the year:-

   - Responsibility Mapping Engagement with Directors of Financial Institutions
   - Being Sued as an INED – A Personal Journey
   - CGM Masterclass: What Directors Must Know: Recent Developments in Climate Science
   - FIDE Core Module A Mandatory Training
   - FIDE Module B Mandatory Training
   - CPD Regulatory Training
   - KPMG Symposium: Beyond ESG
   - BDO Webinar – E-Invoicing Tech: Automating Compliance with Middleware
   - Future Ready Banks
   - Islamic Finance for Board of Directors Programme
   - FIDE Director Renumeration Report 2024
   - Audit Oversight Board's Conversation with Audit Committees
   - Introduction to Corporate Directorship: Foundations of Effective Board Leadership
   - MFRS Update 2024
   - Strength Discovery Forum
   - SAC Advocacy Dialogue & Debate | Impact in Action: From Leadership to Stewardship
   - E-Invoicing Essential for Board of Directors
   - How Global Events Will Affect the Outlook for the Financial Industry in 2025

   Mr. Lo does not have any shareholding in the Bank.

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Corporate Governance Disclosures (continued)

<u>Board composition (continued)</u>

3. Woo Chew Hong
(Age 69, Malaysian)
(Independent Non-Executive Director)

Mr. Woo was appointed as an Independent Non-Executive Director of the Bank on 15 May 2021. He is the Chairman of Board Nominations and Remuneration Committee, and a member of the Board Risk Management Committee and the Board Audit Committee.

He has many years of professional experience in the technology field, with various industries including financial institutions. He has expertise across the full IT spectrum, from strategic planning to application development, infrastructure and service management. Mr. Woo also had the opportunity to work closely with world-class IT solutions and technology partners. These engagements had been with large corporations and leaders in their respective fields.

He holds a Bachelor of Science and a Post Graduate Diploma in Computer Science from La Trobe University Australia. He has attended the Senior Management Program at INSEAD.

Currently, he is also an Independent Non-Executive Director of Lonpac Insurance Bhd.

Mr. Woo has attended the following trainings held during the year:-

- Thriving in the Bermuda Triangle of Technology, Risk and Talent
- CPD Regulatory Training
- Board Responsibilities The Cyber Security Bill 2024
- Climate Risk in Insurance
- KPMG Symposium: Beyond ESG
- Launch of the Directors' Remuneration Report
- Climate Scenario Analysis
- Board Leadership Workshop: Board's Role in Digital Transformation: Putting Words into Action
- Special Lecture: How Global Events Will Affect the Outlook for the Financial Industry in 2025
- Transitioning to IFRS S1 & S2

Mr. Woo does not have any shareholding in the Bank.

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Corporate Governance Disclosures (continued)

Board composition (continued)

4. **Lim Tuang Ooi**
   (Age 63, Malaysian)
   (Independent Non-Executive Director)

   Mr. Lim was appointed as an Independent Non-Executive Director of the Bank on 1 February 2023. He is the Chairman of Board Risk Management Committee, and a member of the Board Nominations and Remuneration Committee and the Board Audit Committee.

   As a Chartered Accountant and Certified Public Accountant by profession, Mr. Lim is an accomplished professional with wealth of experience specialising in investment or enterprise risk management and financial management in major sovereign institutions and banks dealing in private equities, listed equities, fixed income, real assets and retail or wholesale banking respectively. He has over 37 years of experience heading up risk management and financial management roles in major local and foreign financial and asset management institutions such as Khazanah Nasional, Employees Provident Fund, Citigroup / Citibank, Hong Leong Bank and KPMG.

   He holds professional accountancy qualifications from the Institute of Chartered Accountants in England and Wales, Malaysian Institute of Accountants and The Malaysian Institute of Certified Public Accountants.

   Currently, he is also an Independent Non-Executive Director of Allianz General Insurance (Malaysia) Berhad and IOI Corporation Berhad.

   Mr. Lim has attended the following trainings held during the year:-

   - Nature at a Tipping Point
   - Directors’ Training on Integrated Reporting
   - CPD Regulatory Training
   - Data and AI Briefing
   - National Climate Governance Summit
   - Cybersecurity Oversight: Board Responsibilities in Light of the Cybersecurity Bill 2024
   - How can Boards Make the Most of Blockchain & Digital Assets
   - MFRS Updates 2024
   - Cyber Security Act 2024: Everything You Need to Know to Stay Ahead
   - How Global Events Will Affect the Outlook for the Financial Industry in 2025

   Mr. Lim does not have any shareholding in the Bank.

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Corporate Governance Disclosures (continued)

Board composition (continued)

5. Anand Mahadevan
(Age 51, Indian)
(Executive Director)

Mr. Anand Mahadevan was appointed as an Executive Director of the Bank on 26 May 2025.

He currently serves as Regional Chief Risk Officer and Co-Head of Risk Management Department for the Asia Pacific Division and India Division at SMBC Singapore. With over 30 years of experience in banking and financial services, Mr. Mahadevan brings extensive expertise in Risk Management, Business, Strategy, Operations and Finance gained across the markets of Asia, Africa, Middle East and Europe.

Prior to joining the Bank, he held senior leadership positions in global organisations such as World Bank, ABN AMRO and Standard Chartered Bank.

Mr. Mahadevan is a Chartered Accountant and additionally, holds a Master’s Degree in Commerce from the University of Madras. He has also completed Executive Education at Harvard Business School and is a Certified Islamic Banking Specialist.

Mr. Mahadevan does not have any shareholding in the Bank.

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Corporate Governance Disclosures (continued)

Board composition (continued)

Members of the Board are professionals in their own rights and they possess the pre-requisite skills, knowledge, experiences and expertise from the private sector and the banking industry. They contribute immensely by adding value to the strategy and direction of the Bank. They are persons of high calibre and integrity and they duly fulfilled the "Fit and Proper" standards for appointment of Directors as established by the Board in accordance with the Financial Services Act 2013, the Guidelines on Corporate Governance and Fit and Proper Standards, other relevant regulations and industry best-practices.

Board roles and responsibilities

The Board shall review and approve strategies, business plans and significant policies and monitors the Management's implementation of the approved strategies, plans and policies. The Board ensures that there are adequate controls and systems in place to facilitate the implementation of the Bank's policies. Consequentially, the Bank establishes comprehensive risk management policies, processes and infrastructure, to manage the various types of risks. The Board accordingly monitors and assesses current developments in the country and globally which may affect the Bank's existing strategic plans.

The Board regularly reviews the adequacy and the integrity of the Bank's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board is ultimately responsible for the oversight over the functioning of the Bank's overall Shariah Governance structure and Shariah compliance. Additionally, the Board promotes Shariah compliance in accordance with the expectations set out in the Bank's Shariah governance policies and ensure its integration with the Bank's business and risk strategies.

The respective roles of the Chairman and President / CEO are clearly separated from each other with clearly defined responsibilities, authority and accountability. This distinction allows an appropriate balance of roles between the Board and Management. The Independent Directors are independent of management and are free from any business or other relationships that may interfere with the exercise of their independent judgement. A Director who has any interest, either directly or indirectly in any material transactions or arrangements shall at all times declare his / her interest and shall abstain from deliberation and voting when such matters are being tabled to the Board for deliberation and decision.

Performance criteria used to assess the Board as a whole

The effectiveness of the Board is measured against the Bank's performance in terms of profitability, internal controls, risk management and cost effectiveness.

Frequency and conduct of Board meetings

Regular meetings are scheduled to discuss key issues of the Bank including review of the governance and compliance, financial performance, operations and risk management and to deliberate on matters which require the Board's decision and approval. In addition to scheduled Board and Board Committees' meetings, ad-hoc or special Board and Board Committee meetings may be convened from time to time when required.

Corporate Governance Disclosures (continued)

Board meetings

A total of 13 Board meetings were held during the financial year in review. All Directors have complied with BNM requirements that Directors must attend at least 75% of Board meetings held in the financial year. The details of the meeting attendance are as follows:

Name of Directors	Attendance	%
Dato' Wan Fadzmi - Chairman	13/13	100
Woo Chew Hong	13/13	100
Lo Nyen Khing	13/13	100
Lim Tuang Ooi	13/13	100
Anand Mahadevan (Appointed on 26 May 2025)	-	-
Hiroshi Nishimura (Resigned on 9 May 2025)	13/13	100

Board Committees

The Board is supported by specific Board Committees to oversee critical and major functional areas of the Bank.

The functions and terms of reference of each Board Committee have been approved by the Board and are revised from time to time to ensure that they are relevant, effective and up-to-date.

The Board Committees established are as follows:

1. Board Nominations and Remuneration Committee;
2. Board Audit Committee; and
3. Board Risk Management Committee.

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Corporate Governance Disclosures (continued)

Board Committees (continued)

Board Nominations and Remuneration Committee ("BNRC")

The BNRC consists of four (4) Independent Non-Executive Directors.

The details of attendance of each member at BNRC meetings held during the financial year in review are as follows:

Name of Directors	Attendance	%
Woo Chew Hong - Chairman	9/9	100
Dato' Wan Fadzmi	9/9	100
Lim Tuang Ooi	9/9	100
Lo Nyen Khing	9/9	100

The objective of the BNRC includes:

1. To provide formal and transparent procedures for the appointment of Directors, members of the Shariah Committee ("ShC"), President / CEO, key senior management officers, senior officers and the Company Secretary;

2. Assessment of effectiveness of individual Directors, the Board as a whole and members of the ShC;

3. To support the Board in carrying out the performance evaluation of President / CEO, key senior management officers, senior officers and Company Secretary; and

4. Recommending remuneration for Directors, members of the ShC, President / CEO, key senior management officers, senior officers and other material risk takers in ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategy.

The BNRC with regard to its nomination roles is responsible for amongst others:

1. Establishing minimum requirements for the Board, i.e. required mix of skills, experience, qualification and other core competencies required of a Director. The Committee is also responsible for establishing minimum requirements for the members of the ShC and President / CEO;
2. Recommending to the Board the approval, the appointment and removal of directors, members of the ShC, President / CEO, key senior management officers, senior officers and Company Secretary;
3. Reviewing the overall composition of the Board, in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review;
4. Supporting the Board in conducting the performance evaluation and development of the Board members, Committee members, Shariah Committee members, President / CEO, key senior management officers, senior officers and Company Secretary for competency assessment purposes;
5. Assessing the independence of Independent Directors annually and that the Independent Directors meet the identified independence criteria and are not disqualified under relevant qualification;

Corporate Governance Disclosures (continued)

Board Committees (continued)

Board Nominations and Remuneration Committee ("BNRC") (continued)

The BNRC with regard to its nomination roles is responsible for amongst others (continued):

6. Supporting the Board in carrying out assessment on an annual basis, to ensure that the Directors, members of the ShC, key responsible persons and Company Secretary are not disqualified under Financial Services Act 2013 and Companies Act 2016 and they must have been assessed to have complied with the "Fit and Proper" requirements; and
7. Supporting the Board in carrying out the review of the Board succession plan, ShC succession plan and succession plan for President / CEO, key senior management officers, senior officers and Heads of Departments.

The BNRC with regard to its remuneration roles is responsible for:

1. Recommending to the Board the remuneration framework for Directors, members of the ShC, President / CEO, key senior management officers and senior officers;
2. Reviewing and recommending to the Board the remuneration for each Director, members of the ShC, President / CEO, key senior management officers, senior officers and other material risk takers;
3. Supporting the Board in actively overseeing the design and operation of the Bank’s remuneration system;
4. Reviewing the annual variable bonus pool proposals for the Bank, ensuring that they are appropriately performance and risks adjusted; and
5. Reviewing and ensuring the Bank's performance, remuneration and consequence management frameworks are aligned with and support the objective of the responsibility mapping framework.

Board Audit Committee ("BAC")

The BAC consists of four (4) Independent Non-Executive Directors.

The details of attendance of each member at BAC meetings held during the financial year in review are as follows:

Name of Directors	Attendance	%
Lo Nyen Khing - Chairman	6/6	100
Woo Chew Hong	6/6	100
Dato' Wan Fadzmi	6/6	100
Lim Tuang Ooi	6/6	100

The objective of the BAC is to support the Board in ensuring that there is a reliable and transparent financial reporting process within the Bank and to review the effectiveness of the internal control functions therein.

Corporate Governance Disclosures (continued)

Board Committees (continued)

Board Audit Committee ("BAC") (continued)

The key responsibilities of the BAC are:

1. **Fair and transparent financial reporting**
   i. Support the Board in ensuring a reliable and transparent financial reporting process within the Bank.
2. **Internal Audit**
   i. Oversee the functions of the Internal Audit Department ("IAD") and ensuring compliance with BNM Policy Documents on Internal Audit Function of Licensed Institutions;
   ii. Review and approve the annual Internal Audit Plan and IAD Charter;
   iii. Review audit reports and ensuring that senior management is taking necessary corrective actions in a timely manner;
   iv. Noting significant disagreements between the Head of IAD / Chief Internal Auditor ("CIA") and the rest of the senior management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings;
   v. Review and approve the key performance indicators of internal audit function via IAD Balanced Scorecard to which the performance and effectiveness of the function are thereafter to be assessed and approved; and
   vi. Appoint, set compensation, evaluate performance, decide on the transfer and dismissal and also review the reasons and circumstances leading to the resignation of the Head of IAD / CIA.
3. **Internal controls**
   i. Review the appropriateness and effectiveness of internal controls and risk management processes.
4. **External auditors**
   i. Make recommendations to the Board on the appointment, removal and remuneration of the external auditor;
   ii. Monitor and assess the independence of the external auditor, including approval of the provision of non-audit services by the external auditor;
   iii. Monitor and assess the effectiveness of the external audit and meeting with the external auditor without the presence of senior management at least annually;
   iv. Maintain regular, timely, open and honest communication with the external auditor and requiring the external auditor to report to the BAC on significant matters; and
   v. Ensure that senior management is taking necessary corrective actions in a timely and effective manner to address external audit findings and recommendations.
5. **Related party transactions**
   i. Review all related party transactions and keep the Board informed of such transactions.
6. **External experts**
   i. Engage external experts in circumstances where the internal audit function lacks the expertise needed to perform the audit of specialised areas; and
   ii. To ensure that the independence of the external auditor in its role as statutory auditor of the Bank is not compromised if the external auditor is engaged as external experts.

Corporate Governance Disclosures (continued)

Board Committees (continued)

Board Audit Committee ("BAC") (continued)

Internal audit and control activities

Internal audit is independent and staffed with qualified internal audit personnel to perform the internal audit functions, covering the financial, operations and management audit. The BAC oversees the functions of the IAD and ensures compliance with BNM Guidelines on internal audit functions of licensed institutions (BNM/RH/GL 013-4).

The responsibilities of the Head of IAD / CIA and audit personnel are:

1. Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by Management and submit that plan to the BAC for review and approval;
2. Implement the approved annual audit plan, including any special appropriate tasks or projects requested by BNM, the Management and directed by the BAC;
3. Maintain clearly documented audit programs to provide guidance to auditors in gathering information, documenting procedures performed and making assessment;
4. Maintain a team of professional audit staff with sufficient knowledge, skills and experience to fulfil the responsibilities;
5. Checking and testing the compliance with, and effectiveness of policies, procedures and controls and assessing whether current measures are in line with the latest developments and changes to the relevant BNM requirements;
6. Issue written audit reports to the BAC and Management, detailing the audit findings and recommendations as well as the client's responses and action plans in a timely manner after the completion of the audit;
7. Monitor progress of rectification actions on findings raised, taking into consideration the timeline committed by Management. This includes rectification actions taken in regard to findings raised by regulatory authorities or external auditors; and
8. Conduct investigation on suspected fraudulent activities when required and notify Management and the BAC of the results.

Corporate Governance Disclosures (continued)

Board Committees (continued)

Board Risk Management Committee ("BRMC")

The BRMC consists of four (4) Independent Non-Executive Directors.

The details of attendance of each member at BRMC meetings held during the financial year in review are as follows:

Name of Directors	Attendance	%
Lim Tuang Ooi - Chairman	8/8	100
Dato' Wan Fadzmi	8/8	100
Woo Chew Hong	8/8	100
Lo Nyen Khing	8/8	100

The objective of the BRMC is to oversee the Bank's activities in managing credit, market, operational, liquidity, legal, compliance, information technology, outsourcing, products, market conduct and other risks in supporting the Board in meeting the expectations on the risk management as set out in BNM Policy Documents on Risk Governance, Compliance, Risk Management in Technology, Outsourcing, Introduction of New Products and other BNM Policy Documents (where other risk matters related are applicable) while ensuring proper risk management process is properly in place and functioning well.

The BRMC is responsible for amongst others:

1. **Risk Management**
    - i. To support the Board to ensure that the Bank's corporate objectives are supported by a sound risk strategy and effective risk management framework and risk appetite framework that are appropriate to the nature, scale and complexity of its activities;
    - ii. To support the Board to provide effective oversight of Management's actions to ensure consistency with the risk strategy and policies approved by the Board, including the risk appetite framework;
    - iii. To review and make recommendation to the Board for approval, the risk management framework;
    - iv. To ensure risk management must be well-integrated throughout the organization and embedded into the culture and business operations of the Bank;
    - v. To ensure risk management function is effective and must be equipped with adequate resources and support to perform its roles;
    - vi. To ensure effective implementation of the risk management framework must be reinforced with an effective compliance function and subjected to an independent internal audit review;
    - vii. To ensure that there are appropriate mechanisms in place for communicating risks across the organization. This includes the review of regular risk management reporting (both overall and specific to market, credit, operational and compliance risks) via dashboard style format which are reported monthly / quarterly; and
    - viii. To ensure executive remuneration are aligned with prudent risk-taking and appropriately adjusted for risks.

Corporate Governance Disclosures (continued)

Board Committees (continued)

Board Risk Management Committee ("BRMC") (continued)

2. Compliance Risk

i. To oversee the management of the Bank’s compliance risk including:
   - Approving the establishment of the compliance function and the position of the Head of Compliance Department / Chief Compliance Officer (“CCO”), and ensure that the compliance function and the Head of Compliance Department / CCO are provided with appropriate standing, authority and independence;
   - Approving the Bank’s Compliance Policy and any policies issued by Compliance Department and oversee their implementation;
   - Approving the Bank’s annual Compliance Action Plan, Anti-Money Laundering Action Plan and Shariah Review Action Plan;
   - Reviewing and discussing compliance issues regularly, ensuring that adequate time and priority is provided in the Board Committee agenda to deliberate on compliance issues and that such issues are resolved effectively and expeditiously; and
   - Evaluating the effectiveness of the Bank’s overall management of compliance risk annually, having regard to the assessments of Management and internal audit, as well as interactions with the Head of Compliance Department / CCO.

ii. To review the operation and effectiveness of the Bank’s whistleblowing systems and controls by which employees, contractors and suppliers of the Bank or any person or party has business relationship with the Bank may, in confidence, raise concerns about improprieties within the Bank. To ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up actions.

3. Outsourcing Risk

i. To oversee the management of the Bank’s outsourcing risk. This includes periodic review of key performance indicators results and performance assessment of outsourcing parties;

ii. To ensure sufficient management capacity and skilled resources are retained to oversee the outsourced activity, including where the outsourced activity is undertaken by an affiliate of the Bank;

iii. To support the Board to oversee the effective implementation of technology risk management framework and cyber resilience framework. This includes periodic review of cyber risk reporting on development on cyber threat landscape;

iv. To support the Board to ensure that the product risks are well managed and the needs and rights of consumers are appropriately addressed. This includes the annual review of products report for recommendation to the Board for approval; and

v. To support the Board to review the Composite Risk Rating from BNM and ensure that Management is taking the necessary actions in a timely manner to address the weaknesses, non-compliances with BNM requirements and other issues identified by BNM.

Corporate Governance Disclosures (continued)

Shariah Committee ("ShC")

ShC Composition

The ShC consists of three (3) members and headed by a designated Chairman, consistent with the requirements under BNM's Shariah Governance Policy Document. Each of these members met the requirement of BNM and has the knowledge, expertise and experience in Islamic banking. The appointments of each ShC members were based on rigorous selections process, and have been duly endorsed by Board of Directors of SMBCMY and approved by BNM.

Profile of each ShC Member is as follows:

1. **Associate Professor Dr. Abdul Manan bin Ismail**
   (Chairman)

   Dr. Abdul Manan was appointed as ShC Member on 9 November 2022 and subsequently redesignated as Chairman of ShC on 1 December 2023. He was reappointed as Chairman on 9 November 2024.

   His areas of expertise encompass Fatwa, Usul Fiqh and Fiqh Muamalat. His articles have been numerously published in various academic journals and he has presented many papers in various conferences both local and abroad.

   He received his first degree in Shariah from Yarmouk University, Jordan, followed by a master's degree in Shariah from Universiti Kebangsaan Malaysia and a Ph.D in Fiqh & Usul al-Fiqh from International Islamic University Malaysia.

   He is the Chairman of Akademi Fiqh Islami Malaysia, Member of Terengganu's Fatwa Committee, ShC Member of Bank Kerjasama Rakyat Malaysia Berhad, ShC Member of Prudential BSN Takaful Berhad, and Deputy Chairman of Shariah Committee for Universiti Sains Islam Malaysia.

   Currently, he is an Associate Professor at the Faculty of Syariah and Law, Universiti Sains Islam Malaysia.

   Dr. Abdul Manan has attended the following trainings held during the year:-

   - Completed the 1st level of Certified Shariah Advisor (CSA) and currently on-going the 2nd level
   - Muzakarah Shariah of Kuala Lumpur Islamic Finance Forum 2024
   - SMBCMY Annual Refresher Training for Shariah Committee
   - 17th Shariah Advisory Council (SAC) Discussion for Financial Institutions in Malaysia
   - The Global Forum on Islamic Economics and Finance in Kuala Lumpur
   - 2nd Nadwah of Shariah Advisers in Islamic Capital Market 2024

Corporate Governance Disclosures (continued)

Shariah Committee ("ShC") (continued)

ShC Composition (continued)

2. **Dr. Mohamad Rizal bin Mohamed Nor**
   (Member)

   Dr. Rizal was appointed as ShC Member on 9 November 2022 before being reappointed to the same designation on 9 November 2024.

   His area of expertise includes Fiqh Muamalat, Maqasid Shariah, Usul Fiqh, and Islamic Counselling. He has published numerous research papers, especially in Islamic Finance.

   He received his first degree in Shariah from Al-Azhar University, Egypt, followed by a master's degree in Shariah from University of Malaya and master's degree in Education from Universiti Pendidikan Sultan Idris before completing his Ph.D in Syariah from Universiti Sultan Azlan Shah. In addition, he also completed the Intermediate Qualification in Islamic Finance (IQIF) from Islamic Banking and Finance Institute Malaysia (IBFIM).

   He is the ShC Member of Jabatan Kehakiman Syariah Perak and ShC Member of Perbadanan Ekonomi Islamic Perak Sdn. Bhd.

   Currently, he is a lecturer at Universiti Sultan Azlan Shah.

   Dr. Rizal has attended the following trainings held during the year:-

   - On-going the 2nd level of Certified Shariah Advisor (CSA) program
   - Muzakarah Shariah of Kuala Lumpur Islamic Finance Forum 2024
   - Main Forum of Kuala Lumpur Islamic Finance Forum 2024
   - SMBCMY Annual Refresher Training for Shariah Committee
   - Muzakarah on Failure Resolution of Islamic Banks
   - 17th Shariah Advisory Council (SAC) Discussion for Financial Institutions in Malaysia
   - The Global Forum on Islamic Economics and Finance
   - 2nd Nadwah of Shariah Advisers in Islamic Capital Market 2024

Corporate Governance Disclosures (continued)

Shariah Committee ("ShC") (continued)

ShC Composition (continued)

3. **Wan Rizaidy bin W. Mamat Saufi**
(Member)

Mr. Wan Rizaidy was appointed as ShC Member on 1 December 2023.

As industry expert, he has vast experience in Islamic banking and capital market industry in local and foreign institutions. In addition to his experience in commercial Islamic banks, he also served as regulator in local and foreign regulators. His last banking experience before embarking into consultancy was Head of Shariah Audit at one of the local Islamic banks.

He obtained his first degree in Economic from International Islamic University Malaysia before pursuing his academic journey and obtained his master's degree in Islamic Finance Practices from International Centre for Education in Islamic Finance (INCEIF).

He currently serves as Deputy Chief Executive Officer (Deputy CEO) of ISRA International Consulting Sdn. Bhd. He also serves as Capital Market Consultant for Brunei Darussalam Central Bank.

Mr. Wan Rizaidy has attended the following trainings held during the year:-

- On-going the 1st level of Certified Shariah Practitioner (CSP) program
- Industry Briefing for Registered Shariah Advisers
- Muzakarah Shariah of Kuala Lumpur Islamic Finance Forum 2024
- Main Forum of Kuala Lumpur Islamic Finance Forum 2024
- SMBCMY Annual Refresher Training for Shariah Committee
- 20th International Shariah Scholars Forum 2024
- Muzakarah on Failure Resolution of Islamic Banks
- 17th Shariah Advisory Council (SAC) Discussion for Financial Institutions in Malaysia
- The Global Forum on Islamic Economics and Finance 2024
- 2nd Nadwah of Shariah Advisers in Islamic Capital Market 2024

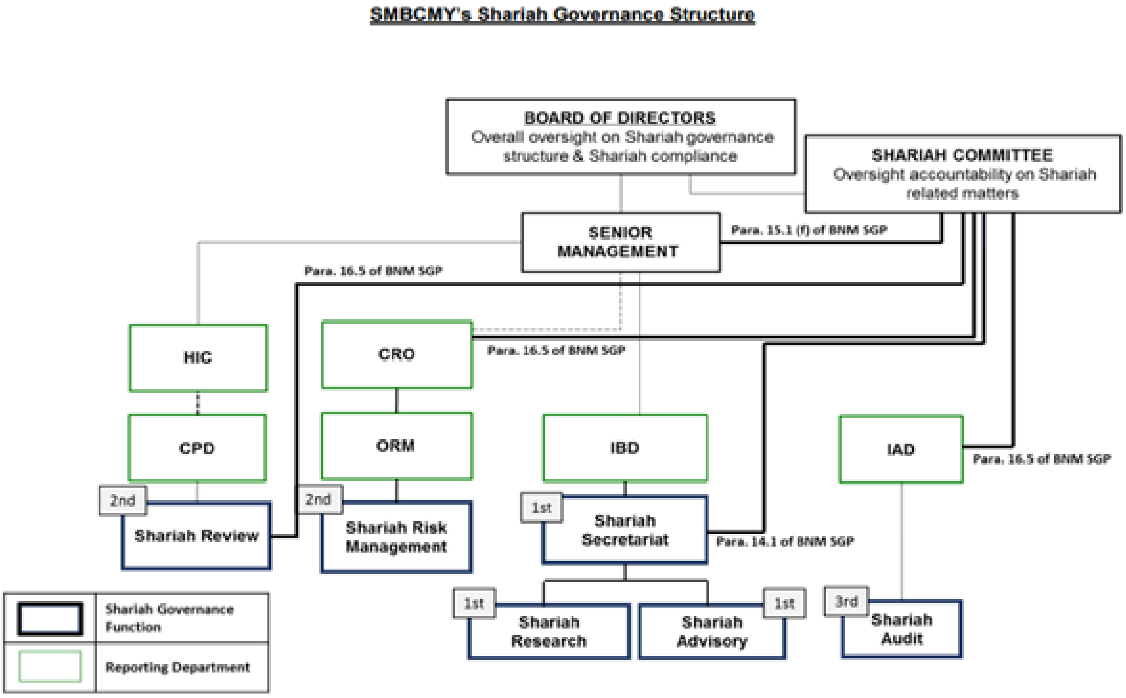
Corporate Governance Disclosures (continued)

Shariah Committee ("ShC") (continued)

Roles and Responsibilities of the ShC

The ShC reports directly to the Board and has the responsibility to provide objective and sound advice to Islamic Banking Department ("IBD"), Management and the Board to ensure that, on all matters pertaining to Islamic Banking of the Bank, the Bank's aims and operations, business, affairs and activities are in compliance with Shariah.

The Shariah Governance structure adopted by the Bank is illustrated as follows:



As stated in the Shariah Committee Charter, the ShC is responsible for:

1. Performing an oversight role on Shariah matters related to business operations and activities of SMBCMY;
2. Providing a decision or advice to SMBCMY on the application of any rulings of the Shariah Advisory Council of BNM or standards on Shariah matters that are applicable to the operations, business, affairs and activities of SMBCMY;
3. Providing a decision or advice on matters which require a reference to be made to the Shariah Advisory Council of BNM;
4. Providing a decision or advice on the operations, business, affairs and activities of SMBCMY which may trigger a Shariah non-compliance event;
5. Deliberating and affirming a Shariah non-compliance finding by any other relevant functions in SMBCMY;
6. Endorsing or recommending a rectification measure to address a Shariah non-compliance event;
7. Establishing a robust methodology to guide its decision-making process and take into account relevant business and risk practices in arriving at a decision or advice; and
8. Immediately updating the BOD whenever the ShC has reason to believe that any Shariah issues or matter may affect the Shariah compliance of the Bank.

Corporate Governance Disclosures (continued)

Shariah Committee ("ShC") (continued)

Roles and Responsibilities of the ShC (continued)

The ShC is supported on a functional basis by the Shariah Secretariat and the Shariah control functions namely Shariah Review, Shariah Risk Management and Shariah Audit.

The main duties and responsibilities of the Shariah Secretariat are to provide a secretariat function to the ShC, conducting research on Shariah issues and providing day-to-day Shariah advice to the Bank's internal parties based on the rulings of the BNM's SAC and the decisions or advice of the ShC.

Meanwhile, the Shariah Review function conducts regular assessments on the compliance of the Bank's operations, business, affairs and activities with Shariah requirements.

The Shariah Risk Management systematically assesses, measures, monitors, and reports Shariah non-compliance risks in the operations, business, affairs and activities of the Bank.

Finally, the Shariah Audit provides an independent assessment of the adequacy and effectiveness of the Bank's internal control, risk management systems, and governance processes. The Shariah Audit scope covers the overall compliance of the Bank's operations, business, affairs and activities with Shariah.

In addition to the above, the Management of SMBCMY is responsible for providing adequate resources across every function involved in Shariah governance implementation to ensure end-to-end compliance with Shariah principles. The Management expects the various functions to be responsible for and to manage the implementation of any or all rulings of the BNM's SAC and they are complying with the said policy.

ShC Meetings

A total of 10 ShC meetings were held during the financial year in review. All ShC Members have complied with BNM requirements that ShC Members must attend at least 75% of the ShC meetings held in the financial year. The details of the meeting attendance are as follows:

Name of ShC members	Attendance	%
Assoc. Prof. Dr. Abdul Manan bin Ismail - Chairman (Reappointed as Chairman on 9 November 2024)	10/10	100
Dr. Mohamad Rizal bin Mohamed Nor (Reappointed as Member on 9 November 2024)	10/10	100
Wan Rizaidy bin W Mamat Saufi	10/10	100

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Corporate Governance Disclosures (continued)

Internal Control Framework

Board Responsibility

The Board is responsible for and has oversight of the Bank's system of internal control and risk management, which includes the design, establishment and implementation of an appropriate risk management framework and internal control system with mechanisms to facilitate periodic reviews on the adequacy and effectiveness of the internal control framework taking into consideration material changes to the size, nature and complexity of the Bank's operations.

To achieve the aforesaid objectives, the Board is assisted by Board Committees (namely the BAC, BRMC and BNRC) and Shariah Committee ("ShC"). Notwithstanding the delegation of authority to the Board Committees and ShC, the Board remains responsible for the governance of risk and internal control, and the actions of the Board Committees and ShC.

In discharging its responsibilities, the Board is continuously involved in approving risk appetites, business plans and any other initiatives that may have a material impact on the risk profile of the Bank, whilst at all times keeping close scrutiny on both the current and emerging risks posed to the Bank from both external or internal factors.

An effective and robust internal control eco-system, namely through the implementation of the Three Lines of Defence, which is supported by various embedded internal control frameworks, such as the Business Control Officer ("BCO") structure, Conduct Risk and Consequences Management Framework, the Operational Risk Management Framework, Compliance Risk Assessment and Review Framework and Internal Audit Risk Assessment and Audit Plan, that provide assurance, early detection, robust mitigation and prompt escalation of critical issues to the Board thus enabling the Board to maintain line of sight on the state of affairs in the Bank and to take such necessary steps deemed appropriate to manage risk exposure within the approved risk appetites.

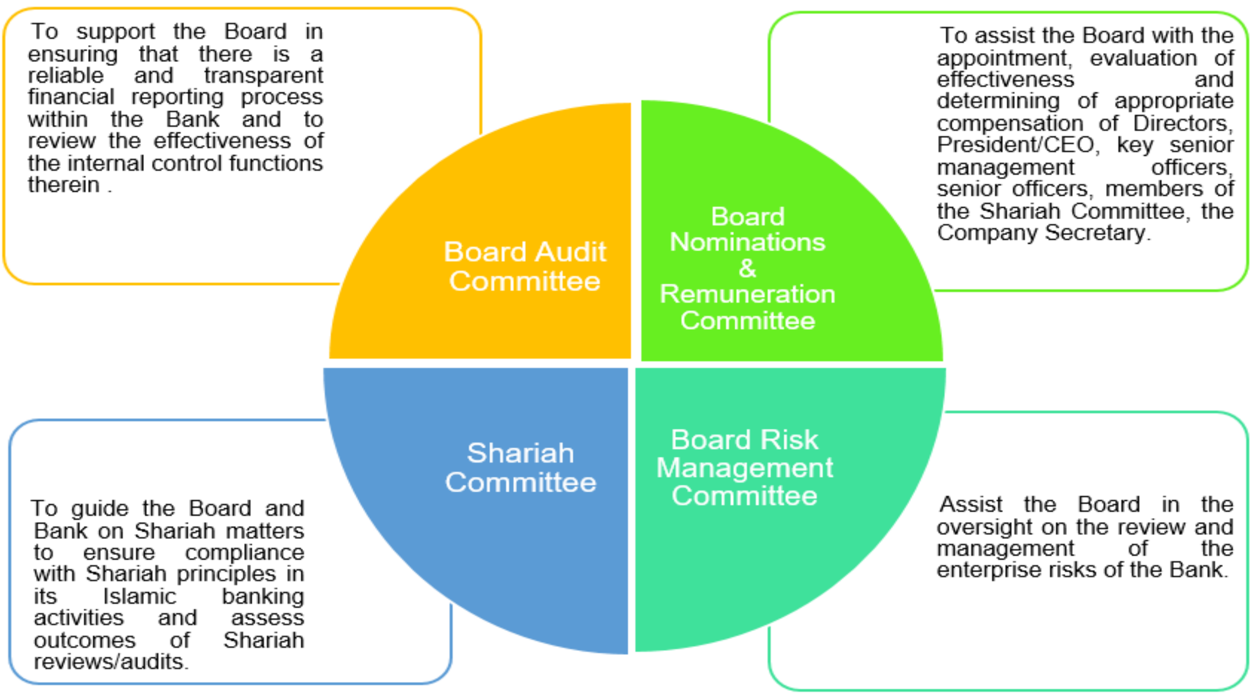
The Board has also set the "tone from the top", together with the Management, to promote a sound corporate culture within the Bank which reinforces legal and regulatory compliance, ethical, prudent and professional behaviour. The Board continues to place much emphasis in maintaining zero tolerance towards bribery and corruption.

The Board is committed to maintaining a robust risk management and internal control framework to safeguard not only its reputation, assets and stakeholders' interests, but also the interests of the Bank's customers and the public in general.

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Board Responsibility (continued)



Management Responsibility

The Management is responsible for the day-to-day operations of the Bank and accountable to the Board and for the implementation of all policies approved by the Board. In the context of risk management and internal control measures, to facilitate the establishment of a robust and effective risk management and internal control system.

The role of the Management in maintaining a robust and efficient risk management and internal control system encompasses the following stages:

i. Identifying and evaluating both the current and emerging risk faced by the Bank in achieving its business strategies and objectives;

ii. Establishing relevant policies, procedures and processes, with the appropriate internal control measurements embedded therein, to manage and mitigate the identified risk;

iii. Designing, implementing and monitoring the robustness and effectiveness of the risk management framework and internal control system;

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Management Responsibility (continued)

iv. Reporting in a timely manner to the Board any change in the prevailing legal and regulatory framework affecting the Bank and / or any gaps and lapses identified within the risk management framework and internal control system, resulting in the need to reassess the adequacy of the Bank's current risk management framework and internal control systems; and

v. Designing and implementing the remedial actions required to adhere to the new legal and regulatory requirements and / or to address the identified gaps and lapses, with continual obligation to monitor and report to the Board accordingly on the adequacy and effectiveness of the implemented remedial actions.

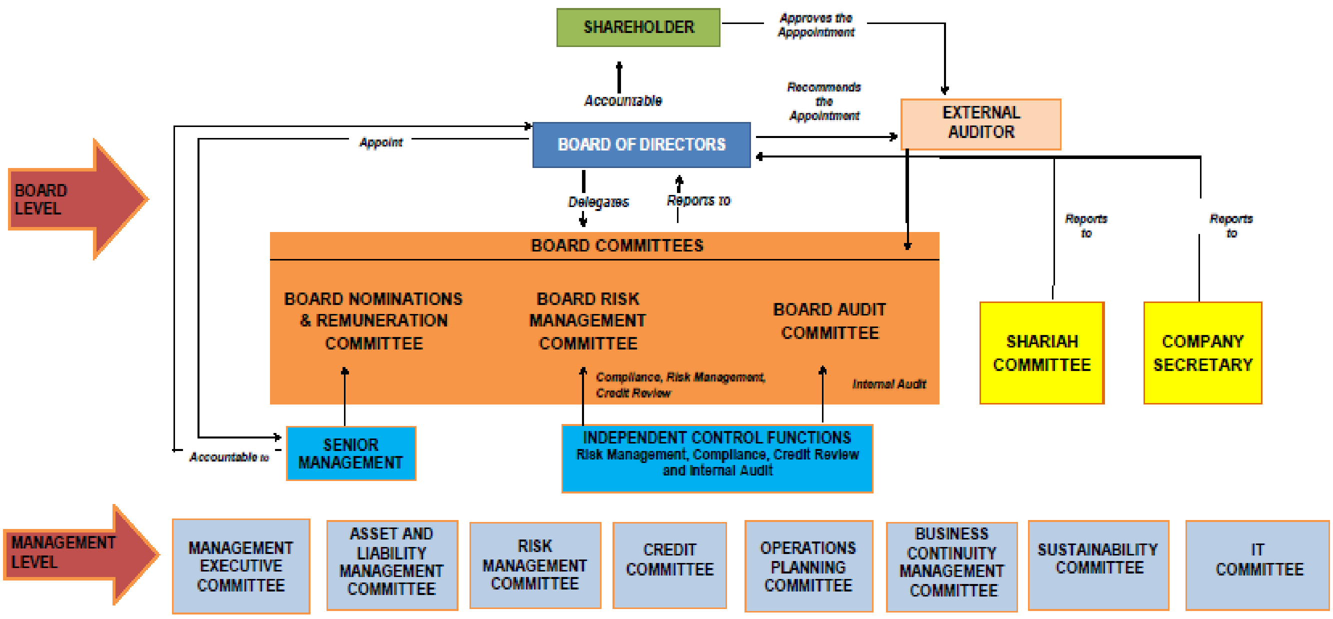
The Management is also assisted by various Management Committees to carry out their duties in fulfilment of the requirements stated above, namely the Management Executive Committee ("MEC"), Risk Management Committee ("RMC"), Credit Committee ("CC"), Asset and Liability Management Committee ("ALCO"), Business Continuity Management Committee ("BCMC"), Operations Planning Committee ("OPC"), Sustainability Committee ("SC") and Information Technology Committee ("ITC").

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Risk Governance Structure

Premised on the roles and responsibilities of the Board and Management, and the various committees that have been established to support them in discharging the roles, an overview of the risk governance structure of the Bank is illustrated below.



Three Lines of Defence

The internal control framework lies in the foundation of the Bank's three lines of defence and in its key internal control processes.

I. First Line of Defence

The first line of defence refers to the line departments which are responsible for identifying, assessing, mitigating and reporting risks within their own areas of business. This essentially means the line departments need to have the strategic understanding and are fully conversant with the risks undertaken and are accountable for ensuring that the appropriate mitigating controls are in place.

Within the Bank, the business operations and their support functions, which perform the day-to-day activities in realising business strategies and also undertaking the risk and control management activities are associated to be the first line of defence.

The staff of the business and support functions must understand their roles and responsibilities with regard to processing transactions and who must follow systematic procedures and processes to ensure the established internal controls are complied with.

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Three Lines of Defence (continued)

I. First Line of Defence (continued)

The Heads of Departments are responsible to identify and assess risks and to ensure that the control activities and other responses that address the risks are monitored and enforced. The Heads of Departments are assisted by their respective Business Control Officer ("BCO") and their embedded Local Compliance Coordinators ("LCC").

The embedded BCO and LCC at each department within the Bank's First Line of Defence have key roles to support, detect, deter, mitigate and escalate potential identified risk and regulatory/compliance related matters to their respective Heads of Departments for further reporting to the Management. This is achieved by the involvement of the BCO and LCC in key control activities, such as gap analysis on new or revised regulations issued by BNM, annual Risk and Control Self Assessment, annual Business Impact Assessment, regional Risk Register update, preparation and submission of incidence report arising from identified operational lapses, Compliance reviews and Internal Control Audits, and the relevant remedial or enhancement actions impacting their respective departments.

In line with the SMBC Regional initiative, the Bank had established the role of Country BCO ("Country BCO") to provide further support to the business or front office BCOs with the intention to further enhance the Bank's existing BCO structure.

II. Second Line of Defence

The second line of defence is the risk management related functions which have both the advisory and monitoring roles to the first line departments. This second line actively challenges the assessments and initiatives done by the first line departments by engaging with risk owners and consolidating Bank-wide risks into various risk types.

The risk management related functions also includes "Risk Policy Owners", who manage specific transversal risks shared across the Bank, for example credit, market and operational risks, compliance risk, people risk and legal risk.

i. Risk management functions

These functions, comprising the managements of credit risk, market risk, enterprise risk and operational risk, are headed by the Co-Chief Risk Officers ("Co-CRO"), who reports directly to the BRMC. These functions provide independent assessment / challenge to the business and support functions and ensure that Management and BRMC are duly informed of any lapses or breaches of risks related.

The major responsibilities of these functions, among others, are participating in the RMC, OPC, BCMC, SC, ALCO and CC reviewing risk reports and validating compliance to the risk management framework requirements, with the objective of ensuring that credit, market and operational risks are actively and appropriately managed. The risk management functions shall be guided by the risk management process.

ii. Shariah risk function

The shariah risk function comes under the purview of Operational Risk Management Department (“ORM”). Shariah non-compliance risk exposures in the business operations and activities identified during the implementation of ORM tools are being reported to Senior Management, Shariah Committee and BRMC.

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Three Lines of Defence (continued)

II. Second Line of Defence (continued)

iii. Compliance risk function

The compliance culture of the Bank is driven with a strong tone from the top to ingrain the expected values and principles of conduct that shape the behaviour and attitude of employees at all level of business and activities across the Bank.

The Bank takes a firm stand in advocating a compliance culture as compliance is the responsibility of all employees. All business lines and functions within the Bank are to carry out their responsibilities to ensure effective management of compliance risk.

The compliance function is responsible for assisting Senior Management and Board with the management of compliance and regulatory risk via the following:

a. Identification, assessment and monitoring of compliance risks, including the tracking to completion any remedial action committed by the relevant stakeholders with the Bank;
b. Reporting of compliance risk; and
c. Providing advisory, guidance and training with regards to compliance with rules and regulations.

In order to discharge the aforesaid responsibilities, the Compliance Department engages in the following activities:

a. To promote the culture of compliance with legal and regulatory requirements, compliance related policies and procedures and ethical standards in the conduct of business.
b. The Compliance Department of the Bank is responsible for ensuring that controls to manage compliance risk are adequate and operating as intended. Upon issuance of new regulatory guidelines, the Compliance Department will facilitate gap analysis and the establishment of relevant control processes with the relevant stakeholders.
c. Compliance Risk Assessment ("CRA") is undertaken by the department to assess the areas of higher compliance risk / weaker controls on annual basis and an action plan is then prepared to outline control activities on identified areas of risk / weaknesses.
d. The Compliance Department performs Compliance self-reviews to ensure that the regulatory requirements and policies of the Bank are complied with. The department also conducts appropriate validation to test and evaluate the adequacy of internal controls put in place to manage compliance risks and promptly follow-up on any identified deficiencies and plans to address such deficiencies. Compliance risks findings and recommendations are reported to the Board / BRMC, RMC and the Regional In-Office Compliance Committee on a regular basis.
e. The department carries out compliance awareness and training via face-to-face training and e-learning on a continuous basis.
f. The reporting of compliance risk status of the Bank and the regulatory developments via the issuance of policy documents, directives and exposure drafts by BNM.

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Three Lines of Defence (continued)

II. Second Line of Defence (continued)

iii. Compliance risk function (continued)

The Bank has in place a Compliance Manual which serves as a reference to all employees of the legal and regulatory requirements of which the Bank has to comply when conducting business, and the internal rules and procedures for conduct of its employees. The Compliance Manual is subjected to annual review. Further, the Compliance Department has also developed specific policies to manage specific areas of regulatory risk, such as, anti-money laundering and counter terrorism financing, sharing of information, personal account trading by employees of the Bank and whistle-blowing.

The Compliance risk function reports to the BRMC.

III. Third Line of Defence

The third line of defence is provided by the Internal Audit Department ("IAD") who reports directly to the BAC, as well as indirectly to Shariah Committee with regards to Shariah matters. It entails independent challenge, audit of key controls, formal reporting on assurance, and audit of assurance providers.

The function provides independent, objective assurance and consulting activities to add value and improve the Bank's operations. It assists the Bank to accomplish its objectives by bringing a systematic, objective and disciplined approach to evaluate and improve the effectiveness of risk management, internal control, anti-corruption, whistle-blowing and governance processes.

The internal audits are conducted in accordance with the annual audit plan as approved by the BAC. Ad-hoc audits are also conducted on a need basis as or when it is required by the Board and BNM.

The internal audit function adopts a risk-based approach in its audit planning. Audit reports are tabled to the BAC reporting on the state of the Bank's internal control and the extent of compliance with the established policies and procedures as well as regulatory requirements. In addition, the function duly monitors the implementation of the Management action plans which seek to address the weaknesses identified by the internal auditors.

In addition, independent challenge and audit of key controls may also be performed by the Head Office internal auditor and the external auditor.

In order to ensure that the practices adopted by the internal audit function is in conformance with global internal audit standards, the internal audit function of the Bank is subjected to periodic independent quality assurance reviews by independent auditors / consultants as required by the global internal auditing governing body of which is similarly, in line with the requirements specified by BNM in their policy document pertaining to the establishment of an internal audit function.

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Key Internal Control Processes

The key processes that the Board has established in reviewing the adequacy and integrity of the system of internal control, including compliance with applicable laws, regulations, rules and guidelines, are as follows:

BRMC

BRMC is a Board Committee chaired by an Independent and Non-Executive Board member. The Committee is delegated with oversight authority by the Board of Directors, in discharging its overall duties and responsibilities. The Committee monitors and evaluates the effectiveness of the risk management system, compliance function and operations on an on-going basis. This Committee also decides and recommends to the Board for approval, where appropriate, all matters related to establishment, amendment and abolition of policies, risk and compliance management related frameworks, risk appetites and key risk indicators adopted to monitor risk and compliance exposure of the Bank.

BAC

BAC is a Board Committee supported by IAD to provide an independent assessment of the adequacy and reliability of the Bank's internal controls, risk management processes, compliances with control and risk policies and regulatory requirements.

The BAC deliberates on findings and recommendations proposed by the internal and external auditors. The BAC also evaluates the adequacy and effectiveness of the Bank's risk management and system of internal control. Apart from reviewing the annual audit plan, the BAC assesses the scope and quality of audits performed.

BNRC

The BNRC is a Board Committee that supports the Board by being tasked with providing formal and transparent procedures for the appointment, performance evaluation and recommending remuneration and compensation of Directors, President / CEO, key senior management officers, senior officers, members of the Shariah Committee and the Company Secretary in ensuring that compensation is competitive and consistent with the Bank’s culture, objectives and strategy.

The BNRC also conducts assessment on the effectiveness of individual Directors, the Board as a whole, and members of the Shariah Committee.

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Key Internal Control Processes (continued)

Shariah Committee

Shariah Committee is responsible to advise the Board and to provide input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles in its Islamic banking activities at all times. The Shariah Committee is supported by the Shariah Secretariat that, inter alia, includes personnel carrying out the functions of a Shariah Adviser and Shariah Researcher. ShC is also responsible to assess the work carried out by the Bank appointed Shariah Reviewer and Shariah Auditor in order to ensure the Bank is Shariah compliant in its operations under the Islamic Banking Window and International Currency Business Unit arrangement.

Senior Management and other Management Committees

The President / CEO, assisted by the Deputy President and Deputy CEO, manages the strategic direction and provides strategic guidance to the business of the Bank.

The President / CEO provides direction and awareness of internal control and compliance via the RMC, ALCO, BCMC, OPC, SC and ITC.

i. RMC

The objective of RMC is to support BRMC and the Board with regards to meeting the risk management and compliance requirements as set out in BNM's policy documentations on Risk Governance and Compliance in particular, and other regulatory policy documents. RMC is also responsible to decide on important risk management and compliance matters, including matters related to various principal policies on risk management, that are within the scope as delegated by the Board. Existence or occurrence of matters or issues deemed material will be escalated to the Board or any of its Committees for further deliberation and decision.

ii. ALCO

The main objective of ALCO is to ensure that the Bank's asset and liability exposures to interest rate risk and liquidity risk are within the risk appetites and policies defined by the Board. It includes analysis of risk appetites, revenue targets and rates of return where areas of coverage include capital ratios, liquidity position and asset mix, rate-setting policy for loans and deposits, and investment guidelines for banking portfolio.

iii. BCMC

The purpose of BCMC is to provide leadership, direction and oversight in ensuring that effective business continuity management ("BCM") practices, recovery and resumption procedures are in place for continuation of critical business functions shall a major disruption occur. BCMC provides for a forum to deliberate the effectiveness of the Bank's BCM programs and to timely escalate issues / concerns to the Board for deliberation and oversight.

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Key Internal Control Processes (continued)

Senior Management and other Management Committees (continued)

iv. OPC

The OPC is a dedicated committee that monitors activities and operational controls of the back-office operations and security control services that are outsourced to SMBC SSC Sdn. Bhd.. The Committee also deliberates the key issues and challenges besides reviewing the key performance indicators results and performance assessment for each of the outsourced operational functions. The Committee also monitors the risks and controls from the outsourcing arrangements to minimize operational and processing risks.

v. SC

The objective of SC is to support the Board to make the decision for oversight and management of the Bank in relation to sustainability. SC shall take charge and be responsible to establish sustainability related strategies including Environmental, Social and Governance ("ESG") solution to the clients, capacity building and communications to the stakeholders. The Committee is also responsible to supervise governance framework related to environmental risk management and monitor the progress of sustainability initiatives.

vi. ITC

The ITC shall take charge and be responsible of the following functions and its Meeting will be held on a quarterly basis:-

a. To report the progress of main IT activities update / issue / action plans;
b. To provide information on occurrence of IT incident that affect the Bank's banking business;
c. To provide timely information / updates relating to the progress of Audit matters;
d. To report the IT budget for investment budget and expense budget; and
e. To deliver the prevailing main topic of cyber / technology risk related matter by the Chief Information Security Officer ("CISO").

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Key Internal Control Processes (continued)

Internal Policies and Procedures

Clearly documented internal policies and procedures of all departments have been approved by the Board. These policies and procedures which are easily accessible through the Bank's intranet serves as a day-to-day operational guide to ensure compliance with internal controls and the applicable laws and regulations. Annual reviews are conducted to ensure that the policies and procedures are up-to-date with the practices as embraced; in ensuring operational efficiency and effectiveness; and to take into account the changing regulatory requirements, risks and external environment to continuously strengthen internal control.

New Product Process Policies and Procedures

All new products undergo the requirements as per the Bank's new product process policies and procedures. All risks associated with the new products are identified and managed using the appropriate assessment and mitigation practices with assessments from the Risk Management Departments, Planning Department and the Islamic Banking Department in regards to Islamic products. Legal Department and Compliance Department provides legal advisory and regulatory compliance review respectively.

In the process, all new products are subjected to adequate assessment with respect to their suitability from the business perspective, compliance with laws and regulatory guidelines and that the operations and processes contain sufficient controls to ensure that there are no unlawful activities involving money laundering or financing of terrorism. The overall assessment on the proposed new product or variation to existing products will be undertaken by the Co-CRO ("Co-Chief Risk Officer"), whereby in relation to the latter the Co-CRO will also determine whether the proposed variation is significantly material tantamounting to a new product that requires prior approval from BNM before the launching thereof.

The new products are tabled at the RMC for deliberation prior to the approval of the President / CEO followed by the approval of the Board for conventional banking products and to the Shariah Committee and Board for approval in regards to Islamic products.

Annual review of all products is performed to review and assess the products' business performance and management of risks.

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Key Internal Control Processes (continued)

Compliance

The Compliance culture of the Bank is driven with a strong tone from the top to ingrain the expected values and principles of conduct that shape the behaviour and attitude of employees at all level of businesses and activities across the Bank.

The Bank takes a firm stand in advocating a Compliance culture as compliance is the responsibility of all employees. All business lines and functions within the Bank are to carry out their responsibilities to ensure effective management of compliance risk.

The Compliance function is to promote the culture of Compliance with legal and regulatory requirements, compliance related policies and procedures and ethical standards in the conduct of business.

In order to continuously drive improvement in the level of conduct and culture within the Bank, a Conduct and Culture Working Group, consisting of the Head of Internal Control ("HIC"), Chief Compliance Officer ("CCO"), Head of Human Resources and Head of Operational Risk, was established in 2020. The Bank has introduced a framework to ensure that efforts taken achieve the ultimate goal to improve and enhance the level of good conduct and culture within the Bank, which consist of the undertaking of an annual survey, the analysis of the outcome to determine key areas of focus for improvement and the formulation of an annual action plan to be implemented to drive the desired results. The annual action plan is duly presented to the Senior Management and approved by the President / CEO accordingly. The Bank has also introduced the Culture Award to recognise employees of the Bank that had exemplified the appropriate conduct and culture, as per SMBC Group's five (5) principles, during the course of them discharging their daily responsibilities at work.

The Compliance Department of the Bank is responsible for ensuring that controls to manage compliance risk are adequate and operating as intended. Upon issuance of new regulatory guidelines, the Compliance Department will facilitate gap analysis and the establishment of relevant control processes with the relevant stakeholders.

The Bank has in place a Compliance Manual which serves as a reference to all employees of the legal and regulatory requirements of which the Bank has to comply when conducting business, and the internal rules and procedures for conduct of its employees. The Compliance Manual is subjected to annual review.

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Key Internal Control Processes (continued)

Whistle Blowing Policy

The Bank has put in place a Whistle Blowing policy and procedure manual. The BRMC Chairman, who is an Independent Non-Executive Director, has been appointed to be responsible person for the effective implementation of the policy. The policy and procedure defines the means and methods for reporting of the allegations, the protection accorded to whistle-blowers and the duties and responsibilities of Directors, officers and employees. The outcomes of all investigations are to be reported to the Board or its appointed Committee.

Anti-Money Laundering / Counter Financing of Terrorism / Counter Proliferation Financing ("AML / CFT / CPF")

Policies and procedures on the Prevention of Money Laundering, Terrorist Financing and Proliferation Financing are established to prevent money laundering, terrorist financing and financing or provision of financial services related to weapons of mass destruction, and operate and manage businesses in accordance with the laws and regulations.

It is the general principle of the Bank that no banking business will be carried out for a customer unless the Bank knows the customer. The "Know Your Customer" policy helps build the Bank's relationship with customers and in ensuring that the Bank is in compliance with all applicable laws and regulations and adhere to sound banking practices. A system is in place to profile, monitor and review of information in support of the Bank's AML / CFT / CPF activities.

The Compliance Department of the Bank provides training to facilitate all staff's understanding of the laws and regulations in relation to money laundering, terrorist financing, proliferation financing and sanction laws.

All new staff are required to read and understand the policies and procedures on the Prevention of Money Laundering, Terrorist Financing and Proliferation Financing and complete the requisite AML / CFT / CPF training upon joining the Bank. All staff undergo AML / CFT / CPF training annually.

Anti-Corruption and Bribery Policy Statement

This policy statement was developed and approved by the Board to set the "tone from the top" with regards to the Bank's zero tolerance towards bribery and corruption. Further, it establishes the internal framework required to maintain "adequate procedures" to robustly manage and mitigate potential risk arising from practices within the Bank that may be considered as promoting the culture of bribery and corruption.

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Key Internal Control Processes (continued)

Human Resources Policies and Procedures

The Human Resources ("HR") policies and procedures are established in covering the full process of human resource management such as the recruitment, learning and development, performance management, compensation and benefits, termination of employment which includes resignation and dismissal of staff due to disciplinary action. The policies and procedures which are subjected to annual review are readily available for staff through the Bank's intranet.

i. Code of Ethics and Conduct, Employee Handbook and Office Rules

The HR policies and procedures also include the Bank's Code of Ethics and Conduct which set forth the standard of behaviors, ethics and conduct expected of its employees. All new staff are required to acknowledge their understanding and acceptance to abide by the Bank's Code of Ethics and Conduct on hardcopy upon joining the Bank. Subsequently, all existing staff are to declare the observance to the Code of Ethics and Conduct annually. In addition, all new staff are to abide by the employee handbook and office rules of the Bank.

ii. Employee Assessment Framework

The evaluation of a prospective employee's personal information, including criminal records, employment and financial background is part of the HR recruitment process as documented in the Bank's HR policies and procedures. Employment reference checks and screening procedures are carried out prior to hiring the employee. The screening procedures also apply throughout the course of employment where existing employees are screened annually.

iii. Consequence Management Framework

The Bank had revised its consequence management framework during the financial year to better support the practice of proper conduct and culture within the Bank. As much as the Bank practices acknowledgment of its employees for their contributions and demonstration of good values, the Bank intends to utilise its consequence management framework to inculcate the appropriate culture within the Bank.

Business Continuity Management

The Planning Department of the Bank ensures that there is a Business Continuity Plan ("BCP") in place to facilitate continuity of critical business operations and systems in the event of prolonged disruption to the business. The department spear-heads the Business Impact Assessment of the Bank's operations to identify the activities and operations that are critical to the continuity of the Bank's operations. The department manages the Business Continuity Management activities for the Bank's operations and ensures that all mandatory BCP and Disaster Recovery Plan drills are successfully carried out. The Bank has subscribed to a Disaster Recovery site which serves as the back-up site, with an independent service provider.

Corporate Governance Disclosures (continued)

<u>Internal Control Framework (continued)</u>

Key Internal Control Processes (continued)

<u>Risk Control Self-Assessment ("RCSA") and Key Control Testing ("KCT")</u>

RCSA tool is used to assist the Bank's departments to identify and assess their operational risk which are inherent in their work processes, activities, services, products and systems in a documented and systematic manner. The RCSA also enables the departments to assess the effectiveness of their controls to mitigate the operational risks. The implementation of RCSA is facilitated by the Operational Risk Management Department ("ORM") where it provides operational support on risk and control assessments, which will lead to formulation of action plans by the relevant departments to mitigate and manage the identified operational risks.

As the risk awareness levels improve amongst the risk owners, ORM will progress to conduct "deep dive" reviews of specific high risk areas, with the objectives to improve control effectiveness and reduce risk levels.

Another assessment tool which has been implemented is KCT, where the controls are being checked / assessed to ensure they are in place and working as intended. The checking / assessment is done either by respective BCO or ORM.

The outcome of the RCSA and KCT are presented to Management and the BRMC.

<u>Loss Database and Key Risk Indicator ("KRI")</u>

The Bank has in place a Loss Database i.e. a loss incident reporting database, which captures and tracks the actual and potential operational risk-related losses, including near miss incidents. Major or high frequency loss events are investigated and analyzed against past records and trends to identify high risk areas and to take action to mitigate the risk. Preventive measures and additional controls, if any, are tracked for completion and effectiveness.

In addition, the Bank also monitors operational risk trends via its KRI reporting, which involves collecting transactional data at prescribed frequencies over a period of time to observe the trending of business or transaction activities. Management limits and thresholds are determined to pre-empt and / or alert the departments on additional controls to be implemented to mitigate operational risks.

Loss incidents and KRI are duly reported to the Management and the BRMC.

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Key Internal Control Processes (continued)

Key Control Related Initiatives of Financial Year 2025

The key control intiatives that were implemented in FY2025 are as follows:

i. Establishment of the roles of Chief Integrity and Governance Officer ("CIGO") and Alternate CIGO

In line with the recommendation of BNM to the financial industry, the Bank had established the role of CIGO in October 2024 with the Head of Internal Control ("HIC") assuming the role of CIGO and the Deputy President as Alternate CIGO effective 1 November 2024. The roles of CIGO and Alternate CIGO were established for the purpose of facilitating managing of bribery and corruption risk within the Bank by assisting the Bank to implement misappropriation and corruption prevention efforts through the existing control functions of the Bank.

The responsibilities of the CIGO and Alternate CIGO are also to, and not limited to the following:
(a) ensure timeliness, expertise and effiency in managing the risk of corruption, abuse of power
(b) implement the functions of the CIGO and Alternate CIGO effectively, without influence from
(c) avoid conflict of interest in any exercise of official duty;
(d) advise the President / CEO in matters involving corruption and abuse of power;
(e) carry out duties on organisational integrity management from time to time based on the
(f) establish good relations with the Bank's Senior Management in order to enhance awareness on corruption, abuse of power and malpractice; and
(g) supervise the detection and verification on reports of criminal misconduct, corruption, abuse of power and malpractice that the CIGO and Alternate CIGO receives in the Bank, following

Corporate Governance Disclosures (continued)

Internal Control Framework (continued)

Key Internal Control Processes (continued)

Key Control Related Initiatives of Financial Year 2025 (continued)

ii. Establishment of the Management Self-Identified Issues Framework ("MSII")

In 2019, Regional Internal Audit Department ("IADAP") established the MSII framework that is applicable to the APAC region. The MSII framework encourages and facilitates SMBC APAC offices to self-identify any gaps and issues within their operations, together with the necessary remedial actions and reasonable timeframes to complete the remedial actions prior to the identification by the 2nd and 3rd Lines of Defence. This is to inculcate the culture of proactive risk management within the respective SMBC APAC offices.

The Management of the Bank has taken the initiative to implement and embed the MSII framework as part of the Bank's internal control framework. This entailed a formal mechanism being established to document the self-identified issues, including the formulated action plan(s) determined to address the self-identified issues, timelines, person-in-charge/responsible and update on progress thereof periodically before the MEC. Further, the mechanism also includes the formal process of seeking extension of time to address the self-identified issues to ensure there is no inordinate delay in completing the agreed action plan(s).

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Corporate Governance Disclosures (continued)

Remuneration

The Remuneration policy of the Bank outlines the mandatory requirements that must be reflected in the design and management of performance and remuneration arrangement in the Bank. Our remuneration strategy is designed to enable the Bank to attract and retain talents, motivate them to achieve the Bank's long terms goals, support compliance and good corporate governance and promotes effective risk management. The Policy supports a high performance culture based on merit which takes into account employee conduct / behavior, adherence to SMBC's Core Values, differentiates and rewards excellent performance.

Components of remuneration

Employee remuneration is composed of two main components - fixed and variable:

Fixed	Consist of monthly base salary and fixed allowances	Determined by individual's roles and responsibilities, experience and skills, competency and market competitiveness. It should also reflect core performance requirements and expectations.
Variable	Annual performance bonus in cash	Performance-based and not guaranteed, reflecting overall bank's performance and individual performance. Purpose of the performance bonus is to drive a high performance culture based on merit which takes into account effective risk management practices, adherence to high conduct and ethical standards, and SMBC's Core Values. Variable pay recommendations of an employee shall consider all risk (including misconduct) issues that have materialised during the year.

Measurement of performance

With oversight and review by the Board, the Bank has a holistic approach of performance assessment and development, in order to drive a high performance, right values / behaviour and motivated workforce, where both the Bank and employees share the responsibility for success.

The Bank's key indicators are cascaded down to the business and support departments and eventually to each individual employee in the Bank via the Individual Performance Appraisal process. The performance management framework – goal setting consists of:

- WHAT (ability to achieve hard performance targets)
- HOW (how these performance targets are achieved)
- Risk & Compliance is an over-arching requirement that will be evaluated and affect individual's overall performance rating. It is embedded in both WHAT and HOW.

The risk and control functions of IT Risk Management, Credit Review, Internal Audit, Compliance and Risk Management operate independently from the business departments. Their performance assessment is based principally on the achievement of the objectives of their job functions and reviewed independently by the BAC and the BRMC.

Corporate Governance Disclosures (continued)

Remuneration (continued)

Linkage between performance and remuneration

To inculcate a high performance driven culture, the performance bonus payment is closely linked to overall performance of the Bank and performance of the individual based on achievement of KPIs set for the financial year which takes into account employee conduct / behaviour and adherence to SMBC's Core Values. An individual's performance bonus may be further adjusted based on non-compliance findings or due to disciplinary action.

Remuneration of senior management and local employees are reviewed by the BNRC and approved by the Board of Directors while remuneration of the Heads of the risk and control functions are reviewed by their respective Board committees i.e. BAC and BRMC.

Summary of remuneration outcomes for the financial year ended 31 March 2025

For the purpose of disclosure on remuneration as per BNM's Policy on Corporate Governance, the following are the payments for the financial year ended 31 March 2025:

Table 1: Guaranteed bonuses, sign-on bonuses and severance payments

Category	Senior Officers *	Other Material Risk Takers **
Number of guaranteed bonuses	Nil	Nil
Number of sign-on bonuses	Nil	Nil
Number of severance payments	Nil	Nil

* Senior Officers of the Bank are defined as Deputy CEO, Deputy President, Head of Risk Management / Co-Chief Risk Officer, Head of Internal Control, Head of Internal Audit Department / Chief Internal Auditor, Head of Compliance Department / Chief Compliance Officer, Head of CBAP MY (BP2), Head of Treasury, Chief Information and Security Officer, Head of Reporting, Alternate Head of Reporting, Head of Information Technology, Chief Sustainability Officer, Head of Credit Management and Chief Integrity and Governance Officer.

** Other Material Risk Takers ("OMRTs") are defined as employees whose responsibilities have material impact on the Bank and risk profile, and employees whose responsibilities require them to take on material risk exposure on behalf of the Bank.

Corporate Governance Disclosures (continued)

Remuneration (continued)

Summary of remuneration outcomes for the financial year ended 31 March 2025 (continued)

Table 2: Remuneration for Senior Officers and OMRTs

The remuneration packages for Senior Officers and OMRTs are reviewed on an annual basis and submitted to the BNRC for recommendation to the Board for approval.

Summary of compensation outcome for those identified as Senior Officers and OMRTs of the Bank for the financial year ended 31 March 2025:

Category	Senior Officers		OMRTs	
	Unrestricted RM	Deferred RM	Unrestricted RM	Deferred RM
Fixed remuneration:				
- Cash based	7,098,204	-	1,170,297	-
- Shares and share-linked instruments	-	-	-	-
- Other	12,974	-	2,551	-
Variable remuneration:				
- Cash based	2,294,466	195,904	538,839	48,829
- Shares and share-linked instruments	-	-	-	-
- Other	863,725	-	600	-

Table 3: Breakdown of CEO's remuneration

Category	Cash RM
Fixed remuneration	
- Cash Based	612,921
- Other	1,132
Variable remuneration:	
- Non-deferred	238,761
- Deferred	31,936
- Other	327,522
Total remuneration award for financial year ended 31 March 2025	1,212,272

Auditors

The auditors, KPMG PLT have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with the resolution of the Directors:

[Signed]

Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah
Director

[Signed]

Lo Nyen Khing
Director

Kuala Lumpur

Date: 9 September 2025

SHARIAH COMMITTEE'S REPORT

In the name of Allah, the Beneficent, the Merciful

In carrying out the roles and responsibilities as the Shariah Committee of Sumitomo Mitsui Banking Corporation Malaysia Berhad as prescribed in BNM's Shariah Governance Policy Document, the Bank's policy on Shariah governance and SMBCMY Shariah Committee Charter, we hereby submit our Shariah Committee Report for the financial year ended 31 March 2025.

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Sumitomo Mitsui Banking Corporation Malaysia Berhad during the financial year ended 31 March 2025. We have also conducted our review to form an opinion as to whether Sumitomo Mitsui Banking Corporation Malaysia Berhad has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah rulings made by us.

During financial year ended 31 March 2025, we have duly reviewed and approved the following:

1 Introduction of Islamic Products Policy;
2 Introduction of Policy on Implementation of Hajah and Darurah;
3 Review of the Bank's existing Shariah ruling made based on Hajah and Darurah; and
4 Approval on the localized Restructured & Rescheduled (R&R) Policy.

In addition, we have also tracked and reviewed the progress of Islamic Banking Window ("IBW") Phase 2 Project to ensure that Shariah requirements have been complied.

The Management of Sumitomo Mitsui Banking Corporation Malaysia Berhad is responsible for ensuring that the financial institution conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion based on our review of the operations of Sumitomo Mitsui Banking Corporation Malaysia Berhad is in compliance with the Shariah principles and requirements.

We have assessed the work carried out by Shariah Risk Management, Shariah Review and Shariah Audit which included examining, on a test basis, each type of transaction, the relevant documentations and procedures adopted by Sumitomo Mitsui Banking Corporation Malaysia Berhad.

We have obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidences to give reasonable assurance that Sumitomo Mitsui Banking Corporation Malaysia Berhad have not violated the Shariah principles and requirements.

In our opinion:

1. Sumitomo Mitsui Banking Corporation Malaysia Berhad's Islamic Banking products, legal documents and processes that we approved during the financial year ended 31 March 2025 are in compliance with the Shariah principles and requirements;

2. Sumitomo Mitsui Banking Corporation Malaysia Berhad's Islamic Banking transactions and dealings carried out in the financial year ended 31 March 2025 are in compliance with the Shariah principles and requirements;

3. Sumitomo Mitsui Banking Corporation Malaysia Berhad's sources of Shariah income during the financial year ended 31 March 2025 are in compliance with the Shariah principles and requirements;

SHARIAH COMMITTEE'S REPORT

In the name of Allah, the Beneficent, the Merciful

In our opinion (continued) :

4. No Shariah non-compliant event was reported during the financial year ended 31 March 2025;

5. Sumitomo Mitsui Banking Corporation Malaysia Berhad has maintained sufficient internal policies, frameworks, manuals and operating procedures to ensure compliance with the Shariah rules and principles when carrying out its Islamic Banking business;

6. Sumitomo Mitsui Banking Corporation Malaysia Berhad has taken sufficient and proactive steps in ensuring the competency of its employees through training programmes and various learning tools; and

7. No disclosure on the zakat payment as it is not applicable to Sumitomo Mitsui Banking Corporation Malaysia Berhad.

We, the members of the Shariah Committee of Sumitomo Mitsui Banking Corporation Malaysia Berhad, do hereby confirm that at our best knowledge:

1. Nothing has come to our attention that causes us to believe that the Sumitomo Mitsui Banking Corporation Malaysia Berhad's operations, business, affairs and activities of the Islamic Banking for the financial year ended 31 March 2025 involve any material Shariah non-compliance; and

2. Based on the information provided to us, we hereby confirm that Sumitomo Mitsui Banking Corporation Malaysia Berhad’s Islamic Banking business, operations and activities for the financial year ended 31 March 2025 are in conformity with the Shariah principles and requirements.

Chairman of the Shariah Committee : [Signed]
Assoc. Prof. Dr. Abdul Manan bin Ismail

Shariah Committee member : [Signed]
Dr. Mohamad Rizal bin Mohamed Nor

Shariah Committee member : [Signed]
Wan Rizaidy bin W Mamat Saufi

Kuala Lumpur

Date: 9 September 2025

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

[Company No. 201001042446 (926374-U)]
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2025

	Note	2025 RM'000	2024 RM'000
Assets			
Cash and short-term funds	3	5,775,492	5,767,894
Deposits and placements with banks and other financial institutions	4	3,376,358	2,033,895
Debt instruments at fair value through other comprehensive income ("FVOCI")	5	3,362,258	3,373,882
Loans, advances and financing	6	13,476,825	14,353,388
Derivative financial assets	33	666,821	812,730
Other assets	7	344,724	92,338
Statutory deposits with Bank Negara Malaysia	8	8,450	650
Plant and equipment	9	15,249	9,661
Right-of-use assets	10.1	9,266	10,434
Tax recoverable	11	116,708	101,495
Total assets		27,152,151	26,556,367
Liabilities			
Deposits from customers	12	18,528,133	17,689,286
Deposits and placements of banks and other financial institutions	13	3,341,616	3,609,436
Bills and acceptances payable		318	392
Derivative financial liabilities	33	629,604	700,856
Other liabilities	14	213,321	386,127
Lease liabilities	10.2	9,649	10,679
Provision for credit commitments and contingencies	15	5,110	4,875
Deferred tax liabilities	16	5,782	6,574
Total liabilities		22,733,533	22,408,225
Equity			
Share capital	17	2,452,605	2,452,605
Reserves	18	1,966,013	1,695,537
Total equity attributable to owners of the Bank		4,418,618	4,148,142
Total liabilities and equity		27,152,151	26,556,367
Commitments and contingencies	30	37,059,357	41,548,626

The notes on pages 54 to 169 are an integral part of these financial statements.

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD
[Company No. 201001042446 (926374-U)]
(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

	Note	2025 RM'000	2024 RM'000
Interest income	19	1,068,278	1,170,179
Interest expense	20	(795,903)	(917,552)
Net interest income		272,375	252,627
Other operating income	21	235,140	244,241
Net operating income		507,515	496,868
Other operating expenses	22	(159,914)	(158,000)
Operating profit		347,601	338,868
Writeback of impairment on loans, advances and financing	24	9,186	21,446
(Allowance for) / Writeback of impairment on other financial assets	25	(401)	1,136
Profit before taxation		356,386	361,450
Tax expense	26	(88,382)	(99,316)
Profit for the year		268,004	262,134
Other comprehensive income for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Movement in fair value reserve (FVOCI debt instruments):			
- Debt instruments measured at FVOCI - net change in fair value		2,477	(618)
- Debt instruments measured at FVOCI - decrease in allowance for impairment	25	(5)	(53)
Total comprehensive income for the year		270,476	261,463
Basic earnings per ordinary share (sen)	27	10.93	10.69

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD
[Company No. 201001042446 (926374-U)]
(Incorporated in Malaysia)

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

		Non-distributable reserves		*Distributable reserves*	
	Share capital RM'000	**Regulatory reserve RM'000**	**Fair value reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 April 2023	2,452,605	143,570	2,397	1,288,107	3,886,679
Profit for the year	-	-	-	262,134	262,134
Fair value change and decrease in allowance for impairment of debt instruments measured at FVOCI	-	-	(671)	-	(671)
Total comprehensive income for the year	-	-	(671)	262,134	261,463
Transfer to regulatory reserve	-	12,356	-	(12,356)	-
At 31 March 2024	2,452,605	155,926	1,726	1,537,885	4,148,142
At 1 April 2024	2,452,605	155,926	1,726	1,537,885	4,148,142
Profit for the year	-	-	-	268,004	268,004
Fair value change and increase in allowance for impairment of debt instruments measured at FVOCI	-	-	2,472	-	2,472
Total comprehensive income for the year	-	-	2,472	268,004	270,476
At 31 March 2025	2,452,605	155,926	4,198	1,805,889	4,418,618
	(Note 17)	(Note 18)	(Note 18)	(Note 18)	

The notes on pages 54 to 169 are an integral part of these financial statements.

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD
[Company No. 201001042446 (926374-U)]
(Incorporated in Malaysia)

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

	2025 RM'000	2024 RM'000
Cash flows from operating activities		
Profit from ordinary activities before taxation	356,386	361,450
Adjustments for:		
Depreciation of plant and equipment	6,235	5,368
Depreciation of right-of-use assets	4,863	4,216
Plant and equipment written off	358	2
Gain on disposal of plant and equipment	(170)	(437)
Writeback of impairment on loans, advances and financing (Note 24)	(9,186)	(21,446)
Allowance for / (Writeback of) impairment on other financial assets (Note 25)	401	(1,136)
Unrealised net loss on revaluation of derivatives	11,252	17,784
Amortisation of premium and gain on redemption on debt securities	13,922	1,978
Interest expense on lease liabilities (Note 10.4 and Note 20)	399	132
Operating profit before working capital changes	384,460	367,911
(Increase) / Decrease in operating assets:		
Deposits and placements with banks and other financial institutions	(1,342,574)	(66,354)
Statutory deposits with Bank Negara Malaysia	(7,800)	44,350
Loans, advances and financing	885,984	834,942
Derivative financial instruments	63,405	(51,658)
Other assets	(244,434)	(51,874)
Increase / (Decrease) in operating liabilities:		
Deposits from customers	838,847	961,467
Deposits and placements of banks and other financial institutions	(267,820)	410,380
Bills and acceptances payable	(74)	(873)
Other liabilities	(167,875)	143,169
Cash generated from operating activities	142,119	2,591,460
Taxation paid	(111,510)	(51,047)
Net cash generated from operating activities	30,609	2,540,413
Cash flows from investing activities		
Purchase of plant and equipment	(12,312)	(7,287)
Proceed from sale of plant and equipment	170	489
Acquisition of investment securities measured at FVOCI	(3,379,426)	(3,374,907)
Disposal of investment securities measured at FVOCI	3,373,882	703,693
Net cash used in investing activities	(17,686)	(2,678,012)
Cash flows from financing activity		
Payment of lease liabilities (Note 10.4)	(5,136)	(4,668)
Net cash used in financing activity	(5,136)	(4,668)

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD
[Company No. 201001042446 (926374-U)]
(Incorporated in Malaysia)

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

	2025 RM'000	2024 RM'000
Net increase / (decrease) in cash and cash equivalents during the financial year	7,787	(142,267)
Cash and cash equivalents at beginning of the financial year	5,769,489	5,911,756
Cash and cash equivalents at end of the financial year	5,777,276	5,769,489
Cash and cash equivalents comprise:		
Cash and balances with banks and other financial institutions	144,409	157,202
Money at call and deposit placements maturing within one month	5,632,867	5,612,287
	5,777,276	5,769,489

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

Sumitomo Mitsui Banking Corporation Malaysia Berhad ("the Bank") is a public limited company, incorporated and domiciled in Malaysia. The address of its registered office and principal place of business is Suite 22-03, Level 22, Integra Tower, The Intermark, 348, Jalan Tun Razak, 50400 Kuala Lumpur.

The Bank is principally engaged in the provision of banking and related financial services.

The immediate and ultimate holding corporations during the financial year are Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Financial Group, Inc. respectively. Both corporations are incorporated in Japan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 9 September 2025.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board (“MFRS Accounting Standards”), IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRS Accounting Standards that have been issued but have not been adopted by the Bank:

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2026

- Amendments to MFRS 9, *Financial Instruments* and MFRS 7, *Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments*
- Amendments that are part of Annual Improvements ─ Volume 11:
    - Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*
    - Amendments to MFRS 7, *Financial Instruments: Disclosures*
    - Amendments to MFRS 9, *Financial Instruments*
    - Amendments to MFRS 10, *Consolidated Financial Statements*
    - Amendments to MFRS 107, *Statement of Cash Flows*
- Amendments to MFRS 9, *Financial Instruments* and MFRS 7, *Financial Instruments: Disclosures – Contracts Referencing Nature-dependent Electricity*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2027

- MFRS 18, *Presentation and Disclosure in Financial Statements*
- MFRS 19, *Subsidiaries without Public Accountability: Disclosures*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Bank plans to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 April 2025 for the amendments that are effective for annual periods beginning on or after 1 January 2025.

- from the annual period beginning on 1 April 2026 for the amendments that are effective for annual periods beginning on or after 1 January 2026.

- from the annual period beginning on 1 April 2027 for the accounting standards that are effective for annual periods beginning on or after 1 January 2027.

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Bank.

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 3 - Allowance for expected credit losses on cash and short-term funds
- Note 4 - Allowance for expected credit losses on deposits and placements with banks and other financial institutions
- Note 6(m) - Allowance for expected credit losses on loans, advances and financing
- Note 15 - Provision for credit commitments and contingencies
- Note 33 - Fair value of financial assets and financial liabilities

2. Material accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Financial instruments

(i) Classification and measurement of financial assets and liabilities

The Bank classifies its financial assets into the following measurement categories:
- Amortised cost
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL")

Financial liabilities are classified as either:
- Amortised cost; or
- Fair value through profit or loss ("FVTPL")

Management determines the classification of its financial assets and liabilities at initial recognition of the instruments and they are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Bank has access at that date. The fair value of a liability includes the risk that the Bank will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risk or credit risk, the fair value of the group of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument is not active, the Bank establishes fair value by using valuation techniques.

2. Material accounting policies (continued)

(a) Financial instruments (continued)

(i) Classification and measurement of financial assets and liabilities (continued)

Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Bank becomes a party to the contractual provisions of the instrument.

Purchases and sales of financial assets and liabilities held at FVTPL, and debt securities classified as financial assets held at FVOCI are initially recognised on the trade date (the date on which the Bank commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on settlement date (the date on which cash is advanced to the borrowers).

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at FVTPL.

In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognised immediately in profit or loss but is amortised or released to profit or loss as the inputs become observable, or the transaction matures or is terminated.

2. Material accounting policies (continued)

(a) Financial instruments (continued)

(i) Classification and measurement of financial assets and liabilities (continued)

Recognition and initial measurement (continued)

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at FVTPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(A) Financial assets held at amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI"). The financial assets are not designated as FVTPL.

In assessing whether the contractual cash flows have SPPI characteristics, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The Bank makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed and information is provided to management.

(B) Financial assets held at FVOCI

FVOCI category comprises debt investments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investments, and their contractual terms give rise on specified dates to cash flows that are SPPI. The debt investments are not designated at FVTPL.

In assessing whether the contractual cash flows have SPPI characteristics, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The Bank makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed and information is provided to management.

2. Material accounting policies (continued)

(a) Financial instruments (continued)

(i) Classification and measurement of financial assets and liabilities (continued)

Recognition and initial measurement (continued)

(C) Financial assets and liabilities held at FVTPL

Financial assets which are not held at amortised cost or that are not held at FVOCI are held at FVTPL. Financial assets and liabilities held at FVTPL are either mandatorily classified at FVTPL or irrevocably designated at FVTPL at initial recognition.

<u>Mandatorily categorised as FVTPL</u>

Financial assets and liabilities which are mandatorily measured at FVTPL include:

- Financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short term;
- Derivative financial assets and liabilities except for a derivative that is a designated and effective hedging instrument;
- Financial assets that give rise to cash flows that are not SPPI;
- Equity instruments that have not been designated as held at FVOCI; and
- Financial liabilities that constitute contingent consideration in a business combination.

<u>Designated at FVTPL at initial recognition</u>

Financial assets and liabilities may be designated at FVTPL when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis ("accounting mismatch").

Interest rate swaps have been acquired with the intention of significantly reducing interest rate risk on certain loans and advances and debt securities with fixed rates of interest. To significantly reduce the accounting mismatch between assets and liabilities and measurement bases, these loans and advances and debt securities have been designated at FVTPL.

Financial liabilities may also be designated at FVTPL where they are managed on a fair value basis or have a bifurcately embedded derivative where the Bank is not able to separately value the embedded derivative component.

2. Material accounting policies (continued)

(a) Financial instruments (continued)

(i) Classification and measurement of financial assets and liabilities (continued)

Recognition and initial measurement (continued)

(D) Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at FVTPL are classified as financial liabilities held at amortised cost.

(E) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers.*

Liabilities arising from financial guarantees are presented together with other provisions.

Subsequent measurement

(A) Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest rate method. Foreign exchange gains and losses and impairment losses are recognised in profit or loss.

Where a financial instrument carried at amortised cost is the hedged item in a qualifying fair value hedge relationship, its carrying value is adjusted by the fair value gain or loss attributable to the hedged risk.

(B) Financial assets measured at FVOCI

Debt investments held as measured at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value (excluding any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. Changes in expected credit losses are recognised in profit or loss and are accumulated in a separate component of equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to profit or loss.

2. Material accounting policies (continued)

(a) Financial instruments (continued)

(i) Classification and measurement of financial assets and liabilities (continued)

Subsequent measurement (continued)

(C) Financial assets and financial liabilities measured at FVTPL

Financial assets and financial liabilities mandatorily held at FVTPL and financial assets designated at FVTPL are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the net trading income line in profit or loss unless the instrument is part of a cash flow hedging relationship. Contractual interest income on financial assets held at FVTPL is recognised as interest income in a separate line in profit or loss.

(D) Financial liabilities designated at FVTPL

Financial liabilities designated at FVTPL are measured at fair value, with changes in fair value recognised in the net trading income line in profit or loss, other than those attributable to changes in credit risk. Fair value changes attributable to credit risk are recognised in other comprehensive income and recorded in a separate category of reserves unless this is expected to create or enlarge an accounting mismatch, in which case the entire change in fair value of the financial liability designated at FVTPL is recognised in profit or loss.

(ii) Reclassifications

Financial liabilities are not reclassified subsequent to initial recognition.

Reclassifications of financial assets are made when, and only when, the business model for those assets changes. Such changes are expected to be infrequent and arise as a result of significant external or internal changes such as the termination of a line of business or the purchase of a subsidiary whose business model is to realise the value of pre-existing held for trading financial assets through a hold to collect model.

Financial assets are reclassified at their carrying value on the date of reclassification and previously recognised gains and losses are not restated. Moreover, reclassifications of financial assets between financial assets held at amortised cost and financial assets held at FVOCI do not affect effective interest rate or expected credit loss computations.

2. Material accounting policies (continued)

(a) Financial instruments (continued)

(ii) Reclassifications (continued)

(A) Reclassified from amortised cost

Where financial assets held at amortised cost are reclassified to financial assets held at FVTPL, the difference between the fair value of the assets at the date of reclassification and the previously recognised amortised cost is recognised in profit or loss.

For financial assets held at amortised cost that are reclassified to FVOCI, the difference between the fair value of the assets at the date of reclassification and the previously recognised gross carrying value is recognised in other comprehensive income. Additionally, the related cumulative expected credit loss amounts relating to the reclassified financial assets are reclassified from loan loss provisions to a separate reserve in other comprehensive income at the date of reclassification.

(B) Reclassified from FVOCI

Where financial assets held at FVOCI are reclassified to financial assets held at FVTPL, the cumulative gain or loss previously recognised in other comprehensive income is transferred to profit or loss.

For financial assets held at FVOCI that are reclassified to financial assets held at amortised cost, the cumulative gain or loss previously recognised in other comprehensive income is adjusted against the fair value of the financial asset such that the financial asset is recorded at a value as if it had always held at amortised cost. In addition, the related cumulative expected credit losses held within other comprehensive income are reversed against the gross carrying value of the reclassified assets at the date of reclassification.

(C) Reclassified from FVTPL

Where financial assets held at FVTPL are reclassified to financial assets held at FVOCI or financial assets held at amortised cost, the fair value at the date of reclassification is used to determine the effective interest rate on the financial asset going forward. In addition, the date of reclassification is used as the date of initial recognition for the calculation of expected credit losses. Where financial assets held at FVTPL are reclassified to financial assets held at amortised cost, the fair value at the date of reclassification becomes the gross carrying value of the financial asset.

2. Material accounting policies (continued)

(a) Financial instruments (continued)

(iii) Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards of ownership have been neither retained nor transferred and the Bank has retained control, the assets continue to be recognised to the extent of the Bank's continuing involvement. Where financial assets have been modified, the modified terms are assessed on a qualitative and quantitative basis to determine whether a fundamental change in the nature of the instrument has occurred, such as whether the derecognition of the pre-existing instrument and the recognition of a new instrument is appropriate.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iv) Impairment of financial assets

Expected credit losses are determined for all financial assets that are classified at amortised cost or debt instruments measured at FVOCI, undrawn commitments, financial guarantees, contract assets and other financial assets that are not measured at FVTPL. Expected credit losses are a probability-weighted estimate of credit loss.

Measurement

The estimate of expected cash shortfalls is determined by multiplying the probability of default ("PD") with the loss given default ("LGD") with the expected exposure at the time of default ("EAD"). There may be multiple default events over the life time of an instrument.

Forward-looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as GDP growth rates and FTSE Bursa Malaysia KLCI. These assumptions are incorporated using the Bank's most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes those available externally.

2. Material accounting policies (continued)

(a) Financial instruments (continued)

(iv) Impairment of financial assets (continued)

Measurement (continued)

To account for the potential non-linearity in credit losses, multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios. For example, where there is aggregate risk of downside credit losses than upside gains, multiple forward-looking economic scenarios are incorporated into the range of reasonably possible outcomes, both in respect of determining the PD (and where relevant, the LGD and EAD) and in determining the overall expected credit loss amounts.

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Bank is exposed to credit risk shortfall.

For credit-impaired financial instruments, the estimate of cash shortfalls may require the use of expert credit judgement. As a practical expedient, the Bank may also measure credit impairment on the basis of an instrument's fair value using an observable market price.

Cash flows from credit enhancements held are included within the measurement of expected credit losses if they are part of, or integral to the contractual terms of the instrument. These credit enhancements include financial guarantees, risk participations and other non-derivative credit insurance. Although non-integral credit enhancements do not impact the measurement of expected credit losses, a reimbursement asset is recognised to the extent of the expected credit losses recorded.

Recognition

(A) 12-months expected credit losses (Stage 1)

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the life time cash shortfalls arising from possible default events up to 12-months into the future from the balance sheet date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit-impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

2. Material accounting policies (continued)

(a) Financial instruments (continued)

(iv) Impairment of financial assets (continued)

Recognition (continued)

(B) Significant increase in credit risk (Stage 2)

If a financial asset experiences a significant increase in credit risk ("SICR") since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset.

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in expected credit loss. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. Quantitative factors include an assessment of whether there has been significant increase in the forward-looking probability of default ("PD") since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent these are correlated to changes in credit risk. We compare the 12-months PD at the reporting date to the 12-months PD that was expected at the time of origination for the same point in the term structure and determine whether both the absolute and relative change between the two exceeds predetermined thresholds. To the extent that the differences between the measures of default outlined exceed the defined thresholds, the instrument is considered to have experienced a significant increase in credit risk.

Qualitative factors assessed include those linked to current credit risk management processes, such as lending placed on “watchlist” (and subject to closer monitoring).

A "watchlist" account is one which exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by Management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded. Indicators could include a rapid erosion of position within the industry, concerns over Management's ability to manage operations, weak / deteriorating operating results, liquidity strain and overdue balances amongst other factors.

2. Material accounting policies (continued)

(a) Financial instruments (continued)

(iv) Impairment of financial assets (continued)

Recognition (continued)

(C) Credit-impaired (or defaulted) exposures (Stage 3)

Financial assets that are credit-impaired (or in default) represent those that are at least 90 days past due in respect of principal and / or interest. Financial assets are also considered to be credit-impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit-impaired.

Irrevocable lending commitments to a credit-impaired obligor that have not yet been drawn down are also included within the Stage 3 credit impairment allowance to the extent that the commitment cannot be withdrawn.

Loss allowances against credit-impaired financial assets are determined based on an assessment of the recoverable cashflows under a range of scenarios, including the realisation of any collateral held where appropriate. The loss allowances held represent the difference between the present value of the cashflows expected to be recovered, discounted at the instrument's original effective interest rate, and the gross carrying value of the instrument prior to any credit impairment.

(v) Hedge accounting

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

In a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period is recognised in profit or loss. The gain or loss on the hedged item, except for a hedged item categorised as FVOCI, attributable to the hedged risk is adjusted to the carrying amount of the hedged item and recognised in profit or loss.

For a hedged item categorised as FVOCI, the fair value gain or loss attributable to the hedged risk is recognised in profit or loss.

Fair value hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective or the hedge designation is revoked.

2. Material accounting policies (continued)

(a) Financial instruments (continued)

(v) Hedge accounting (continued)

The Bank has applied the interbank offered rate (“IBOR”) reform Phase 1 reliefs to hedging relationships directly affected by IBOR reform during the period before the replacement of an existing interest / profit rate benchmark with an alternative risk-free rate (“RFR”). A hedging relationship is affected if IBOR reform gives rise to uncertainties about the timing and / or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The reliefs require that for the purpose of determining whether a forecast transaction is highly probable, it is assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform.

The Bank assumes that for the purpose of assessing expected future hedge effectiveness, the interest / profit rate is not altered as a result of IBOR reform. The Bank does not discontinue the hedging relationship if the results of the assessment of retrospective hedge effectiveness falls outside the monitoring threshold, although any hedge ineffectiveness must be recognised in profit or loss, as normal.

When the basis of determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or hedging instrument, the Bank amends the hedge documentation of that hedging relationship to reflect changes required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark as the hedged risk;
- updating the description of the hedge item, including the description of the designated portion of the cash flows or fair value being hedged;
- updating the description of the hedge instrument; or
- updating the description of how the entity will assess hedge effectiveness.

2. Material accounting policies (continued)

(a) Financial instruments (continued)

(v) Hedge accounting (continued)

The Bank amends the description of the hedging instrument only if the following conditions are met:

- it makes a change required by IBOR reform by using an approach other than changing the basis of determining the contractual cash flows of the hedging instruments;
- the chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The Bank amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedge risk, hedged item or hedging instrument. These amendments in the formal hedging documentation do not constitute the discontinuation of the hedging relationship of the designation of a new hedge relationship.

If changes are made in addition to those economically equivalent changes required by IBOR reform described above, then the Bank considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If additional changes do not result in the discontinuation of the hedge accounting relationship, then the Bank amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

When the Bank changes the designation to an alternative benchmark interest rate and that rate is not a separately identifiable component at the date it is designated, the Bank deems that the rate meets the separately identifiable criterion if it reasonably expects that the rate will be separately identifiable within a 24-month period. The 24-month period applies on a rate-by-rate basis and starts from the date the Bank first designates the alternative benchmark rate as a hedged risk.

If subsequently, the Bank expects that a non-contractually specified alternative benchmark rate is to be separately identifiable within 24-month period, hedge accounting is discontinued prospectively from the date of that reassessment to all hedging relationships in which the alternative benchmark rate is designated as a risk component.

2. Material accounting policies (continued)

(a) Financial instruments (continued)

(v) Hedge accounting (continued)

When the interest benchmark on which the future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cashflows are expected to occur, the Bank deems that the amount accumulated in the cash flow hedge reserve to be based on the alternative benchmark rate on which the hedged future cash flows will be based.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits maturing within one month.

(c) Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs that are directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

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

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of plant and equipment, and are recognised net within 'other operating income' or 'other operating expense' respectively in profit or loss.

2. Material accounting policies (continued)

(c) Plant and equipment (continued)

Recognition and measurement (continued)

Fixed assets additions for the Bank are classified into the following categories:

- Motor vehicles
- Furniture, fixtures and fittings
- Computer equipment
- Renovations

Details of each specific type of asset is manually maintained in the fixed assets register and reconciled to the general ledger.

Additions to equipment costing more than RM1,000 are depreciated at the depreciation rates below. Depreciation is calculated on a monthly basis in the same month when the assets are available for use.

Subsequent costs

The cost of replacing a component of an item of plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced component is derecognised in profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

● Motor vehicles	5 years
● Furniture, fixtures and fittings	5 - 10 years
● Computer equipment	3 years
● Renovations	10 years

Depreciation methods, rates, useful lives and residual values are reassessed at each financial year end and adjusted if appropriate.

2. Material accounting policies (continued)

(d) Other receivables

Other receivables are initially recognised at their costs when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, other receivables are measured at amortised cost using the effective interest method.

(e) Bills and acceptances payable

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

(f) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments at FVOCI or a financial instrument designated as a hedge of currency risk which are recognised in other comprehensive income.

(g) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified assets, the Bank assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

2. Material accounting policies (continued)

(g) Leases (continued)

(i) Definition of a lease (continued)

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Bank is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement - As a lessee

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank may use its incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

2. Material accounting policies (continued)

(g) Leases (continued)

(ii) Recognition and initial measurement - As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Bank is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The Bank excludes variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term or remaining lease term of 12 months or less as at reporting date. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement - As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Bank’s estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. Material accounting policies (continued)

(h) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Bank contributes to the Employee Provident Fund, the national defined contribution plan, on a mandatory basis. The contributions are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Bank has no further payment obligation.

(i) Provisions and contingent liabilities

A provision is recognised if, as a result of past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. Material accounting policies (continued)

(j) Revenue and other income

(i) Interest income / financing income and expense

Interest income / financing income and expense is recognised in profit or loss using the effective interest / profit method.

The effective interest / profit rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest / profit rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

(ii) Fees and commission

Fees and commission income and expenses that are integral to the effective interest / profit rate on a financial asset or financial liability are included in the measurement of the effective interest / profit rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are performed. If a loan commitment is not expected to result in the drawdown of a loan, then the related loan commitment fees are recognised on a straight line basis over the commitment period. When it is probable that a loan commitment will result in a specific lending arrangement, commitment fees are included in the measurement of the effective interest / profit rate.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

2. Material accounting policies (continued)

(k) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination, and that affects neither accounting, nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that the future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Earnings per ordinary share

Earnings per ordinary share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

2. Material accounting policies (continued)

(m) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Bank uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.

- Level 2: inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3: unobservable inputs for the asset or liability.

The Bank recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(n) Impairment of other assets

The carrying amounts of other assets (except for deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (or cash-generating units).

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

2. Material accounting policies (continued)

(n) Impairment of other assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3. Cash and short-term funds

	2025 RM'000	2024 RM'000
Cash and balances with banks and other financial institutions	144,409	157,202
Money at call and deposit placements maturing within one month	5,632,867	5,612,287
	5,777,276	5,769,489
Less: Allowance for expected credit losses ("ECL")	(1,784)	(1,595)
	5,775,492	5,767,894

Movement in allowance for ECL on cash and short-term funds

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
At 1 April 2024	1,595	-	-	1,595
Charge to profit or loss				
- Increase in ECL	189	-	-	189
At 31 March 2025	1,784	-	-	1,784
At 1 April 2023	2,515	-	-	2,515
Charge to profit or loss				
- Decrease in ECL	(920)	-	-	(920)
At 31 March 2024	1,595	-	-	1,595

4. Deposits and placements with banks and other financial institutions

	2025 RM'000	2024 RM'000
Money at call and deposit placements maturing more than one month	3,377,802	2,035,228
Less: Allowance for ECL	(1,444)	(1,333)
	3,376,358	2,033,895

Movement in allowance for ECL on deposits and placements with banks and other financial institutions

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
At 1 April 2024	1,333	-	-	1,333
Charge to profit or loss				
- Increase in ECL	111	-	-	111
At 31 March 2025	1,444	-	-	1,444
At 1 April 2023	1,521	-	-	1,521
Charge to profit or loss				
- Decrease in ECL	(188)	-	-	(188)
At 31 March 2024	1,333	-	-	1,333

5. Debt instruments at fair value through other comprehensive income ("FVOCI")

	2025 RM'000	2024 RM'000
At fair value		
Negotiable Instruments of Deposits	703,769	402,173
Malaysian Government Securities	888,571	101,077
Malaysian Government Investment Issues	1,769,918	323,650
Bank Negara Malaysia Debt Securities	-	2,546,982
	3,362,258	3,373,882

<u>Movement in allowance for ECL on debt instruments measured at FVOCI</u>

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
At 1 April 2024	641	-	-	641
- Decrease in ECL	(5)	-	-	(5)
At 31 March 2025	636	-	-	636
At 1 April 2023	694	-	-	694
- Decrease in ECL	(53)	-	-	(53)
At 31 March 2024	641	-	-	641

The carrying amount of a debt instrument measured at FVOCI is its fair value. Accordingly, the recognition of an impairment loss does not affect the carrying amount of those assets, but is reflected as a debit to profit or loss and credit to other comprehensive income.

6. Loans, advances and financing

	2025 RM'000	2024 RM'000
(a) By type:		
At amortised cost:		
Overdraft	42,181	2,293
Term loans / financing		
- Syndicated loans / Syndicated Islamic financing	2,936,572	3,471,584
- Factoring receivables	48,014	182,069
- Other term loans / Islamic term financing	5,557,714	6,432,092
Trade bills discounted	4,598	68,666
Revolving credits / Revolving credit-i	4,969,922	4,285,311
Trust receipt	-	2,970
Gross loans, advances and financing	13,559,001	14,444,985
Less: Allowance for ECL		
- 12-month ECL (Stage 1)	(4,915)	(5,948)
- Lifetime ECL not credit impaired (Stage 2)	(26,982)	(32,064)
- Lifetime ECL credit impaired (Stage 3)	(50,279)	(53,585)
Net loans, advances and financing	13,476,825	14,353,388
(b) By geographical distribution:		
Malaysia	13,136,907	13,449,567
Other countries:		
- Australia	200,609	221,069
- Japan	171,206	169,825
- Hong Kong	50,279	53,585
- Cayman Islands	-	184,376
- Netherlands	-	188,167
- United Kingdom	-	178,396
Gross loans, advances and financing	13,559,001	14,444,985
(c) By type of customer:		
Domestic non-bank financial institutions	5,449,207	4,999,524
Domestic business enterprises	8,047,367	9,199,046
Foreign entities	50,279	231,981
Domestic other entities	12,148	14,434
Gross loans, advances and financing	13,559,001	14,444,985
(d) By interest rate sensitivity:		
Fixed rate		
- Other fixed rate loans	857,293	875,835
Variable rate		
- Cost-plus	5,582,222	5,652,972
- Other variable rates	7,119,486	7,916,178
Gross loans, advances and financing	13,559,001	14,444,985

6. Loans, advances and financing (continued)

	2025 RM'000	2024 RM'000
(e) By sector:		
Primary agriculture	6,963	15,005
Mining and quarrying	752,449	890,826
Manufacturing	1,392,311	1,889,649
Electricity, gas and water	969,111	584,744
Construction	16,008	171,036
Wholesale and retail trade, and restaurants and hotels	664,833	669,102
Transport, storage and communication	1,476,000	1,612,865
Finance, insurance and business services	6,067,547	5,974,951
Real estate	1,552,407	1,726,745
Education, health and other services	661,372	910,062
Gross loans, advances and financing	13,559,001	14,444,985
(f) By economic purpose:		
Purchase of securities	-	184,376
Purchase of non-residential property		
- Purchase of land	-	82,571
Construction	259,520	377,547
Working capital	6,035,314	5,871,025
Mergers and acquisition	231,108	280,104
Other purpose	7,033,059	7,649,362
Gross loans, advances and financing	13,559,001	14,444,985
(g) By residual contractual maturity:		
Maturing within one year	4,468,925	4,390,529
One year to three years	4,560,798	4,474,185
Three years to five years	2,454,147	4,387,279
More than five years	2,075,131	1,192,992
Gross loans, advances and financing	13,559,001	14,444,985

6. Loans, advances and financing (continued)

(h) Movements in credit-impaired loans, advances and financing are as follows:

	2025 RM'000	2024 RM'000
At 1 April 2024 / 1 April 2023	53,585	51,065
Other adjustments	(3,306)	2,520
At 31 March 2025 / 31 March 2024	50,279	53,585
Less: Lifetime ECL credit impaired (Stage 3)	(50,279)	(53,585)
Net impaired loans, advances and financing	-	-
Gross credit-impaired loans and financing as a percentage of gross loans, advances and financing	0.37%	0.37%

(i) Credit-impaired loans, advances and financing by geographical distribution:

	2025 RM'000	2024 RM'000
Hong Kong	50,279	53,585

(j) Credit-impaired loans, advances and financing by sector:

	2025 RM'000	2024 RM'000
Wholesale and retail trade, and restaurants and hotels	50,279	53,585

(k) Credit-impaired loans, advances and financing by economic purpose:

	2025 RM'000	2024 RM'000
Other purpose	50,279	53,585

6. Loans, advances and financing (continued)

(l) Change in gross loans, advances and financing carrying amount

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
At 1 April 2024	11,161,875	3,229,525	53,585	14,444,985
Transfer to 12-month ECL (Stage 1)	883,478	(883,478)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(2,114,954)	2,114,954	-	-
Loans, advances and financing derecognised	(5,514,206)	(1,670,813)	-	(7,185,019)
New loans, advances and financing originated or purchased	6,334,296	372,144	-	6,706,440
Other adjustments	(412,089)	7,990	(3,306)	(407,405)
At 31 March 2025	10,338,400	3,170,322	50,279	13,559,001
At 1 April 2023	9,487,081	5,741,781	51,065	15,279,927
Transfer to 12-month ECL (Stage 1)	2,591,545	(2,591,545)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(2,600,468)	2,600,468	-	-
Loans, advances and financing derecognised	(4,351,532)	(3,131,292)	-	(7,482,824)
New loans, advances and financing originated or purchased	5,654,794	504,458	-	6,159,252
Other adjustments	380,455	105,655	2,520	488,630
At 31 March 2024	11,161,875	3,229,525	53,585	14,444,985

6. Loans, advances and financing (continued)

(m) Movements in allowance for ECL on loans, advances and financing measured at amortised cost

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
At 1 April 2024	5,948	32,064	53,585	91,597
Transfer to 12-month ECL (Stage 1)	11,047	(11,047)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(1,815)	1,815	-	-
Loans, advances and financing derecognised	(3,084)	(10,879)	-	(13,963)
New loans, advances and financing originated or purchased	3,387	5,307	-	8,694
Changes due to change in credit risk	(10,568)	9,722	(3,306)	(4,152)
At 31 March 2025	4,915	26,982	50,279	82,176
At 1 April 2023	6,309	53,063	51,065	110,437
Transfer to 12-month ECL (Stage 1)	17,467	(17,467)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(1,759)	1,759	-	-
Loans, advances and financing derecognised	(2,309)	(12,341)	-	(14,650)
New loans, advances and financing originated or purchased	4,182	5,702	-	9,884
Changes due to change in credit risk	(17,942)	1,348	2,520	(14,074)
At 31 March 2024	5,948	32,064	53,585	91,597

7. Other assets

	2025 RM'000	2024 RM'000
Interest receivable	60,475	26,783
Amount due from related corporations	105	351
Cash collateral placements	280,013	53,514
Other receivables	965	9,588
Deposits	1,602	1,542
Prepayments	1,708	598
	344,868	92,376
Less: Allowance for ECL	(144)	(38)
	344,724	92,338

The cash collaterals are placed in respect of derivative balances pursuant to agreements in accordance with International Swaps and Derivatives Association ("ISDA") and Credit Support Annex ("CSA") entered into with respective counterparties amounting to RM280,013,000 (2024: RM53,514,000).

Movement in allowance for ECL on other assets

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
At 1 April 2024	38	-	-	38
Charge to profit or loss				
- Increase in ECL	106	-	-	106
At 31 March 2025	144	-	-	144
At 1 April 2023	13	-	-	13
Charge to profit or loss				
- Increase in ECL	25	-	-	25
At 31 March 2024	38	-	-	38

8. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Sections 26(2)(c) and 26(3) of the Central Bank of Malaysia Act 2009, the amounts of which are determined as set percentages of total eligible liabilities.

9. Plant and equipment

	Renovations RM'000	Computer equipment RM'000	Furniture, fixtures and fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At 1 April 2023	12,253	25,855	3,376	1,909	43,393
Additions	35	7,238	14	-	7,287
Written-off	-	(1,112)	(2)	-	(1,114)
Disposal	-	-	-	(1,204)	(1,204)
At 31 March 2024 / 1 April 2024	12,288	31,981	3,388	705	48,362
Additions	728	11,322	262	-	12,312
Written-off	-	(516)	-	-	(516)
Disposal	-	-	-	(705)	(705)
At 31 March 2025	13,016	42,787	3,650	-	59,453
Accumulated depreciation					
At 1 April 2023	9,705	21,435	2,659	1,799	35,598
Charge for the year	1,228	3,831	250	59	5,368
Written-off	-	(1,110)	(2)	-	(1,112)
Disposal	-	-	-	(1,153)	(1,153)
At 31 March 2024 / 1 April 2024	10,933	24,156	2,907	705	38,701
Charge for the year	1,170	4,817	248	-	6,235
Written-off	-	(27)	-	-	(27)
Disposal	-	-	-	(705)	(705)
At 31 March 2025	12,103	28,946	3,155	-	44,204
Carrying amount					
At 31 March 2024 / 1 April 2024	1,355	7,825	481	-	9,661
At 31 March 2025	913	13,841	495	-	15,249

10. Leases

The Bank leases buildings and office equipment. Information about leases for which the Bank are the lessees is presented below:

10.1. Right-of-use assets

	Motor vehicles RM'000	Building RM'000	Office equipment RM'000	Total RM'000
Cost				
At 1 April 2023	200	23,771	323	24,294
Additions	229	10,249	-	10,478
Lease modifications	-	240	-	240
At 31 March 2024 / 1 April 2024	429	34,260	323	35,012
Additions	-	3,512	-	3,512
Lease modifications	-	183	-	183
At 31 March 2025	429	37,955	323	38,707
Accumulated depreciation				
At 1 April 2023	129	20,033	200	20,362
Charge for the year	147	4,012	57	4,216
At 31 March 2024 / 1 April 2024	276	24,045	257	24,578
Charge for the year	115	4,693	55	4,863
At 31 March 2025	391	28,738	312	29,441
Carrying amount				
At 31 March 2024 / 1 April 2024	153	10,215	66	10,434
At 31 March 2025	38	9,217	11	9,266

10.2. Lease liabilities

The following table sets out a maturity analysis of lease liabilities, showing contractual undiscounted cash flows:

	2025 RM'000	2024 RM'000
Within one year	4,824	4,116
Between one and five years	5,209	7,076
	10,033	11,192
Lease liabilities included in the statement of financial position	9,649	10,679

10. Leases (continued)

10.3. Amount recognised in profit or loss

	2025 RM'000	2024 RM'000
Depreciation charge of right-of-use assets (Note 22)	4,863	4,216
Interest expense (Note 20)	399	132

10.4. Amount recognised in the statement of cash flows

	2025 RM'000	2024 RM'000
Included in net cash from operating activities		
Payment relating to short-term leases	(3,116)	(3,132)
Interest expense on lease liabilities (Note 20)	(399)	(132)
Included in net cash from financing activities		
Payment of lease liabilities	(5,136)	(4,668)
Total cash outflow for leases	(8,651)	(7,932)

10.5. Leasing activities

<u>Motor vehicles</u>

The Bank leases motor vehicles under finance lease for an agreed term of 24 months. At the end of the lease term, the Bank has no option to acquire the assets at a nominal price. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments. Leases are either non-cancellable or may only be cancelled with the Bank bearing premature termination cost from the date of termination. These assets are presented in right-of-use assets.

10. Leases (continued)

10.5. Leasing activities (continued)

Building leases

Building leases of the Bank comprises lease agreement for office premises and expatriate staff accommodation rental. Rental contracts are typically made for fixed periods of different duration. Most leases include the option to renew the lease for an additional period which is mutually agreed by both parties before the end of the contract term.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements generally do not impose any covenants other than to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Leases are either non-cancellable or may only be cancelled by giving written notice as mutually agreed by both parties in the agreement before the termination date.

The lease payments are adjusted upon renewal of the lease contract, subject to mutual agreement by both parties or current market rates.

Office equipment

The Bank leases office equipment under finance lease. At the end of the lease term, the Bank has the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments. These assets are presented in right-of-use assets.

11. Tax recoverable

Tax recoverable is subject to approval by the Inland Revenue Board of Malaysia.

12. Deposits from customers

	2025 RM'000	2024 RM'000
(a) By type of deposits:		
Demand deposits	2,532,749	2,613,351
Fixed deposits *	11,224,313	12,158,622
Short-term deposits	4,771,071	2,917,313
	18,528,133	17,689,286

* Included in the fixed deposits are deposits amounting to RM8,148,412,000 (2024: RM8,196,285,000) placed by a branch of the immediate holding corporation as cash collateral for certain loans, advances and financing.

	2025 RM'000	2024 RM'000
The maturity structure of fixed deposits and short-term deposits is as follows:		
Due within six months	7,214,631	6,898,441
Six months to one year	2,178,472	709,001
One year to three years	3,041,847	3,496,576
Three years to five years	1,340,476	2,903,571
Five years to ten years	1,963,038	774,541
Ten years and above	256,920	293,805
	15,995,384	15,075,935

(b) By type of customers:		
Domestic non-bank financial institutions	569,453	510,835
Domestic business enterprises	9,623,955	8,798,325
Branch of immediate holding corporation	8,148,412	8,196,285
Foreign non-bank entities	176,322	173,446
Domestic other entities	9,991	10,395
	18,528,133	17,689,286

13. Deposits and placements of banks and other financial institutions

	2025 RM'000	2024 RM'000
Licensed Malaysian banks	103,128	-
Foreign banks		
- Immediate holding corporation	3,238,488	3,609,436
	3,341,616	3,609,436

14. Other liabilities

	2025 RM'000	2024 RM'000
Interest payable	31,484	19,741
Amounts due to immediate holding corporation and related corporations / companies ^	103,227	66,325
Cash collateral placements *	5,340	224,720
Other payables	45,284	49,771
Accruals	27,986	25,570
	213,321	386,127

^ The amounts due to immediate holding corporation and related corporations / companies are unsecured, interest-free and repayable on demand.

* The cash collaterals are received in respect of derivative balances pursuant to agreements in accordance with ISDA and CSA entered into with respective counterparties.

15. Provision for credit commitments and contingencies

	2025 RM'000	2024 RM'000
Provision for credit commitments and contingencies	5,110	4,875

Movement in allowance for ECL on credit commitments and contingencies

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
At 1 April 2024	1,589	3,286	-	4,875
- (Decrease) / Increase in ECL	(688)	923	-	235
At 31 March 2025	901	4,209	-	5,110
At 1 April 2023	365	7,116	-	7,481
- Increase / (Decrease) in ECL	1,224	(3,830)	-	(2,606)
At 31 March 2024	1,589	3,286	-	4,875

16. Deferred tax

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Plant and equipment	-	-	(1,167)	(290)	(1,167)	(290)
Right-of-use assets	664	598	-	-	664	598
Fair value reserve	-	-	(1,125)	(344)	(1,125)	(344)
Unrealised foreign exchange gain	-	-	(28,806)	(32,330)	(28,806)	(32,330)
Deferred income	10,864	11,800	-	-	10,864	11,800
Allowance on ECL	6,101	6,917	-	-	6,101	6,917
Other items	7,687	7,075	-	-	7,687	7,075
Tax assets / (liabilities)	25,316	26,390	(31,098)	(32,964)	(5,782)	(6,574)
Set off of tax	(25,316)	(26,390)	25,316	26,390	-	-
Net tax liabilities	-	-	(5,782)	(6,574)	(5,782)	(6,574)

16. Deferred tax (continued)

Recognised deferred tax liabilities (continued)

Movement in temporary differences during the financial year:

	At 1 April 2023 RM'000	Recognised in profit or loss RM'000	Recognised directly in equity RM'000	At 31 March 2024/ 1 April 2024 RM'000	Recognised in profit or loss RM'000	Recognised directly in equity RM'000	At 31 March 2025 RM'000
Plant and equipment	(495)	205	-	(290)	(877)	-	(1,167)
Right-of-use assets	490	108	-	598	66	-	664
Fair value reserve	(537)	-	193	(344)	-	(781)	(1,125)
Unrealised foreign exchange gain	(22,500)	(9,830)	-	(32,330)	3,524	-	(28,806)
Deferred income	6,743	5,057	-	11,800	(936)	-	10,864
Allowance on ECL	9,961	(3,044)	-	6,917	(816)	-	6,101
Other items	4,883	2,192	-	7,075	612	-	7,687
	(1,455)	(5,312)	193	(6,574)	1,573	(781)	(5,782)
		(Note 26)			(Note 26)		

17. Share capital

	Amount 2025 RM'000	Number of shares 2025 ('000)	Amount 2024 RM'000	Number of shares 2024 ('000)
Ordinary shares				
Issued and fully paid up shares with no par value classified as equity instruments :				
At beginning / end of the year	2,452,605	2,452,605	2,452,605	2,452,605

The holders of ordinary shares are entitled to receive dividends as and when declared by the Bank, after obtaining the regulatory approval from Bank Negara Malaysia prior to the declaration of dividends.

All ordinary shares carry one vote per share at meetings of the Bank and rank equally with regards to the Bank's residual assets.

18. Reserves

	Note	2025 RM'000	2024 RM'000
Non-distributable:			
Fair value reserve	18.1	4,198	1,726
Regulatory reserve	18.2	155,926	155,926
		160,124	157,652
Distributable:			
Retained earnings		1,805,889	1,537,885
		1,966,013	1,695,537

18.1 Fair value reserve

Fair value reserve relates to the cumulative fair value changes of financial assets measured at fair value through other comprehensive income and its corresponding effect on deferred tax.

18.2 Regulatory reserve

The regulatory reserve is maintained in compliance with the requirements under BNM's policy document on Financial Reporting to maintain, in aggregate, impairment allowance for non-credit exposures (Stage 1 and Stage 2 ECL) and regulatory reserves of no less than 1% of total credit exposures, net of impairment allowance for credit-impaired exposures.

19. Interest income

	2025 RM'000	2024 RM'000
Loans, advances and financing		
- Interest income	560,766	627,434
- Financing income	83,857	73,134
Money at call and deposit placements with banks and other financial institutions	321,088	405,527
Debt instruments measured at FVOCI	102,567	64,084
	1,068,278	1,170,179

The amounts reported above include interest income calculated using the effective interest rate method that relate to the following:

	2025 RM'000	2024 RM'000
Financial assets measured at amortised cost	965,711	1,106,095
Financial assets measured at FVOCI	102,567	64,084
Interest income from financial assets not measured at FVTPL	1,068,278	1,170,179

20. Interest expense

	2025 RM'000	2024 RM'000
Deposits from customers	635,975	691,542
Deposits and placements of banks and other financial institutions	159,529	225,878
Lease liabilities	399	132
	795,903	917,552

The amounts reported above are interest expense calculated using the effective interest rate method that relates to financial liabilities measured at amortised cost.

21. Other operating income

	2025 RM'000	2024 RM'000
Fee and commission income		
- Service charges and guarantee fees	2,089	1,698
- Loan related fees	15,018	18,553
- Commitment fees	1,641	2,129
	18,748	22,380
Realised gain from derivative financial instruments	46,747	46,902
Unrealised loss on revaluation of derivatives	(11,288)	(11,614)
Unrealised gain / (loss) on hedging activities	36	(6,170)
Foreign exchange, net gain	128,796	148,174
Other income		
- Management fees	45,002	37,604
- Rental of fixed assets	595	673
- Income from sub-leasing right-of-use assets	1,557	1,806
- Gain on disposal of plant and equipment	170	437
- Miscellaneous income	4,777	4,049
	52,101	44,569
	235,140	244,241

22. Other operating expenses

	2025 RM'000	2024 RM'000
Personnel costs		
Salaries, allowances and bonuses	71,054	64,904
Employees' provident fund contributions	10,689	9,582
Staff training expenses	288	314
Staff welfare expenses	566	366
Other personnel expenses	5,801	5,199
	88,398	80,365
Establishment costs		
Depreciation - Plant and equipment	6,235	5,368
Depreciation - Right-of-use assets	4,863	4,216
Repair and maintenance	3,116	3,132
Other establishment expenses	16,433	17,014
	30,647	29,730
Marketing expenses		
Advertisement and publicity	165	255
Other marketing expenses	130	209
	295	464
Administration and general expenses		
Auditors' remuneration		
- Statutory audit	422	422
Professional fees	5,579	8,610
Communication expenses	1,015	550
Management fees	21,704	23,048
Licence fees and stamp duties	150	150
Non-executive directors' fees and allowances	1,022	1,033
Plant and equipment written off	358	2
Other administration and general expenses	10,324	13,626
	40,574	47,441
	159,914	158,000

23. Directors' remuneration

Remuneration of the Directors of the Bank are as follows:

	2025					2024				
	Salary and other remuneration, including meeting allowance RM'000	Bonus RM'000	Fees RM'000	Benefit-in-kind RM'000	Total RM'000	Salary and other remuneration, including meeting allowance RM'000	Bonus RM'000	Fees RM'000	Benefit-in-kind RM'000	Total RM'000
Non-executive Directors										
Mr. Tan Kim Seng	-	-	-	-	-	77	-	137	-	214
Dato' Wan Fadzmi	79	-	235	-	314	81	-	235	-	316
Mr. Woo Chew Hong	78	-	145	-	223	81	-	145	-	226
Mr. Lim Tuang Ooi	87	-	178	-	265	81	-	165	-	246
Mr. Lo Nyen Khing	79	-	165	-	244	4	-	27	-	31
Executive Director										
Mr. Anand Mahadevan ^	-	-	-	-	-	-	-	-	-	-
Mr. Hiroshi Nishimura #	-	-	-	-	-	-	-	-	-	-
	323	-	723	-	1,046	324	-	709	-	1,033

Note:

^ Director appointed on 26 May 2025

Director resigned on 9 May 2025

24. Allowance for / (Writeback of) impairment on loans, advances and financing

	Note	2025 RM'000	2024 RM'000
Allowance for / (Writeback of) ECL:			
Loans, advances and financing	6	(9,421)	(18,840)
Provision for credit commitments and contingencies	15	235	(2,606)
		(9,186)	(21,446)

25. Allowance for / (Writeback of) impairment on other financial assets

	Note	2025 RM'000	2024 RM'000
Allowance for / (Writeback of) ECL:			
Cash and short-term funds	3	189	(920)
Deposits and placements with banks and other financial institutions	4	111	(188)
Other assets	7	106	25
Debt instruments measured at FVOCI	5	(5)	(53)
		401	(1,136)

26. Tax expense

	2025 RM'000	2024 RM'000
Recognised in profit or loss		
Malaysian income tax		
- Current year	85,840	95,565
- Under / (Over) provision in prior years	4,116	(1,561)
	89,956	94,004
Deferred tax expense		
Origination and reversal of temporary differences	2,392	4,720
(Over) / Under provision in prior year	(3,966)	592
	(1,574)	5,312
Total tax expense	88,382	99,316
Reconciliation of effective tax expense		
Profit before taxation	356,386	361,450
Income tax calculated using Malaysian tax rate of 24% (2024: 24%)	85,533	86,748
Non-deductible expenses	30,860	37,091
Non-taxable income	(28,161)	(23,554)
Under / (Over) provision of tax in prior year:		
- Current tax	4,116	(1,561)
- Deferred tax	(3,966)	592
	88,382	99,316

26. Tax expense (continued)

Income tax is calculated at the Malaysian statutory rate of 24% of the estimated chargeable profit for the financial year.

27. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of the basic earnings per ordinary share for the year ended 31 March 2025 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the financial year:

	2025 RM'000	2024 RM'000
Net profit attributable to ordinary shareholder	268,004	262,134
	2025 Number ('000)	**2024 Number ('000)**
Total number of ordinary shares outstanding	2,452,605	2,452,605
Basic earnings per ordinary shares (sen)	10.93	10.69

The Bank has not presented diluted earnings per ordinary share in the current financial year as the Bank does not have dilutive instruments.

28. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. Key management personnel include all the Directors of the Bank, and certain members of senior management of the Bank.

28. Related parties (continued)

(a) The significant transactions and outstanding balances of the Bank with related parties are as follows:

2025	Amount transacted for the year ended RM'000	Gross balance outstanding as at RM'000	Allowance for impairment loss as at RM'000	Net balance outstanding as at RM'000	Impairment loss recognised for the year ended RM'000
Immediate holding corporation					
Income					
- Interest income from deposits and placements with banks and other financial institutions	11,333	-	-	-	-
- Other income	37,034	-	-	-	-
- Fee and commission income	2	-	-	-	-
Expenses					
- Interest expense on deposits from customers	323,692	-	-	-	-
- Interest expense on deposits and placements of banks and other financial institutions	156,671	-	-	-	-
- Fee and commission expenses	511	-	-	-	-
- Guarantee fee paid	42,573	-	-	-	-
- Other operating expenses	14,869	-	-	-	-
Amount due from					
- Cash and short-term funds	-	226,495	-	226,495	-
- Derivative financial assets	-	8,279	-	8,279	-
- Other assets	-	100	-	100	-

28. Related parties (continued)

(a) The significant transactions and outstanding balances of the Bank with related parties are as follows (continued):

2025	Amount transacted for the year ended RM'000	Gross balance outstanding as at RM'000	Allowance for impairment loss as at RM'000	Net balance outstanding as at RM'000	Impairment loss recognised for the year ended RM'000
Immediate holding corporation (continued)					
Amount due to					
- Deposits from customers	-	8,148,412	-	8,148,412	-
- Deposits and placements of banks and other financial institutions	-	3,238,488	-	3,238,488	-
- Derivative financial liabilities	-	7,922	-	7,922	-
- Other liabilities	-	100,652	-	100,652	-
Other related corporations / companies					
Income					
- Interest income from deposits and placements with banks and financial institutions	1,423	-	-	-	-
- Interest income from loans, advances and financing	7,125	-	-	-	-
- Fee and commission income	3	-	-	-	-
- Other income	8,646	-	-	-	-
Expenses					
- Interest expense on deposits and placements of banks and other financial institutions	114	-	-	-	-
- Interest expense on deposits from customers	3,978	-	-	-	-
- Other operating expenses	22,144	-	-	-	-

28. Related parties (continued)

(a) The significant transactions and outstanding balances of the Bank with related parties are as follows (continued):

2025	Amount transacted for the year ended RM'000	Gross balance outstanding as at RM'000	Allowance for impairment loss as at RM'000	Net balance outstanding as at RM'000	Impairment loss recognised for the year ended RM'000
Other related corporations / companies (continued)					
Amount due from					
- Cash and short-term funds	-	3,352	-	3,352	-
- Loans, advances and financing	-	228,320	-	228,320	-
- Derivative financial assets	-	23,250	-	23,250	-
- Other assets	-	5	-	5	-
Amount due to					
- Deposits from customers	-	135,675	-	135,675	-
- Derivative financial liabilities	-	3,335	-	3,335	-
- Other liabilities	-	2,774	-	2,774	-

28. Related parties (continued)

(a) The significant transactions and outstanding balances of the Bank with related parties are as follows (continued):

2024	Amount transacted for the year ended RM'000	Gross balance outstanding as at RM'000	Allowance for impairment loss as at RM'000	Net balance outstanding as at RM'000	Impairment loss recognised for the year ended RM'000
Immediate holding corporation					
Income					
- Interest income from deposits and placements with banks and other financial institutions	20,924	-	-	-	-
- Other income	30,305	-	-	-	-
- Fee and commission income	5	-	-	-	-
Expenses					
- Interest expense on deposits from customers	392,908	-	-	-	-
- Interest expense on deposits and placements of banks and other financial institutions	211,086	-	-	-	-
- Fee and commission expenses	517	-	-	-	-
- Guarantee fee paid	49,821	-	-	-	-
- Other operating expenses	17,046	-	-	-	-
Amount due from					
- Cash and short-term funds	-	508,248	-	508,248	-
- Derivative financial assets	-	13,814	-	13,814	-
- Other assets	-	350	-	350	-

28. Related parties (continued)

(a) The significant transactions and outstanding balances of the Bank with related parties are as follows (continued):

2024	Amount transacted for the year ended RM'000	Gross balance outstanding as at RM'000	Allowance for impairment loss as at RM'000	Net balance outstanding as at RM'000	Impairment loss recognised for the year ended RM'000
Immediate holding corporation (continued)					
Amount due to					
- Deposits from customers	-	8,196,285	-	8,196,285	-
- Deposits and placements of banks and other financial institutions	-	3,609,436	-	3,609,436	-
- Derivative financial liabilities	-	18,686	-	18,686	-
- Other liabilities	-	63,080	-	63,080	-
Other related corporations / companies					
Income					
- Interest income from deposits and placements with banks and financial institutions	2,390	-	-	-	-
- Interest income from loans, advances and financing	11,496	-	-	-	-
- Fee and commission income	6	-	-	-	-
- Other income	8,033	-	-	-	-
Expenses					
- Interest expense on deposits from customers	4,022	-	-	-	-
- Other operating expenses	23,232	-	-	-	-

28. Related parties (continued)

(a) The significant transactions and outstanding balances of the Bank with related parties are as follows (continued):

2024	Amount transacted for the year ended RM'000	Gross balance outstanding as at RM'000	Allowance for impairment loss as at RM'000	Net balance outstanding as at RM'000	Impairment loss recognised for the year ended RM'000
Other related corporations / companies (continued)					
Amount due from					
- Cash and short-term funds	-	6,679	-	6,679	-
- Loans, advances and financing	-	379,647	-	379,647	-
- Derivative financial assets	-	24,054	-	24,054	-
- Other assets	-	1	-	1	-
Amount due to					
- Deposits from customers	-	128,560	-	128,560	-
- Derivative financial liabilities	-	13,067	-	13,067	-
- Other liabilities	-	3,245	-	3,245	-

All transactions of the Bank with its related parties are made in the ordinary course of business and on substantially the same terms with third parties.

There is no amount outstanding from key management personnel as at year end.

28. Related parties (continued)

(b) Expenses by type of services received:

	Immediate holding corporation 2025 RM'000	Other related corporations 2025 RM'000	Immediate holding corporation 2024 RM'000	Other related corporations 2024 RM'000
Information technology services	11,259	-	12,546	-
Financial guarantee services	42,573	-	49,821	-
Group administrative and business support services	3,610	21,704	4,500	23,048
Other administration and general expenses	-	440	-	184
	57,442	22,144	66,867	23,232

(c) Expenses by geographical distribution:

	Immediate holding corporation 2025 RM'000	Other related corporations 2025 RM'000	Immediate holding corporation 2024 RM'000	Other related corporations 2024 RM'000
Malaysia	42,573	22,121	49,821	23,232
Japan	14,869	-	17,046	-
Thailand	-	23	-	-
	57,442	22,144	66,867	23,232

(d) The key management personnel compensations are as follows:

	2025 RM'000	2024 RM'000
Chief Executive Officer:		
- Remuneration	885	742
- Other short-term employee benefits	327	348
	1,212	1,090
Non-executive Directors:		
- Fees	723	709
- Allowances	323	324
	1,046	1,033
Other key management personnel:		
- Short-term employee benefits	11,811	11,607

28. Related parties (continued)

(d) The key management personnel compensations are as follows (continued):

Other key management personnel comprise persons other than the Directors of the Bank, having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly.

29. Credit exposures to connected parties

Bank Negara Malaysia's Guidelines on Credit Transactions and Exposures with Connected Parties came into effect in October 2008. The credit exposures of the Bank to connected parties are as follows:

	2025 RM'000	**2024 RM'000**
Aggregate value of outstanding credit exposures to connected parties	289,687	743,635
As a percentage of total credit exposure	0.83%	2.18%

There are currently no exposures to connected parties which are classified as impaired.

30. Commitments and contingencies

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

The commitments and contingencies are as follows:

2025	Principal amount RM'000	Credit equivalent amount * RM'000	Risk-weighted assets RM'000
Transaction related contingent items	505,992	252,996	252,996
Short-term self liquidating trade-related contingencies	335,752	67,150	38,639
Foreign exchange related contracts:			
- Less than one year	13,305,428	556,606	295,645
- One year to less than five years	9,846,444	1,228,800	551,343
- Five years and above	750,328	141,841	53,185
Interest / Profit rate related contracts			
- Less than one year	75,266	173	108
- One year to less than five years	1,246,007	39,497	26,854
- Five years and above	197,868	31,137	22,494
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	248,384	49,677	47,231
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	10,547,888	5,273,945	4,893,095
Total	37,059,357	7,641,822	6,181,590

* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

30. Commitments and contingencies (continued)

2024	Principal amount RM'000	Restated Credit equivalent amount * RM'000	Restated Risk-weighted assets RM'000
Transaction related contingent items	477,057	238,528	238,528
Short-term self liquidating trade-related contingencies	472,994	94,599	94,599
Foreign exchange related contracts:			
- Less than one year	15,368,344	393,731	234,709
- One year to less than five years	12,630,186	1,742,328	1,044,440
- Five years and above	178,188	36,899	28,354
Interest / Profit rate related contracts			
- Less than one year	11,783	234	117
- One year to less than five years	1,258,023	56,494	34,007
- Five years and above	208,615	36,997	26,321
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	971,098	194,220	174,477
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	9,972,338	4,986,169	4,722,826
Total	41,548,626	7,780,199	6,598,378

* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

31. Financial instruments

31.1. Categories of financial instruments

The tables below provide an analysis of financial instruments categorised as follows:-

(a) Amortised cost ("AC")
(b) Fair value through profit or loss ("FVTPL")
(c) Fair value through other comprehensive income ("FVOCI")
(d) Derivatives used for hedging ("DH")

2025	Carrying amount RM'000	AC RM'000	FVTPL RM'000	FVOCI RM'000	DH RM'000
Financial assets					
Cash and short-term funds	5,775,492	5,775,492	-	-	-
Deposits and placements with banks and other financial institutions	3,376,358	3,376,358	-	-	-
Debt instruments measured at FVOCI	3,362,258	-	-	3,362,258	-
Loans, advances and financing	13,476,825	13,476,825	-	-	-
Derivative financial assets	666,821	-	664,296	-	2,525
Other assets ^	343,016	343,016	-	-	-
Statutory deposits with Bank Negara Malaysia	8,450	8,450	-	-	-
Total financial assets	27,009,220	22,980,141	664,296	3,362,258	2,525
Financial liabilities					
Deposits from customers	(18,528,133)	(18,528,133)	-	-	-
Deposits and placements of banks and other financial institutions	(3,341,616)	(3,341,616)	-	-	-
Bills and acceptances payable	(318)	(318)	-	-	-
Derivative financial liabilities	(629,604)	-	(591,536)	-	(38,068)
Other liabilities *	(140,067)	(140,067)	-	-	-
Total financial liabilities	(22,639,738)	(22,010,134)	(591,536)	-	(38,068)

^ Other assets exclude prepayments as these items are classified as non-financial assets.

* Other liabilities exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

31. Financial instruments (continued)

31.1. Categories of financial instruments (continued)

2024	Carrying amount RM'000	AC RM'000	FVTPL RM'000	FVOCI RM'000	DH RM'000
Financial assets					
Cash and short-term funds	5,767,894	5,767,894	-	-	-
Deposits and placements with banks and other financial institutions	2,033,895	2,033,895	-	-	-
Debt instruments measured at FVOCI	3,373,882	-	-	3,373,882	-
Loans, advances and financing	14,353,388	14,353,388	-	-	-
Derivative financial assets	812,730	-	793,138	-	19,592
Other assets ^	91,740	91,740	-	-	-
Statutory deposits with Bank Negara Malaysia	650	650	-	-	-
Total financial assets	26,434,179	22,247,567	793,138	3,373,882	19,592
Financial liabilities					
Deposits from customers	(17,689,286)	(17,689,286)	-	-	-
Deposits and placements of banks and other financial institutions	(3,609,436)	(3,609,436)	-	-	-
Bills and acceptances payable	(392)	(392)	-	-	-
Derivative financial liabilities	(700,856)	-	(700,849)	-	(7)
Other liabilities *	(311,389)	(311,389)	-	-	-
Total financial liabilities	(22,311,359)	(21,610,503)	(700,849)	-	(7)

^ Other assets exclude prepayments as these items are classified as non-financial assets.

* Other liabilities exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

31. Financial instruments (continued)

31.2. Net gains and losses arising from financial instruments

	2025 RM'000	2024 RM'000
Net gains / (losses) arising on:		
Financial assets measured at FVTPL:	164,291	177,292
- Held-for-trading	164,255	183,462
- Held-for-hedging	36	(6,170)
Financial assets measured at FVOCI:	105,044	63,466
- Interest income derived from debt instruments measured at FVOCI	116,489	66,062
- Amortisation of premium and gain on redemption on debt securities held recognised in profit or loss	(13,922)	(1,978)
- Revaluation on debt instruments recognised in other comprehensive income	2,477	(618)
Financial assets measured at amortised cost:	967,801	1,107,793
- Loans, advances and financing	644,623	700,568
- Deposits and placements with banks and other financial institutions	321,088	405,527
- Other assets	2,090	1,698
Financial liabilities measured at amortised cost:	(795,504)	(917,420)
- Deposits from customers	(635,975)	(691,542)
- Deposits and placements of banks and other financial institutions	(159,529)	(225,878)
	441,632	431,131
Net gains on impairment of financial instruments:		
- Financial assets at amortised cost	8,780	22,529
- Debt instruments measured at FVOCI	5	53
	8,785	22,582

32. Financial risk management

The Bank adopts the Basel II policies to establish sound risk management practices with the proper risk management discipline, practices and processes.

Currently, the Bank is in compliance with the regulatory standards under the Basel II Pillar 1. The Bank is also in compliance with the Basel II Pillar 2 that involves self-assessment exercise of the level of capital required to be held and Basel II Pillar 3, which is related to market discipline and disclosure requirements.

The Bank has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established BRMC, which are responsible for developing the risk management policies and assessing the implementation of risk management by the management of the Bank. The Bank has also established the Risk Management Committee ("RMC") as one of the management committees to formulate the policies, procedures and risk limits and conduct periodical monitoring on risk exposure, risk portfolio and risk management activities.

(a) Credit risk

Credit risk is the risk of a financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank's exposure to credit risk arises principally from loans, advances and financing to customers, placements with other banks, investment in debt securities, derivative financial assets and other receivables.

Credit Risk Management

Integral to the management of credit risk, the Bank has credit policies and procedures in place to identify, measure and manage credit risk. The Bank continually monitors the exposure to credit risk on an ongoing basis and identifies emerging risks to formulate appropriate mitigation actions.

The Bank monitors its credit concentration risk from a single counterparty exposure, large exposure or from other portfolio concentrations by setting an exposure limit on customers, customer groups, industries, products, asset quality etc.

Credit evaluations are required to be performed on customers requiring credit by the business managers and credit analyst in the first line of defence function with independent risk assessment and approval roles in the second line of defence function which are clearly defined and segregated.

32. Financial risk management (continued)

(a) Credit risk (continued)

Credit Risk Governance

The Bank has established Credit Committee as one of the management committees with the following objectives:

(i) to review, analyse and endorse or approve credit proposal by ensuring approvals are granted within the Bank's risk appetite as well as effective credit limit control and monitoring; and

(ii) the review and approvals are guided by credit policies and procedures which are reviewed periodically to ensure their continued relevance to the Bank's business strategy and the business environment.

The RMC conducts periodical monitoring on credit exposure trend, asset quality by obligor grading and its credit cost ratio in relation to the probability of default as well as default or impaired loans ratio, portfolio concentration analysis and credit related limits control such as single counterparty exposure limit, large loan limit, exposure to connected parties, product concentration limits and sectorial limits.

As at the end of the reporting period, the maximum exposure to credit risk arising from loans, advances and receivables are represented by the carrying amounts of cash and short-term funds, deposits and placements with banks and other financial institutions, debt instruments measured at FVOCI and loans, advances and financing and other assets as shown in Notes 3, 4, 5, 6 and 7 to the financial statements.

The Bank has taken reasonable steps to ensure that loans, advances, investments and receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these loans, advances, investments and receivables are regular customers or counterparties that have been transacting with the Bank.

32. Financial risk management (continued)

(a) Credit risk (continued)

(i) Maximum exposure to credit risk

The following tables present the Bank's maximum exposure to credit risk of its on-balance sheet and off-balance sheet financial instruments at 31 March 2025 and 31 March 2024, before taking into account any collateral held or other credit enhancements. For on-balance sheet financial instruments, the maximum exposure to credit risk is the carrying amount reported on the statement of financial position. For off-balance sheet financial instruments, the maximum exposure to credit risk represented the contractual nominal amount.

	2025	**2024**
	RM'000	**RM'000**
On-balance sheet assets		
Cash and short-term funds	5,775,492	5,767,894
Deposits and placements with banks and other financial institutions	3,376,358	2,033,895
Debt instruments measured at FVOCI	3,362,258	3,373,882
Loans, advances and financing	13,476,825	14,353,388
Derivative financial assets	666,821	812,730
Other assets ^	343,016	91,740
Statutory deposits with Bank Negara Malaysia	8,450	650
	27,009,220	26,434,179
Off-balance sheet assets		
Contingent commitments	505,992	477,057
Undrawn irrevocable standby facilities, credit line and other commitments to lend	10,796,272	10,943,436
	11,302,264	11,420,493
Total maximum exposure to credit risk	38,311,484	37,854,672

^ Other assets exclude prepayments as these items are classified as non-financial assets.

32. Financial risk management (continued)

(a) Credit risk (continued)

(ii) Summary analysis of loans, advances and financing

	Loans, advances and financing to customers RM'000	Loans, advances and financing to banks * RM'000
2025		
Gross carrying amount	13,559,001	9,155,078
Assets at amortised cost		
Neither past due nor impaired loans	13,508,722	9,155,078
Impaired loans	50,279	-
ECL	(82,176)	(3,228)
	13,476,825	9,151,850
2024		
Gross carrying amount	14,444,985	7,804,717
Assets at amortised cost		
Neither past due nor impaired loans	14,391,400	7,804,717
Impaired loans	53,585	-
ECL	(91,597)	(2,928)
	14,353,388	7,801,789

* Consists of cash and short-term funds and deposits and placements with banks and other financial institutions.

32. Financial risk management (continued)

(a) Credit risk (continued)

(ii) Summary analysis of loans, advances and financing (continued)

The following table presents the gross credit exposures of the Bank analysed by geographical location based on where the credit risk resides:

	Loans, advances and financing to customers RM'000	Loans, advances and financing to banks * RM'000
2025		
Gross carrying amount	13,559,001	9,155,078
Concentration of credit risk based on geographical location of customers		
Malaysia	13,136,907	8,902,861
Other countries:		
- Australia	200,609	16,765
- Japan	171,206	2,712
- Hong Kong	50,279	58
- United Kingdom	-	3,237
- Singapore	-	210,180
- Others	-	19,265
	13,559,001	9,155,078

* Consists of cash and short-term funds and deposits and placements with banks and other financial institutions.

32. Financial risk management (continued)

(a) Credit risk (continued)

(ii) Summary analysis of loans, advances and financing (continued)

	Loans, advances and financing to customers RM'000	Loans, advances and financing to banks * RM'000
2024		
Gross carrying amount	14,444,985	7,804,717
Concentration of credit risk based on geographical location of customers		
Malaysia	13,449,567	7,252,526
Other countries:		
- Australia	221,069	-
- Japan	169,825	472,307
- Hong Kong	53,585	-
- Netherlands	188,167	-
- United Kingdom	178,396	-
- Singapore	-	24,633
- Cayman Islands	184,376	-
- Others	-	55,251
	14,444,985	7,804,717

* Consists of cash and short-term funds and deposits and placements with banks and other financial institutions.

32. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Deposit placements maturing within one month and deposits and placements with banks and other financial institutions

All deposits and placements as at the reporting date are neither past due nor impaired. Table below summarises credit quality of the balances, excluding balances with Bank Negara Malaysia, analysed by ratings from external credit ratings agencies.

	Fitch RM'000	Moody's RM'000	RAM RM'000	S&P RM'000
2025				
AAA	-	-	-	-
AA- to AA+	-	-	-	-
A- to A+	-	-	-	3,468,499
BBB	-	-	-	1,536,209
	-	-	-	5,004,708
2024				
AAA	-	-	-	-
AA- to AA+	-	-	-	-
A- to A+	-	523,137	-	2,085,476
BBB	-	-	-	533,384
	-	523,137	-	2,618,860

(iv) Summary analysis on securities portfolio

The following table summarises the debt instruments measured at FVOCI:

	2025 RM'000	2024 RM'000
Negotiable Instruments of Deposits	703,769	402,173
Malaysian Government Securities	888,571	101,077
Malaysian Government Investment Issues	1,769,918	323,650
Bank Negara Malaysia Debt Securities	-	2,546,982
	3,362,258	3,373,882

32. Financial risk management (continued)

(a) Credit risk (continued)

(v) Credit quality of gross loans, advances and financing

Gross loans, advances and financing are analysed as follows:

	2025			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Neither past due nor impaired	10,338,400	3,170,322	-	13,508,722
Impaired	-	-	50,279	50,279
ECL	(4,915)	(26,982)	(50,279)	(82,176)
	10,333,485	3,143,340	-	13,476,825

	2024			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Neither past due nor impaired	11,161,875	3,229,525	-	14,391,400
Impaired	-	-	53,585	53,585
ECL	(5,948)	(32,064)	(53,585)	(91,597)
	11,155,927	3,197,461	-	14,353,388

(vi) Loans, advances and financing neither past due nor impaired and impaired

Analysis of loans, advances and financing based on the Bank's internal loan classification is as follows:

	2025			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Loan classification				
Good	10,338,400	776,298	-	11,114,698
Closely monitored	-	2,394,024	-	2,394,024
Impaired	-	-	50,279	50,279
	10,338,400	3,170,322	50,279	13,559,001

	2024			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Loan classification				
Good	11,161,875	2,154,804	-	13,316,679
Closely monitored	-	1,074,721	-	1,074,721
Impaired	-	-	53,585	53,585
	11,161,875	3,229,525	53,585	14,444,985

32. Financial risk management (continued)

(a) Credit risk (continued)

(vi) Loans, advances and financing neither past due nor impaired and impaired (continued)

The definition of loan classification is as follows:

Classification	Definition
Good	Loans, advances and financing which have never been past due in the last 6 months, or never been restructured or rescheduled before.
Closely monitored	Loans, advances and financing where there is uncertainty in repayment due to borrowers deteriorated credit standing or business environment.
Impaired	Loans, advances and financing which have been more than 90 days past due or more or an occurrence of weaknesses in the credit facility that renders the facility to be credit impaired.

32. Financial risk management (continued)

(a) Credit risk (continued)

(vii) Amount arising from MFRS 9 Expected Credit Losses ("ECL")

ECL under MFRS 9 applies to all financial assets held at amortised cost, fair value through other comprehensive income ("FVOCI"), credit commitments and contingencies.

Instrument	Location of ECL
Financial assets held at amortised cost	Loss provisions: netted against gross carrying value
Financial assets held at FVOCI - investment securities	Other comprehensive income (FVOCI fair value reserve) ^
Undrawn financing commitments and financial guarantees - credit commitments and contingencies	Provisions for liability and charges *

^ Financial assets classified as FVOCI are held at fair value on the face of the statement of financial position. The ECL attributed to these instruments is held as a separate reserve within OCI and is recycled to profit or loss along with any fair value measurement gains or losses held within FVOCI when the applicable instruments are derecognised.

* ECL on undrawn financing commitments and financial guarantees is recognised as a liability provision. Where a financial instrument includes both a financing and undrawn commitment and it is not possible to separately identify the ECL on these components, the ECL amount on the financing commitment is recognised together with the ECL amount on the financial asset. To the extent the combined ECL exceeds the gross carrying amount of the financial asset, the ECL is recognised as a liability provision.

As required under MFRS 9, the measurement of ECL includes the current and forecast of future economic conditions, where the Malaysian relevant Macroeconomic Variables ("MEVs") are considered for the forward-looking estimation. Measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.

As at financial year ended 31 March 2025, the selected MEVs that are material and relevant to the Bank's portfolio are GDP growth and FTSE Bursa Malaysia KLCI Index. Forecasted MEVs are used for the forward-looking adjustment to the estimated ECL. A weighting is applied to forward-looking macroeconomics scenarios within the ECL estimate.

32. Financial risk management (continued)

(a) Credit risk (continued)

(vii) Amount arising from MFRS 9 Expected Credit Losses ("ECL") (continued)

The economic scenarios used include the following:

2025

Baseline

	2025	2026	2027	2028	2029
GDP change	4.74	4.47	4.15	3.80	3.78
KLCI Index	1,597.83	1,614.37	1,642.68	1,684.50	1,728.56

Upside: stronger near-term growth with 10% probability economy performs better

	2025	2026	2027	2028	2029
GDP change	6.04	5.93	4.16	3.79	3.77
KLCI Index	1,643.52	1,688.69	1,711.13	1,743.91	1,778.62

Downside: moderate recession with 10% probability economy will be worse

	2025	2026	2027	2028	2029
GDP change	(0.52)	1.76	5.84	4.35	3.78
KLCI Index	1,372.35	1,231.95	1,395.13	1,497.75	1,540.71

2024

Baseline

	2024	2025	2026	2027	2028
GDP change	3.94	5.02	4.29	4.17	4.00
KLCI Index	1,502.03	1,555.32	1,618.80	1,683.45	1,749.23

Upside: stronger near-term growth with 10% probability economy performs better

	2024	2025	2026	2027	2028
GDP change	5.23	6.48	4.30	4.16	4.00
KLCI Index	1,616.11	1,860.63	1,836.14	1,808.05	1,849.22

Downside: moderate recession with 10% probability economy will be worse

	2024	2025	2026	2027	2028
GDP change	(1.28)	2.30	5.98	4.72	4.00
KLCI Index	1,247.58	1,240.92	1,327.80	1,390.09	1,463.64

32. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk arises when a bank is not able to refinance its assets upon liabilities due, for any reason, which can be at macro-level, affecting most or all the market participants, or names specific to the Bank.

Liquidity risk is managed through the Bank's Assets and Liabilities Management Committee ("ALCO"), which meets on a monthly basis. The ALCO is chaired by the CEO who is responsible for both the statutory and prudential liquidity.

The primary tools used to monitor the liquidity risk are the Bank Negara Malaysia's Liquidity Coverage Ratio ("LCR") requirement and the internal liquidity risk management policy set by ALCO and Head Office. Under the LCR requirement, the Bank must ensure that there is sufficient high quality liquid assets ("HQLA") to cover potential net cash outflows for the next 30 days. While under the internal policy, among others, the Bank is guided by tight money gap limits for one day, two days, one week and one month periods. Adherence to these limits are monitored on a daily basis and reported to the Management, Regional Office and Head Office. The money gap limits are as follows:

2025

Internal Policy			
Money gaps limits (USD million)			
One day	Two days	One week	One month
-20	-30	-40	-100

2024

Internal Policy			
Money gaps limits (USD million)			
One day	Two days	One week	One month
-20	-30	-40	-100

32. Financial risk management (continued)

(b) Liquidity risk (continued)

Cash flows payable by the Bank (for financial liabilities) based on remaining contractual maturity as at the financial year end, on an undiscounted basis are as follows:

2025	Carrying amount RM'000	Interest rate %	Contractual cash flows RM'000	Under 3 months RM'000	3-12 months RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
Liabilities								
Deposits from customers	18,528,133	0.61 to 4.65	19,704,291	8,928,616	3,093,798	1,413,799	3,344,356	2,923,722
Deposits and placements of banks and other financial institutions	3,341,616	0.52 to 5.89	3,373,830	2,424,785	764,344	184,701	-	-
Bills and acceptances payable	318	-	318	318	-	-	-	-
Other liabilities *	140,067	-	140,067	82,665	28,551	28,851	-	-
Lease liabilities	9,649	3.30	10,033	804	4,020	4,181	1,028	-
Total liabilities	22,019,783		23,228,539	11,437,188	3,890,713	1,631,532	3,345,384	2,923,722
Derivative financial liabilities, gross settled								
Outflows	5,874,009		12,612,290	2,470,996	4,654,281	2,131,432	2,905,758	449,823
Inflows	(5,244,405)		(11,855,028)	(2,381,542)	(4,405,232)	(1,906,850)	(2,718,678)	(442,726)
	629,604		757,262	89,454	249,049	224,582	187,080	7,097
Grand total	22,649,387		23,985,801	11,526,642	4,139,762	1,856,114	3,532,464	2,930,819

* Other liabilities exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

32. Financial risk management (continued)

(b) Liquidity risk (continued)

2024	Carrying amount RM'000	Interest rate %	Contractual cash flows RM'000	Under 3 months RM'000	3-12 months RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
Liabilities								
Deposits from customers	17,689,286	0.05 to 5.65	19,112,152	9,174,894	1,098,527	1,790,306	5,413,312	1,635,113
Deposits and placements of banks and other financial institutions	3,609,436	0.12 to 5.89	3,662,871	2,737,599	298,921	626,351	-	-
Bills and acceptances payable	392	-	392	392	-	-	-	-
Other liabilities *	311,389	-	311,389	259,700	6,580	45,109	-	-
Lease liabilities	10,679	3.30	11,192	686	3,430	3,612	3,464	-
Total liabilities	21,621,182		23,097,996	12,173,271	1,407,458	2,465,378	5,416,776	1,635,113
Derivative financial liabilities, gross settled								
Outflows	6,071,274		15,313,032	5,294,345	3,224,289	2,864,748	3,782,718	146,932
Inflows	(5,370,418)		(14,338,496)	(5,226,125)	(2,992,587)	(2,527,534)	(3,446,316)	(145,934)
	700,856		974,536	68,220	231,702	337,214	336,402	998
Grand total	22,322,038		24,072,532	12,241,491	1,639,160	2,802,592	5,753,178	1,636,111

* Other liabilities exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

32. Financial risk management (continued)

(c) Market risk

Market risk is defined as the potential impact on the Bank's operating results resulting from changes in the market prices and rates. The Bank's market risks are categorised as:

(i) Interest rate risk, the impact on the values of the Bank's derivatives and forward foreign exchange contracts arising from the movement of yield curves; and

(ii) Foreign exchange risk, the impact on the values of the Bank's foreign currency exposures arising from the movement of the exchange rates.

ALCO is responsible to oversee the management of market risk for the Bank, which include ensuring compliance to the Bank's Market Risk Management Policy and Trading Book Policy.

The primary tools to control the market risks are the exposure (position) limits and the stop loss limits, implemented on portfolio basis and on individual dealer basis. Adherence to these limits is monitored and reported on daily basis to the Management, Regional Office and Head Office.

Interest rate risk management

Interest rate risk is defined as the potential impact on the Bank's earnings (i.e. the net interest income) and the net assets value resulting from a change in interest rates.

Interest rate risk is managed through the Bank's ALCO, which meets on a monthly basis. The committee is responsible to study the sensitivity of the net interest income against change in interest rates and subsequently, to determine the Bank's policy on balance sheet management. The committee also monitors the impact of the change in interest rates on the net assets value.

The primary tool used for monitoring the interest rate risk impact on the earnings is the re-pricing gap analysis. In this analysis, the re-price dates of rate sensitive assets are compared against the re-price dates of rate sensitive liabilities. A positive gap position indicates that more assets are available to be re-priced than liabilities; hence, an increase in the interest rates will positively impact the Bank's net interest income.

In addition to monitoring the assets and liabilities gap, the Bank also uses interest rate derivatives (i.e. interest rate swaps) to mitigate the interest rate risk impact on the earnings.

The primary tool used to monitor the interest rate risk impact on the net assets value is the basis point value ("BPV") analysis and economic value of equity ("EVE") analysis. The Bank's BPV positions are monitored on a daily basis against the approved BPV limits as set by the Head Office based on recommendation by ALCO, whereas, the EVE is monitored and reported to ALCO on a monthly basis.

32. Financial risk management (continued)

(c) Market risk (continued)

Foreign exchange risk management

Foreign exchange risk arises from exchange rate movements, which affects the profit of the Bank from its foreign exchange open positions taken from time to time. This risk is principally managed by setting predetermined limits on open foreign exchange positions and the setting and monitoring of cut-loss mechanisms. The Bank enters into foreign exchange related derivatives, namely spot and forward contracts, as part of its strategies to manage foreign exchange risk.

32. Financial risk management (continued)

(c) Market risk (continued)

Interest / profit rate risk

The tables below summarise the Bank's financial instruments at carrying amounts, categorised by contractual re-pricing or maturity dates:

	Non-trading book							
2025	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest bearing # RM'000**	**Trading book RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	5,632,866	-	-	-	-	142,626	-	5,775,492
Deposits and placements with banks and other financial institutions	-	3,377,802	-	-	-	(1,444)	-	3,376,358
Debt instruments measured at FVOCI	302,046	401,724	1,996,340	662,148	-	-	-	3,362,258
Loans, advances and financing								
- non-impaired	2,643,634	442,385	1,604,803	6,742,768	2,075,132	(31,897)	-	13,476,825
- impaired	-	-	-	50,279	-	(50,279)	-	-
Derivative financial assets	-	-	-	2,525	-	-	664,296	666,821
Other assets ^	296,432	14,843	32,373	-	-	(632)	-	343,016
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	8,450	-	8,450
Total assets	8,874,978	4,236,754	3,633,516	7,457,720	2,075,132	66,824	664,296	27,009,220

\# The negative balance represents allowance for expected credit losses on financial assets.

^ Other assets exclude prepayments as these items are classified as non-financial assets.

32. Financial risk management (continued)

(c) Market risk (continued)

Interest / profit rate risk (continued)

	Non-trading book							
2025	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest bearing RM'000**	**Trading book RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	4,894,072	1,485,122	3,013,909	4,382,323	2,219,958	2,532,749	-	18,528,133
Deposits and placements of banks and other financial institutions	2,196,701	213,919	743,153	177,266	-	10,577	-	3,341,616
Bills and acceptances payable	-	-	318	-	-	-	-	318
Derivative financial liabilities	-	-	-	38,068	-	-	591,536	629,604
Other liabilities *	50,531	17,145	28,825	20,538	8,317	14,711	-	140,067
Lease liabilities	381	762	3,430	5,076	-	-	-	9,649
Total liabilities	7,141,685	1,716,948	3,789,635	4,623,271	2,228,275	2,558,037	591,536	22,649,387
On-balance sheet interest rate gap	1,733,293	2,519,806	(156,119)	2,834,449	(153,143)	(2,491,213)	72,760	4,359,833
Off-balance sheet interest rate gap	-	1,321,273	(273,606)	(1,047,667)	-	-	-	-
Total interest rate gap	1,733,293	3,841,079	(429,725)	1,786,782	(153,143)	(2,491,213)	72,760	4,359,833

* Other liabilities exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

32. Financial risk management (continued)

(c) Market risk (continued)

Interest / profit rate risk (continued)

2024	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest bearing # RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	5,612,287	-	-	-	-	155,607	-	5,767,894
Deposits and placements with banks and other financial institutions	-	2,035,228	-	-	-	(1,333)	-	2,033,895
Debt instruments measured at FVOCI	2,798,366	150,790	30,079	394,647	-	-	-	3,373,882
Loans, advances and financing								
- non-impaired	2,385,517	752,262	1,292,569	8,827,352	1,133,700	(38,012)	-	14,353,388
- impaired	-	-	-	53,585	-	(53,585)	-	-
Derivative financial assets	-	8,153	4,301	7,138	-	-	793,138	812,730
Other assets ^	64,035	9,976	6,748	-	-	10,981	-	91,740
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	650	-	650
Total assets	10,860,205	2,956,409	1,333,697	9,282,722	1,133,700	74,308	793,138	26,434,179

\# The negative balance represents allowance for expected credit losses on financial assets.

^ Other assets exclude prepayments as these items are classified as non-financial assets.

32. Financial risk management (continued)

(c) Market risk (continued)

Interest / profit rate risk (continued)

2024	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Trading book RM'000	Total RM'000
Liabilities								
Deposits from customers	5,301,150	1,242,062	1,064,231	6,400,147	1,068,346	2,613,350	-	17,689,286
Deposits and placements of banks and other financial institutions	1,498,898	1,217,316	293,485	590,383	-	9,354	-	3,609,436
Bills and acceptances payable	-	-	392	-	-	-	-	392
Derivative financial liabilities	-	-	-	7	-	-	700,849	700,856
Other liabilities *	16,435	9,785	6,621	41,373	3,739	233,436	-	311,389
Lease liabilities	319	637	2,867	6,856	-	-	-	10,679
Total liabilities	6,816,802	2,469,800	1,367,596	7,038,766	1,072,085	2,856,140	700,849	22,322,038
On-balance sheet interest rate gap	4,043,403	486,609	(33,899)	2,243,956	61,615	(2,781,832)	92,289	4,112,141
Off-balance sheet interest rate gap	-	1,478,421	(51,783)	(1,218,023)	(208,615)	-	-	-
Total interest rate gap	4,043,403	1,965,030	(85,682)	1,025,933	(147,000)	(2,781,832)	92,289	4,112,141

* Other liabilities exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

32. Financial risk management (continued)

(c) Market risk (continued)

Interest / profit rate risk (continued)

The table below details the disclosure for interest / profit rate risk in the banking book, the increase or decline in earnings and equity for upward and downward rate shocks which are consistent with shocks applied in simulation for measuring interest / profit rate risk, broken down by various currencies, where relevant. Simulation is measured based on the banking book positions as at reporting date and does not take into account loans / financing and deposit owing to prepayments / premature withdrawals.

	Impact on positions as at reporting date (200 basis points) hike		Impact on positions as at reporting date (200 basis points) hike	
Type of currency	Decrease in profit before taxation 2025 RM'000	Decrease in equity 2025 RM'000	Increase / (Decrease) in profit before taxation 2024 RM'000	Increase / (Decrease) in equity 2024 RM'000
JPY	(195,369)	(148,480)	953	724
USD	(10,004)	(7,603)	(18,897)	(14,362)
MYR	(526,911)	(400,452)	(41,046)	(31,195)

The table below summarises the average effective interest / profit rates by major currencies for each class of financial asset and financial liability:

	2025 MYR % p.a.	2025 USD % p.a.	2024 MYR % p.a.	2024 USD % p.a.
Financial assets				
Cash and short-term funds	3.10	4.39	3.05	5.34
Deposits and placements with banks and other financial institutions	3.62	4.57	3.56	5.54
Loans, advances and financing	4.67	5.46	4.70	6.48
Financial liabilities				
Deposits from customers	3.50	4.50	3.28	5.47
Deposits and placements of banks and other financial institutions	-	4.40	-	5.53

32. Financial risk management (continued)

(c) Market risk (continued)

Currency risk

The table below summarises the Bank's foreign exchange position for its financial instruments outstanding by major currencies. "Others" include Singaporean Dollar, Hong Kong Dollar, Thailand Baht, Australian Dollar, Euro, Great Britain Pound, Indonesian Rupiah and Chinese Yuan.

2025	**MYR RM'000**	**USD RM'000**	**JPY RM'000**	**Others RM'000**	**Total RM'000**
Financial assets					
Cash and short-term funds	2,733,566	2,920,461	2,712	118,753	5,775,492
Deposits and placements with banks and other financial institutions	1,903,556	1,391,540	-	81,262	3,376,358
Debt instruments measured at FVOCI	3,362,258	-	-	-	3,362,258
Loans, advances and financing	5,023,366	5,399,055	2,401,804	652,600	13,476,825
Derivative financial assets	152,085	152,459	358,329	3,948	666,821
Other assets ^	328,074	14,588	-	354	343,016
Statutory deposits with Bank Negara Malaysia	8,450	-	-	-	8,450
Total financial assets	13,511,355	9,878,103	2,762,845	856,917	27,009,220

^ Other assets exclude prepayments as these items are classified as non-financial assets.

32. Financial risk management (continued)

(c) Market risk (continued)

Currency risk (continued)

2025	MYR RM'000	USD RM'000	JPY RM'000	Others RM'000	Total RM'000
Financial liabilities					
Deposits from customers	7,361,778	8,716,501	2,304,153	145,701	18,528,133
Deposits and placements of banks and other financial institutions	6,568	2,372,389	110,494	852,165	3,341,616
Bills and acceptances payable	318	-	-	-	318
Derivative financial liabilities	399,182	199,750	5,634	25,038	629,604
Other liabilities *	39,785	97,762	1,786	734	140,067
Lease liabilities	9,649	-	-	-	9,649
Total financial liabilities	7,817,280	11,386,402	2,422,067	1,023,638	22,649,387
Total foreign currency sensitivity gap	5,694,075	(1,508,299)	340,778	(166,721)	4,359,833

* Other liabilities exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

32. Financial risk management (continued)

(c) Market risk (continued)

Currency risk (continued)

2024	MYR RM'000	USD RM'000	JPY RM'000	Others RM'000	Total RM'000
Financial assets					
Cash and short-term funds	3,151,723	2,536,287	-	79,884	5,767,894
Deposits and placements with banks and other financial institutions	758,667	1,275,228	-	-	2,033,895
Debt instruments measured at FVOCI	3,373,882	-	-	-	3,373,882
Loans, advances and financing	4,857,728	6,508,682	1,898,468	1,088,510	14,353,388
Derivative financial assets	399,206	115,913	286,786	10,825	812,730
Other assets ^	80,940	10,800	-	-	91,740
Statutory deposits with Bank Negara Malaysia	650	-	-	-	650
Total financial assets	12,622,796	10,446,910	2,185,254	1,179,219	26,434,179

^ Other assets exclude prepayments as these items are classified as non-financial assets.

32. Financial risk management (continued)

(c) Market risk (continued)

Currency risk (continued)

2024	MYR RM'000	USD RM'000	JPY RM'000	Others RM'000	Total RM'000
Financial liabilities					
Deposits from customers	5,712,248	9,827,742	1,814,129	335,167	17,689,286
Deposits and placements of banks and other financial institutions	4,075	2,692,293	86,265	826,803	3,609,436
Bills and acceptances payable	392	-	-	-	392
Derivative financial liabilities	226,044	443,189	2,217	29,406	700,856
Other liabilities *	244,421	64,497	596	1,875	311,389
Lease liabilities	10,679	-	-	-	10,679
Total financial liabilities	6,197,859	13,027,721	1,903,207	1,193,251	22,322,038
Total foreign currency sensitivity gap	6,424,937	(2,580,811)	282,047	(14,032)	4,112,141

* Other liabilities exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

32. Financial risk management (continued)

(c) Market risk (continued)

Currency risk (continued)

Stress test has been performed on foreign currency trading positions to assess impact of a 10% strengthening / (weakening) in Ringgit Malaysia exchange rates, adjusted to incorporate impact of correlation between different currencies. The impact has been assessed to be an increase / (decrease) in profit before taxation and equity by the amount shown below. This analysis assumes that all variables, in particular interest rates, remained constant.

	2025		2024	
Type of currency	(Decrease) / increase in profit before taxation RM'000	(Decrease) / increase in equity RM'000	(Decrease) / increase in profit before taxation RM'000	(Decrease) / increase in equity RM'000
USD	(150,830)	(114,631)	(258,081)	(196,142)
JPY	34,078	25,899	28,205	21,436
Others	(16,672)	(12,671)	(1,403)	(1,066)
	(133,424)	(101,403)	(231,279)	(175,772)

Fair value hedge

Fair value hedge included within hedging derivatives are derivatives where the Bank apply hedge accounting. Fair value hedge is used by the Bank to protect against changes in the fair value of Loans, advances and financing, due to movements in interest rates and foreign currency. The financial instruments used by the Bank to hedge the Bank's interest rate risk and foreign currency are Cross Currency Swap and Interest Rate Swap.

The effectiveness of the hedging relationship is tested prospectively and retrospectively at each reporting date. The hedging relationship was highly effective for the total hedging period and as of the reporting date. Consequently, the unrealised gain totalling RM36,000 (2024: unrealised loss RM6,170,000) was recognised against other operating income in the financial statements.

32. Financial risk management (continued)

(d) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, human behaviour and systems, or from external events. Operational risk is inherent in each of the Bank's business activities. It includes risks such as fraud, physical damage, business interruption, transaction failures, legal and regulatory breaches, shariah non-compliance and employee health and safety hazards. Operational risk may result in direct financial loss as well as indirect financial losses to the Bank.

Operational risks are managed and controlled within the individual business lines. The RMC monitors the predetermined items to assess the trend of operational risks.

The calculation of value equivalent to operational risk-weighted assets

The calculation of value equivalent to operational risk-weighted assets used by the Bank are based on :

(i) Basic Indicator Approach ("BIA"), for 30 June 2024, 30 September 2024 and 31 December 2024 reports; and

(ii) Business Indicator Component ("BIC"), for 31 March 2025 report and onwards, in accordance with Bank Negara Malaysia's Revised Capital Adequacy Framework (Operational Risk), issued date on 15 December 2023 and effective date on 1 January 2025.

33. Fair value measurements

Recognised financial instruments

The estimated fair values of the financial assets and financial liabilities carried on the statement of financial position as at 31 March (excluding those short-term / on demand financial assets and financial liabilities where the carrying amounts are deemed reasonable approximation of their fair values) are as follows:

	Carrying amount		Fair value	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Financial assets				
Debt instruments measured at FVOCI	3,362,258	3,373,882	3,362,258	3,373,882
Loans, advances and financing *	13,559,001	14,444,985	13,589,005	14,465,690
Derivative financial assets	666,821	812,730	666,821	812,730
Total financial assets	17,588,080	18,631,597	17,618,084	18,652,302
Financial liabilities				
Derivative financial liabilities	629,604	700,856	629,604	700,856
Total financial liabilities	629,604	700,856	629,604	700,856

* The expected credit losses impairment provision of the Bank is not included in the carrying amount.

Methods and assumptions

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

(a) Financial investments measured at FVOCI

The estimated fair value is based on quoted or observable market prices at the statement of financial position date. Where such quoted or observable market prices are not available, the fair value is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, the estimated future cash flows are discounted using the prevailing market rates for similar instruments at the reporting date.

(b) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans with maturity of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at the reporting date offered for similar loans.

33. Fair value measurements (continued)

Methods and assumptions (continued)

(c) Derivative financial instruments

Fair values of derivative instruments are normally zero or negligible at inception and the subsequent change in value is financial assets (favourable) or financial liabilities (unfavourable) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The fair values of the Bank's derivative instruments are estimated by reference to observable market prices. Internal models are used where no market price is available.

Fair value hierarchy

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

	Level 1	Level 2	Level 3
Fair value determined using	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly market observable inputs	Valuation models using significant non-market observable inputs
Type of financial assets	Actively traded corporate, government and government agency securities	Corporate and other government bonds and loans	Unquoted equity investments
	Actively traded derivatives	Over-the-counter ("OTC") derivatives	Corporate bonds in non-liquid market
	-	-	Loans, advances and financing
Type of financial liabilities	-	OTC derivatives	-

33. Fair value measurements (continued)

Fair value hierarchy (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2025										
Assets										
Debt instruments measured at FVOCI	-	3,362,258	-	3,362,258	-	-	-	-	3,362,258	3,362,258
Loans, advances and financing	-	-	-	-	-	-	13,589,005	13,589,005	13,589,005	13,559,001
Derivative financial assets	-	666,821	-	666,821	-	-	-	-	666,821	666,821
At 31 March 2025	-	4,029,079	-	4,029,079	-	-	13,589,005	13,589,005	17,618,084	17,588,080
Liabilities										
Derivative financial liabilities	-	629,604	-	629,604	-	-	-	-	629,604	629,604
At 31 March 2025	-	629,604	-	629,604	-	-	-	-	629,604	629,604

33. Fair value measurements (continued)

Fair value hierarchy (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2024										
Assets										
Debt instruments measured at FVOCI	-	3,373,882	-	3,373,882	-	-	-	-	3,373,882	3,373,882
Loans, advances and financing	-	-	-	-	-	-	14,465,690	14,465,690	14,465,690	14,444,985
Derivative financial assets	-	812,730	-	812,730	-	-	-	-	812,730	812,730
At 31 March 2024	-	4,186,612	-	4,186,612	-	-	14,465,690	14,465,690	18,652,302	18,631,597
Liabilities										
Derivative financial liabilities	-	700,856	-	700,856	-	-	-	-	700,856	700,856
At 31 March 2024	-	700,856	-	700,856	-	-	-	-	700,856	700,856

33. Fair value measurements (continued)

Derivative financial instruments

	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
2025			
Derivatives designated as fair value hedges:			
- Interest rate swaps	33,778	244	9
- Currency swaps	827,850	2,281	38,059
	861,628	2,525	38,068
Derivatives held-for-trading:			
- Forward exchange contracts	11,465,802	84,576	70,661
- Interest rate swaps	1,485,363	18,858	16,119
- Currency swaps	11,589,876	560,862	504,756
	24,541,041	664,296	591,536
	25,402,669	666,821	629,604
2024			
Derivatives designated as fair value hedges:			
- Interest rate swaps	90,378	838	7
- Currency swaps	789,625	18,754	-
	880,003	19,592	7
Derivatives held-for-trading:			
- Forward exchange contracts	16,066,673	101,216	79,031
- Interest rate swaps	1,388,043	36,362	33,404
- Currency swaps	11,298,092	655,560	588,414
	28,752,808	793,138	700,849
	29,632,811	812,730	700,856

33. Fair value measurements (continued)

Derivative financial instruments (continued)

By sector:

	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
2025			
Manufacturing	2,518,159	27,153	36,779
Mining and quarrying	140,219	49	73
Electricity, gas and water	98,934	-	1,643
Construction	138,137	395	8,432
Wholesale and retail trade, and restaurants and hotels	471,524	1,986	1,603
Finance, insurance, and business services	21,266,226	621,166	570,460
Real estate	184,357	6,088	499
Transport, storage and communication	272,456	4,471	8,013
Education, health and others	312,657	5,513	2,102
	25,402,669	666,821	629,604
2024			
Manufacturing	2,844,416	74,382	23,997
Mining and quarrying	175,297	67	2,791
Electricity, gas and water	104,307	-	3,722
Construction	56,322	49	14,099
Wholesale and retail trade, and restaurants and hotels	409,002	6,524	680
Finance, insurance, and business services	24,873,080	728,111	614,164
Transport, storage and communication	290,526	1,566	15,364
Education, health and others	879,861	2,031	26,039
	29,632,811	812,730	700,856

34. Offsetting of financial assets and financial liabilities

The Bank enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances e.g. when a credit event such as a default occurs, all outstanding agreements are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Bank currently does not have any legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default on the Bank's commitments or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

34. Offsetting of financial assets and financial liabilities (continued)

	Gross amount recognised as financial assets/ liabilities RM'000	Gross amount offset in the statement of financial position RM'000	Amount presented in the statement of financial position RM'000	Amount not set-off in the statement of financial position: Values of the financial instruments RM'000	Amount not set-off in the statement of financial position: Cash collateral received/ pledged RM'000	Net amount RM'000
2025						
Financial assets						
Derivative financial assets						
- Foreign exchange related contracts	647,719	-	647,719	(278,390)	(4,022)	365,307
- Interest rate related contracts	19,102	-	19,102	-	(1,318)	17,784
	666,821	-	666,821	(278,390)	(5,340)	383,091
Financial liabilities						
Derivative financial liabilities						
- Foreign exchange related contracts	613,476	-	613,476	(278,390)	(277,791)	57,295
- Interest rate related contracts	16,128	-	16,128	-	(2,222)	13,906
	629,604	-	629,604	(278,390)	(280,013)	71,201

34. Offsetting of financial assets and financial liabilities (continued)

	Gross amount recognised as financial assets/ liabilities RM'000	Gross amount offset in the statement of financial position RM'000	Amount presented in the statement of financial position RM'000	Amount not set-off in the statement of financial position: Values of the financial instruments RM'000	Amount not set-off in the statement of financial position: Cash collateral received/ pledged RM'000	Net amount RM'000
2024						
Financial assets						
Derivative financial assets						
- Foreign exchange related contracts	775,530	-	775,530	(338,899)	(188,485)	248,146
- Interest rate related contracts	37,200	-	37,200	-	(36,235)	965
	812,730	-	812,730	(338,899)	(224,720)	249,111
Financial liabilities						
Derivative financial liabilities						
- Foreign exchange related contracts	667,445	-	667,445	(338,899)	(53,509)	275,037
- Interest rate related contracts	33,411	-	33,411	-	(5)	33,406
	700,856	-	700,856	(338,899)	(53,514)	308,443

35. Capital adequacy

The capital adequacy ratios of the Bank are analysed as follows:

	2025 RM'000	Restated 2024 RM'000
Tier 1 capital		
Paid-up ordinary share capital	2,452,605	2,452,605
Retained earnings	1,805,889	1,537,885
Other reserves	160,124	157,652
	4,418,618	4,148,142
Less: Deferred tax assets	-	-
55% of fair value reserve	(2,309)	(949)
Regulatory reserve	(155,926)	(155,926)
Total Common Equity Tier 1 (CET 1) and Tier 1 capital	4,260,383	3,991,267
Tier 2 capital		
Expected credit losses (Stage 1 and Stage 2)	41,015	46,494
Regulatory reserve *	125,936	132,088
Total Tier 2 capital	166,951	178,582
Total capital base	4,427,334	4,169,849
Capital ratios		
CET 1 and Tier 1 capital ratio	29.628%	25.869%
Total capital ratio	30.789%	27.026%

* Collective ECL on non-credit impaired exposure and regulatory reserves is subject to a maximum of 1.25% of total credit risk-weighted assets.

Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

	2025 RM'000	Restated 2024 RM'000
Credit risk	13,356,094	14,286,544
Market risk	303,309	334,044
Operational risk	720,047	808,459
Total risk-weighted assets	14,379,450	15,429,047

35. Capital adequacy (continued)

The capital adequacy ratios of the Bank are analysed as follows (continued):

(a) The breakdown of risk-weighted assets by exposures in each major risk category is as follows:

2025	**Gross exposures RM'000**	**Net exposures RM'000**	**Risk-weighted assets RM'000**	**Capital requirements RM'000**
Exposure class				
(i) Credit risk				
<u>On-balance sheet exposures:</u>				
Sovereigns / central banks	5,068,776	5,068,776	-	-
Banks, development financial institutions and MDBs	8,335,660	8,335,660	1,727,122	138,170
Corporates	12,970,797	12,970,797	4,751,580	380,126
Other assets	695,802	695,802	695,802	55,664
Total on-balance sheet exposures	27,071,035	27,071,035	7,174,504	573,960
<u>Off-balance sheet exposures:</u>				
Credit-related exposures	7,641,822	7,641,822	6,181,590	494,527
Total off-balance sheet exposures	7,641,822	7,641,822	6,181,590	494,527
Total on and off-balance sheet exposures	34,712,857	34,712,857	13,356,094	1,068,487
(ii) Large exposure risk requirement	-	-	-	-

(iii) Market risk	**Long position RM'000**	**Short position RM'000**			
Interest rate risk	24,062,654	23,989,455	73,199	297,185	23,775
Foreign exchange risk	6,124	(1,432)	7,556	6,124	490
	24,068,778	23,988,023	80,755	303,309	24,265

(iv) Operational risk	720,047	57,604
Total risk-weighted assets and capital requirements	14,379,450	1,150,356

35. Capital adequacy (continued)

The capital adequacy ratios of the Bank are analysed as follows (continued):

(a) The breakdown of risk-weighted assets by exposures in each major risk category is as follows (continued):

2024		Restated Gross exposures RM'000	Restated Net exposures RM'000	Restated Risk-weighted assets RM'000	Restated Capital requirements RM'000
Exposure class					
(i) Credit risk					
On-balance sheet exposures:					
Sovereigns / central banks		6,440,022	6,440,022	-	-
Banks, development financial institutions and MDBs		5,027,518	5,027,518	1,094,344	87,548
Corporates		14,183,767	14,183,767	5,749,279	459,942
Other assets		844,543	844,543	844,543	67,563
Total on-balance sheet exposures		26,495,850	26,495,850	7,688,166	615,053
Off-balance sheet exposures:					
Credit-related exposures		7,780,199	7,780,199	6,598,378	527,871
Total off-balance sheet exposures		7,780,199	7,780,199	6,598,378	527,871
Total on and off-balance sheet exposures		34,276,049	34,276,049	14,286,544	1,142,924
(ii) Large exposure risk requirement		-	-	-	-
(iii) Market risk	**Long position RM'000**	**Short position RM'000**			
Interest rate risk	27,163,040	27,071,241	91,799	309,349	24,748
Foreign exchange risk	1,525	(24,695)	26,220	24,695	1,976
	27,164,565	27,046,546	118,019	334,044	26,724
(iv) Operational risk				808,459	64,677
Total risk-weighted assets and capital requirements				15,429,047	1,234,325

35. Capital adequacy (continued)

(b) The following table presents the breakdown of credit exposures by risk weights of the Bank:

	Exposure after netting and credit risk mitigation						
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions and MDBs RM'000	Corporates RM'000	Other assets RM'000	Total exposure after netting & credit risk mitigation RM'000	Total risk-weighted assets RM'000
2025							
Risk weights							
0%	5,068,776	-	-	6,251,018	-	11,319,794	-
20%	-	-	8,266,401	3,440,135	-	11,706,536	2,341,307
50%	-	-	1,022,405	321,077	-	1,343,482	671,742
100%	-	53,855	-	9,593,388	695,802	10,343,045	10,343,045
	5,068,776	53,855	9,288,806	19,605,618	695,802	34,712,857	13,356,094
Risk-weighted assets by exposure	-	53,855	2,164,483	10,441,954	695,802	13,356,094	
Average risk weight	0.0%	100.0%	23.3%	53.3%	100.0%	38.5%	
Deduction from capital base	-	-	-	-	-	-	

35. Capital adequacy (continued)

(b) The following table presents the breakdown of credit exposures by risk weights of the Bank (continued):

	Exposure after netting and credit risk mitigation						
	Sovereigns/ Central Banks RM'000	Restated Public Sector Entities RM'000	Banks, Development Financial Institutions and MDBs RM'000	Restated Corporates RM'000	Other assets RM'000	Restated Total exposure after netting & credit risk mitigation RM'000	Restated Total risk-weighted assets RM'000
2024							
Risk weights							
0%	6,440,022	-	-	6,902,635	-	13,342,657	-
20%	-	-	4,845,018	2,562,338	-	7,407,356	1,481,471
50%	-	-	1,441,927	-	-	1,441,927	720,964
100%	-	38,777	-	11,200,789	844,543	12,084,109	12,084,109
	6,440,022	38,777	6,286,945	20,665,762	844,543	34,276,049	14,286,544
Risk-weighted assets by exposure	-	38,777	1,689,967	11,713,257	844,543	14,286,544	
Average risk weight	0.0%	100.0%	26.9%	56.7%	100.0%	41.7%	
Deduction from capital base	-	-	-	-	-	-	

36. Capital management

The objective of the Bank's capital management policy is to maintain an adequate level of capital to support business growth strategies under an acceptable risk framework, and to meet its regulatory minimum requirement. The Bank's capital management process includes analysis of the risk appetite and the capital requirement for the business growth and periodical monitoring of capital adequacy ratios.

The Bank's capital requirements and capital adequacy ratios, in accordance with Bank Negara Malaysia's Risk-Weighted Capital Adequacy Framework ("RWCAF"): Standardised Approach for Credit Risk and Market Risk and Basic Indicator Approach and Business Indicator Component for Operational Risk (Basel II) are disclosed in Note 35.

37. The operations of International Currency Business Unit (ICBU)

The Bank had obtained approval from Bank Negara Malaysia ("BNM") to set up an International Currency Business Unit ("ICBU") to promote Islamic Banking business. The ICBU is permitted to conduct a wide range of Islamic banking business in international currencies other than Malaysian Ringgit and the currency of Israel as per the Guidelines on the Establishment of International Currency Business Unit issued by BNM.

The following breakdown shows the Bank's financing and advances and deposits from customers which are conducted through the ICBU.

(a) Financing and advances

	2025 RM'000	2024 RM'000
(i) By type:		
At amortised cost:		
Term financing		
- Syndicated Islamic financing	256,004	472,474
- Islamic term financing	324,958	595,878
Revolving credit-i	1,119,144	575,716
Gross financing and advances	1,700,106	1,644,068
Less: Allowance for ECL		
- 12-month ECL (Stage 1)	(901)	(848)
Net financing and advances	1,699,205	1,643,220
(ii) By contract:		
Murabahah	1,700,106	1,644,068
Gross financing and advances	1,700,106	1,644,068

(b) Deposits from customers

	2025 RM'000	2024 RM'000
(i) By type and contract:		
At amortised cost:		
Demand deposits - Qard	-	381
	-	381

38. The operations of Islamic Banking Window

Islamic Banking Window ("IBW") was launched on 10 January 2023 after obtaining BNM approval to expand Islamic businesses in Malaysian Ringgit. This initiative is part of the Bank's strategy to grow Shariah compliant assets and complement ICBU offerings in Malaysia market. IBW offers financing products and the Bank embarks in expanding more products to serve customers better. All Islamic operations are supervised by the independent Shariah Committee and will be reported on an annual basis.

During the financial year, IBW expanded Islamic business in Japanese Yen to the customer.

The financial statement as at 31 March 2025 is summarised as follows:

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2025

	Note	2025 RM'000	2024 RM'000
Assets			
Cash and short-term funds	(a)	30,000	50,900
Other assets	(b)	4,045	1
Total assets		34,045	50,901
Liabilities and islamic banking funds			
Other liabilities	(c)	5,756	22,251
Total liabilities		5,756	22,251
Capital funds		28,289	28,650
Islamic banking funds		28,289	28,650
Total liabilities and islamic banking funds		34,045	50,901

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025

	Note	2025 RM'000	2024 RM'000
Other operating income	(d)	598	1
Other operating expenses	(e)	(959)	(968)
Loss before taxation		(361)	(967)
Tax expense		-	-
Loss for the year		(361)	(967)

38. The operations of Islamic Banking Window (continued)

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

	Capital funds RM'000	Accumulated losses RM'000	Total RM'000
At 1 April 2023	30,000	(383)	29,617
Loss for the year	-	(967)	(967)
At 31 March 2024	30,000	(1,350)	28,650
At 1 April 2024	30,000	(1,350)	28,650
Loss for the year	-	(361)	(361)
At 31 March 2025	30,000	(1,711)	28,289

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

	2025 RM'000	2024 RM'000
Cash flows from operating activities		
Loss before taxation	(361)	(967)
Operating loss before working capital changes	(361)	(967)
Changes in working capital		
Other assets	(4,044)	1
Other liabilities	(16,495)	21,866
Net cash (used in) / generated from operating activities	(20,900)	20,900
Net (decrease) / increase in cash and cash equivalents	(20,900)	20,900
Cash and cash equivalents at beginning of the year	50,900	30,000
Cash and cash equivalents at end of the year	30,000	50,900
Cash and cash equivalents comprise:		
Cash and balances with banks and other financial institutions	30,000	50,900
	30,000	50,900

38. The operations of Islamic Banking Window (continued)

Basis of Preparation

The financial statements of the Islamic Banking business have been prepared on the basis consistent with that of the Bank as disclosed in Note 1.

(a) Cash and short-term funds

	2025 RM'000	2024 RM'000
Cash and balances with banks and other financial institutions	30,000	50,900

(b) Other assets

	2025 RM'000	2024 RM'000
Other receivables	324	1
Amounts due from conventional banking	3,721	-
	4,045	1

(c) Other liabilities

	2025 RM'000	2024 RM'000
Other payables	3,733	276
Amounts due to conventional banking	2,023	1,075
Converted Funds	-	20,900
	5,756	22,251

(d) Other operating income

	2025 RM'000	2024 RM'000
Wakalah fee	469	1
Upfront fee	129	-
	598	1

(e) Other operating expenses

	2025 RM'000	2024 RM'000
Salaries, allowances and bonuses	949	967
Staff welfare expenses	10	1
	959	968

38. The operations of Islamic Banking Window (continued)

(f) Assets under management

The details of asset under management in respect of the Internal Wakalah scheme are as below.

	2025 RM'000	2024 RM'000
Total gross financing and advances	693,713	20,900
Less: Allowance for ECL	(146)	(202)
Total net financing and advances	693,567	20,698

The IBW is financed based on Internal Wakalah scheme. Whereby, financing and income are reported at entity level as total risks associated with the financing are borne at entity level instead of at IBW. As part of the Internal Wakalah scheme, IBW will earn Wakalah fees for managing the Internal Wakalah structure. Hence, the underlying assets and allowance for impairment arising thereon, if any, are recognised and accounted for at entity level only.

(g) Shariah Committee remuneration

Shariah Committee members received Shariah Committee remuneration by ICBU. The total remuneration of the Shariah Committee members are as follows:

	2025 RM'000	2024 RM'000
Assoc. Prof. Dr. Abdul Manan bin Ismail ^	64	58
Assoc. Prof. Dr. Mushaddad bin Hasbullah *	-	51
Wan Rizaidy bin W Mamat Saufi	55	17
Dr. Mohamad Rizal bin Mohamed Nor ^^	55	54
	174	180

Note:

^ (Reappointed as Chairman on 9 November 2024)
^^ (Reappointed as Member on 9 November 2024)
* (Retired as Chairman on 1 December 2023)

38. The operations of Islamic Banking Window (continued)

(h) Capital adequacy

The capital adequacy ratios of the Bank's Islamic Banking Window are analysed as follows:

	2025 RM'000	2024 RM'000
Tier 1 capital		
Paid-up ordinary share capital	30,000	30,000
Accumulated losses	(1,711)	(1,350)
	28,289	28,650
Less: Deferred tax assets	-	-
55% of fair value reserve	-	-
Regulatory reserve	-	-
Total Common Equity Tier 1 (CET 1) and Tier 1 capital	28,289	28,650
Tier 2 capital		
Expected credit losses (Stage 1 and Stage 2)	-	-
Regulatory reserve	-	-
Total Tier 2 capital	-	-
Total capital base	28,289	28,650
Capital ratios		
CET 1 and Tier 1 capital ratio	651.070%	955000.000%
Total capital ratio	651.070%	955000.000%

Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

	2025 RM'000	2024 RM'000
Credit risk	4,045	1
Market risk	-	-
Operational risk	300	2
Total risk-weighted assets	4,345	3

38. The operations of Islamic Banking Window (continued)

(h) Capital adequacy (continued)

The capital adequacy ratios of the Bank's Islamic Banking Window are analysed as follows (continued):

(i) The breakdown of risk-weighted assets by exposures in each major risk category is as follows:

2025	Gross exposures RM'000	Net exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
Exposure class				
(a) Credit risk				
On-balance sheet exposures:				
Sovereigns / central banks	30,000	30,000	-	-
Other assets	4,045	4,045	4,045	324
Total on-balance sheet exposures	34,045	34,045	4,045	324
Off-balance sheet exposures:				
Credit-related exposures	-	-	-	-
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	34,045	34,045	4,045	324
(b) Large exposure risk requirement	-	-	-	-

(c) Market risk	**Long position RM'000**	**Short position RM'000**			
Profit rate risk	-	-	-	-	-
Foreign exchange risk	-	-	-	-	-
	-	-	-	-	-

	Risk-weighted assets RM'000	Capital requirements RM'000
(d) Operational risk	300	24
Total risk-weighted assets and capital requirements	4,345	348

38. The operations of Islamic Banking Window (continued)

(h) Capital adequacy (continued)

The capital adequacy ratios of the Bank's Islamic Banking Window are analysed as follows (continued):

(i) The breakdown of risk-weighted assets by exposures in each major risk category is as follows:

2024		Gross exposures RM'000	Net exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
Exposure class					
(a) Credit risk					
On-balance sheet exposures:					
Sovereigns / central banks		50,900	50,900	-	-
Other assets		1	1	1	-
Total on-balance sheet exposures		50,901	50,901	1	-
Off-balance sheet exposures:					
Credit-related exposures		-	-	-	-
Total off-balance sheet exposures		-	-	-	-
Total on and off-balance sheet exposures		50,901	50,901	1	-
(b) Large exposure risk requirement		-	-	-	-
(c) Market risk	**Long position RM'000**	**Short position RM'000**			
Profit rate risk	-	-	-	-	-
Foreign exchange risk	-	-	-	-	-
	-	-	-	-	-
(d) Operational risk				2	-
Total risk-weighted assets and capital requirements				3	-

38. The operations of Islamic Banking Window (continued)

(h) Capital adequacy (continued)

(ii) The following table presents the breakdown of credit exposures by risk weights of the Bank's Islamic Banking Window :

	Exposure after netting and credit risk mitigation						
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions and MDBs RM'000	Corporates RM'000	Other assets RM'000	Total exposure after netting & credit risk mitigation RM'000	Total risk-weighted assets RM'000
2025							
Risk weights							
0%	30,000	-	-	-	-	30,000	-
100%	-	-	-	-	4,045	4,045	4,045
	30,000	-	-	-	4,045	34,045	4,045
Risk-weighted assets by exposure	-	-	-	-	4,045	4,045	
Average risk weight	0.0%	-	-	-	100.0%	11.9%	
Deduction from capital base	-	-	-	-	-	-	

38. The operations of Islamic Banking Window (continued)

(h) Capital adequacy (continued)

(ii) The following table presents the breakdown of credit exposures by risk weights of the Bank's Islamic Banking Window (continued) :

	Exposure after netting and credit risk mitigation						
	Sovereigns/ Central Banks RM'000	**Public Sector Entities RM'000**	**Banks, Development Financial Institutions and MDBs RM'000**	**Corporates RM'000**	**Other assets RM'000**	**Total exposure after netting & credit risk mitigation RM'000**	**Total risk-weighted assets RM'000**
2024							
Risk weights							
0%	50,900	-	-	-	-	50,900	-
100%	-	-	-	-	1	1	1
	50,900	-	-	-	1	50,901	1
Risk-weighted assets by exposure	-	-	-	-	1	1	
Average risk weight	0.0%	-	-	-	100.0%	0.0%	
Deduction from capital base	-	-	-	-	-	-	

38. The operations of Islamic Banking Window (continued)

(h) Capital adequacy (continued)

(iii) Capital management

The capital adequacy ratios of the Islamic Banking Window are computed in accordance with the requirements of the Bank Negara Malaysia's Capital Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets).

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

[Company No. 201001042446 (926374-U)]
(Incorporated in Malaysia)

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

In the opinion of the Directors, the financial statements set out on pages 49 to 169 are drawn up in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board, IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 March 2025 and of its financial performance and cash flows for the financial year then ended.

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

[Signed]

Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah
Director

[Signed]

Lo Nyen Khing
Director

Kuala Lumpur

Date: 9 September 2025

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD
[Company No. 201001042446 (926374-U)]
(Incorporated in Malaysia)

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

I, Norihiro Oyanagi, the officer primarily responsible for the financial management of Sumitomo Mitsui Banking Corporation Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 49 to 169 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Norihiro Oyanagi, Passport No.: TZ2268934, at Kuala Lumpur in the Federal Territory on 9 September 2025.

[Signed]

Norihiro Oyanagi

Before me:

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

[Company No. 201001042446 (926374-U)]
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sumitomo Mitsui Banking Corporation Malaysia Berhad ("the Bank"), which comprise the statement of financial position as at 31 March 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 49 to 169.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2025, and of its financial performance and its cash flows for the year then ended in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board ("MFRS Accounting Standards"), IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies Act 2016 in Malaysia.

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 auditors' 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.

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 information included in the Directors' Report and the 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 Directors' Report and the Shariah Committee's Report and we do not express any form of assurance conclusion thereon.

Information Other than the Financial Statements and Auditors' Report Thereon (continued)

In connection with our audit of the financial statements of the Bank, our responsibility is to read the Directors’ Report and the Shariah Committee’s Report and, in doing so, consider whether the Directors’ Report and the Shariah Committee’s Report are 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 the Directors’ Report and the Shariah Committee’s Report, 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 financial statements of the Bank that give a true and fair view in accordance with MFRS Accounting Standards, IFRS Accounting 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 ability of the Bank to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- 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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 internal control of the Bank.

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

- 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 ability of the Bank 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.

- 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 gives a true and fair view.

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 members 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.

[Signed]
KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

[Signed]
Foo Siak Chung
Approval Number: 03184/02/2026 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 9 September 2025