# MUFG BANK (MALAYSIA) BERHAD
**(Incorporated in Malaysia)**

**Company No : 199401016638 (302316-U)**

# UNAUDITED INTERIM FINANCIAL REPORT
# FOR THE QUARTER ENDED
# 30 SEPTEMBER 2025

**MUFG BANK (MALAYSIA) BERHAD**
**(Incorporated in Malaysia)**
**Company No : 199401016638 (302316-U)**

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Registration No. 199401016638 (302316-U)
(Incorporated in Malaysia)

**UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2025**

| | Note | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and short-term funds | 11 | 4,794,486 | 6,425,755 |
| Reverse repurchase agreements | 12 | 50,830 | - |
| Deposits and placements with financial institutions | 13 | 588,400 | 569,089 |
| Financial assets at fair value through profit or loss ("FVTPL") | 14 | 850,144 | 292,508 |
| Financial investments at fair value through other comprehensive income ("FVOCI") | 15 | 1,928,935 | 1,741,768 |
| Loans, advances and financing | 16 | 8,889,840 | 7,491,482 |
| Embedded loans measured at fair value through profit or loss | 17 | 12,521,489 | 13,963,724 |
| Purchased receivables | 18 | 411,276 | 811,540 |
| Collateral deposits placed | 19 | 307,599 | 35,809 |
| Derivative financial assets | 20 | 368,310 | 362,271 |
| Statutory deposits with Bank Negara Malaysia | | 16,465 | 9,017 |
| Other assets | | 70,477 | 43,781 |
| Property, plant and equipment | | 22,390 | 23,458 |
| Intangible assets | | 17,984 | 22,364 |
| Right-of-use assets | | 12,347 | 13,525 |
| Current tax assets | | 7,587 | 8,428 |
| Deferred tax assets | | 19,404 | 19,404 |
| **TOTAL ASSETS** | | 30,877,963 | 31,833,923 |
| **LIABILITIES AND SHAREHOLDER'S FUNDS** | | | |
| Deposits from customers | 21 | 11,693,052 | 11,508,897 |
| Deposits and placements of banks and other financial institutions | 22 | 1,620,097 | 3,039,508 |
| Financial liabilities at fair value through profit or loss | | 10,327 | - |
| Collateral deposits received | 19 | 11,792,108 | 11,808,046 |
| Derivative financial liabilities | 20 | 338,529 | 308,190 |
| Other liabilities | 23 | 302,354 | 208,295 |
| Lease liabilities | | 11,735 | 12,466 |
| **TOTAL LIABILITIES** | | 25,768,202 | 26,885,402 |
| **SHARE CAPITAL** | | 200,000 | 200,000 |
| **RESERVES** | | 4,909,761 | 4,748,521 |
| **SHAREHOLDER'S FUNDS** | | 5,109,761 | 4,948,521 |
| **TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS** | | 30,877,963 | 31,833,923 |
| **COMMITMENTS AND CONTINGENCIES** | 24 | 110,184,507 | 98,161,347 |

MUFG BANK (MALAYSIA) BERHAD
Registration No. 199401016638 (302316-U)
(Incorporated in Malaysia)

**UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE QUARTER ENDED 30 SEPTEMBER 2025**

| | | 2nd Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|---|
| | **Note** | **2025 September RM'000** | **2024 September RM'000** | **2025 September RM'000** | **2024 September RM'000** |
| Operating revenue | | 210,878 | 257,101 | 364,060 | 463,948 |
| Interest income | 25 | 189,465 | 211,450 | 360,302 | 433,410 |
| Interest expense | 26 | (98,963) | (115,363) | (175,585) | (230,166) |
| Net interest income | | 90,502 | 96,087 | 184,717 | 203,244 |
| Net income/(loss) from embedded loans measured at FVTPL | 27 | 156,590 | (8,006) | (197,073) | 14,858 |
| Net income from Islamic Banking operations | 33 | 5,413 | 4,794 | 9,906 | 10,144 |
| Other operating (loss)/income | 28 | (41,627) | 164,226 | 366,510 | 235,702 |
| Operating income | | 210,878 | 257,101 | 364,060 | 463,948 |
| Other operating expenses | 29 | (44,916) | (52,835) | (92,742) | (118,112) |
| Operating profit before allowance for impairment | | 165,962 | 204,266 | 271,318 | 345,836 |
| Write back/(Allowance) for impairment on financial instruments | 30 | 6,529 | (6,023) | (11,862) | (27,809) |
| Profit before tax | | 172,491 | 198,243 | 259,456 | 318,027 |
| Tax expense | | (51,725) | (51,725) | (103,450) | (103,450) |
| Profit after tax for the period | | 120,766 | 146,518 | 156,006 | 214,577 |
| **Other comprehensive (loss)/income, net of tax** | | | | | |
| ***Items that are or may be reclassified subsequently to profit or loss*** | | | | | |
| Change in fair value reserve: | | | | | |
| - Debt instruments at FVOCI | | (6,096) | 4,554 | 2,544 | 4,554 |
| Change in expected credit loss reserve | | - | - | 2,690 | - |
| Other comprehensive (loss)/income for the period, net of tax | | (6,096) | 4,554 | 5,234 | 4,554 |
| Total comprehensive income for the period | | 114,670 | 151,072 | 161,240 | 219,131 |
| **Profit attributable to:** | | | | | |
| Owner of the Bank | | 120,766 | 146,518 | 156,006 | 214,577 |
| **Total comprehensive income attributable to:** | | | | | |
| Owner of the Bank | | 114,670 | 151,072 | 161,240 | 219,131 |
| **Basic earnings per share (sen)** | | 60.38 | 73.26 | 78.00 | 107.29 |

MUFG BANK (MALAYSIA) BERHAD
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**UNAUDITED STATEMENT OF CHANGES IN EQUITY**
**FOR THE QUARTER ENDED 30 SEPTEMBER 2025**

| | Non-distributable | | | | | Distributable | |
|---|---|---|---|---|---|---|---|
| | Share Capital RM'000 | Regulatory Reserve RM'000 | Defined Benefit Reserve RM'000 | ECL Reserve RM'000 | Fair Value Reserve RM'000 | Retained Profits RM'000 | Total RM'000 |
| **At 1 April 2025** | 200,000 | 96,383 | (211) | 1,728 | 28,139 | 4,622,482 | 4,948,521 |
| Change in fair value of financial assets at fair value through other comprehensive income | - | - | - | - | 2,544 | - | 2,544 |
| Change in expected credit loss of financial assets at fair value through other comprehensive income | - | - | - | 2,690 | - | - | 2,690 |
| Total other comprehensive income for the period | - | - | - | 2,690 | 2,544 | - | 5,234 |
| Profit for the period | - | - | - | - | - | 156,006 | 156,006 |
| **Total comprehensive income for the period** | - | - | - | 2,690 | 2,544 | 156,006 | 161,240 |
| Transfer of retained profits to regulatory reserve | - | 75,848 | - | - | - | (75,848) | - |
| **At 30 September 2025** | 200,000 | 172,231 | (211) | 4,418 | 30,683 | 4,702,640 | 5,109,761 |
| | | | | | | | |
| **At 1 April 2024** | 200,000 | 96,383 | (211) | - | 25,301 | 4,208,019 | 4,529,492 |
| Change in fair value of financial assets at fair value through other comprehensive income | - | - | - | - | 4,554 | - | 4,554 |
| Total other comprehensive income for the period | - | - | - | - | 4,554 | - | 4,554 |
| Profit for the period | - | - | - | - | - | 214,577 | 214,577 |
| **Total comprehensive income for the period** | - | - | - | - | 4,554 | 214,577 | 219,131 |
| **At 30 September 2024** | 200,000 | 96,383 | (211) | - | 29,855 | 4,422,596 | 4,748,623 |

**UNAUDITED STATEMENT OF CASH FLOWS**
**FOR THE QUARTER ENDED 30 SEPTEMBER 2025**

| | 2025 September RM'000 | 2024 September RM'000 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Profit before tax | 259,456 | 318,027 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 2,190 | 2,799 |
| Amortisation of intangible assets | 4,609 | 12,560 |
| Gain on lease modification | - | (3) |
| Gain on disposal of property, plant and equipment | - | (2) |
| Depreciation of right-of-use assets | 2,017 | 2,294 |
| Allowance for impairment on financial instruments | 11,862 | 27,809 |
| Defined benefit plan | 1,110 | 1,258 |
| Dividend income | (148) | (148) |
| Interest income from financial investments at fair value through other comprehensive income | (44,663) | (27,121) |
| Net accretion of discount on financial investments at fair value through other comprehensive income | (834) | (3,088) |
| Net loss from sale and redemption of financial investments at fair value through other comprehensive income | 4,670 | 23,543 |
| Finance cost on lease liabilities | 181 | 239 |
| Accretion expense on asset retirement obligation | 5 | 5 |
| Net gain from sale of financial assets at fair value through profit or loss | 3,996 | 858 |
| Unrealised loss/(gain) on changes in trading securities | 2,546 | (2,733) |
| Unrealised loss on changes in fair value of embedded loans measured at fair value through profit or loss | 257,839 | 71,477 |
| Unrealised loss on changes in fair value of derivative financial instruments | 77,804 | 328,318 |
| Unrealised gain on changes in fair value of loans designated at fair value | (2,856) | (1,985) |
| Operating profit before working capital changes | 579,784 | 754,107 |
| (Increase)/Decrease in operating assets: | | |
| Reverse repurchase agreements | (50,830) | (62,407) |
| Financial assets at fair value through profit or loss | (553,851) | 1,273,452 |
| Loans, advances and financing | (1,406,303) | 2,760,133 |
| Embedded loans measured at fair value through profit or loss | 1,401,132 | 1,409,509 |
| Collateral deposits placed | (271,790) | (433,719) |
| Purchased receivables | 400,449 | 161,252 |
| Derivative financial instruments | (270,240) | (126,851) |
| Statutory deposits with Bank Negara Malaysia | (7,448) | (36,718) |
| Other assets | (27,817) | 33,222 |
| Increase/(Decrease) in operating liabilities: | | |
| Deposits from customers | 184,155 | (2,083,797) |
| Deposits and placements of banks and other financial institutions | (1,419,411) | 115,487 |
| Collateral deposits received | (15,938) | (6,399,934) |
| Other liabilities | 95,854 | (11,928) |
| **Cash used in operations** | (1,362,254) | (2,648,192) |
| Income tax paid | (102,610) | (112,325) |
| Payment of staff benefits | (1,466) | (255) |
| **Net cash used in operating activities** | (1,466,330) | (2,760,772) |

**MUFG BANK (MALAYSIA) BERHAD**
**(Incorporated in Malaysia)**

**UNAUDITED STATEMENT OF CASH FLOWS**
**FOR THE QUARTER ENDED 30 SEPTEMBER 2025 (CONTD)**

| | | 2025 September RM'000 | 2024 September RM'000 |
|---|---|---|---|
| **Cash Flows From Investing Activities** | | | |
| Purchase of property, plant and equipment | | (1,122) | (201) |
| Purchase of intangible assets | | (229) | (1,297) |
| Proceeds from disposals of property, plant and equipment | | - | 7 |
| Proceeds from sale of financial assets at fair value through other comprehensive income | | 221,798 | 650,098 |
| Purchase of financial assets at fair value through other comprehensive income | | (410,256) | (567,270) |
| Interest received from financial assets at fair value through other comprehensive income | | 45,785 | 34,324 |
| Dividend received | | 148 | 148 |
| **Net cash used in investing activities** | | (143,876) | 115,809 |
| **Cash Flows From Financing Activities** | | | |
| Payment of lease liabilities | | (1,571) | (1,812) |
| Interest paid in relation to lease liabilities | | (181) | (239) |
| **Net cash used in from financing activities** | | (1,752) | (2,051) |
| **Net decrease in cash and cash equivalents** | | (1,611,958) | (2,647,014) |
| **Cash and cash equivalents at beginning of year** | | 6,994,844 | 7,333,357 |
| **Cash and cash equivalents at end of year** | 11 | 5,382,886 | 4,686,343 |
| **Cash and cash equivalents comprise of:** | | | |
| Cash and short-term funds | 11 | 4,794,486 | 4,547,601 |
| Deposits and placements with financial institutions | 13 | 588,400 | 138,742 |
| | | 5,382,886 | 4,686,343 |

**UNAUDITED STATEMENT OF CASH FLOWS**
**FOR THE QUARTER ENDED 30 SEPTEMBER 2025 (CONTD)**

**Reconciliation of movements of liabilities to cash flows arising from financing activities**

| | At 1 April 2024 RM'000 | Net change from financing cash flows RM'000 | Other changes RM'000 | At 30 September 2024 RM'000 |
|---|---|---|---|---|
| Lease liabilities | 14,569 | (2,051) | 1,165 | 13,683 |
| | 14,569 | (2,051) | 1,165 | 13,683 |

| | At 1 April 2025 RM'000 | Net change from financing cash flows RM'000 | Other changes RM'000 | At 30 September 2025 RM'000 |
|---|---|---|---|---|
| Lease liabilities | 12,466 | (1,752) | 1,021 | 11,735 |
| | 12,466 | (1,752) | 1,021 | 11,735 |

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2025**

## 1. BASIS OF PREPARATION

The unaudited condensed interim financial report for the quarter ended 30 September 2025 have been prepared under the historical cost convention except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, loans, advances and financing at fair value through profit or loss, embedded loans measured at fair value through profit or loss and derivative financial instruments which are stated at fair value.

The unaudited condensed interim financial report have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and Bank Negara Malaysia's Guidelines on Financial Reporting. The unaudited interim financial report should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2025. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 March 2025.

***Changes in Accounting Policies***

As at the date of issuance of the financial statements, amendment of MFRS which are relevant to the operations of the Bank is as follows:

| | |
|---|---|
| Amendment to: | |
| MFRS 121 | Lack of Exchangeability |

The adoption of the above amendment does not have any material effect to the Bank.

***Amendments Issued But Not Yet Effective***

The Bank has not adopted the following relevant amendments that have been issued but not yet effective:

| | |
|---|---|
| Accounting standard: | |
| MFRS 18 | Presentation and Disclosure in Financial Statements^ |
| MRFS 19 | Subsidiaries without Public Accountability: Disclosures^ |
| | |
| Amendments to: | |
| MFRS 9 and MFRS 7 | Classification and Measurement of Financial Instruments ** |
| | Contracts Referencing Nature-dependent Electricity ** |
| MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate of Joint Venture # |

^ Effective for annual periods beginning on or after 1 January 2027
** Effective for annual periods beginning on or after 1 January 2026
# Effective date deferred to a date to be announced by Malaysian Accounting Standards Board

The Bank will adopt the above accounting standard and amendments when they become effective. The adoption of these standards and amendments is not expected to result in any significant financial impact on the financial statements of the Bank.

## 2. AUDIT REPORT

The audit report on the audited financial statements for the financial year ended 31 March 2025 was not subject to any qualification.

## 3. SEASONAL OR CYCLICAL FACTORS

The business operations of the Bank have not been affected by any material seasonal cyclical factors.

## 4. EXCEPTIONAL OR EXTRAORDINARY ITEMS

There were no exceptional or extraordinary items for the financial period ended 30 September 2025.

## 5. CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial years that have a material effects on the financial results and position of the Bank for the financial period ended 30 September 2025.

## 6. CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt and equity securities during the financial period ended 30 September 2025.

## 7. DIVIDEND PAID

No dividend was paid during the financial period ended 30 September 2025.

## 8. SUBSEQUENT EVENTS

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the unaudited condensed interim financial report.

## 9. REVIEW OF PERFORMANCE

The Bank's profit before taxation for the financial period ended 30 September 2025 was RM259.5 million, decrease of 18.42% or RM58.6 million compared to the corresponding period last year. Operating income decreased by RM99.9 million from RM463.9 million to RM364.1 million whilst operating expenses decreased by RM25.4 million mainly attributed to lower administrative and other expenses.

Total assets decreased from RM31.8 billion as at 31 March 2025 to RM30.9 billion as at 30 September 2025. The Bank's CET 1/Tier 1 capital ratio and total capital ratio remained strong at 28.730% and 29.756% respectively.

## 10. PROSPECTS

MUFG Malaysia's ("the Bank") business strategy is deeply aligned with the broader vision of Japan–Malaysia collaboration, focusing on three key pillars of sustainable growth: green transition, digital transformation, and supply chain resilience especially in areas of semiconductor, healthcare and energy infrastructure etc.

Japan and Malaysia have already deepened bilateral collaboration through a Comprehensive Strategic Partnership agreed in 2023, focusing on key sectors that align with shared priorities as above. This enhanced partnership is built on decades of trust, investment and technology exchange, and now evolving to address global challenges such as climate change, energy transition, stable supply chain and economic security.

Additionally, the Bank will continue to support the growth and expansion of Government-linked companies, both domestically and abroad, including large conglomerates. The Bank also seeks to play a pivotal role in providing innovative financial solutions-including Shariah-compliant options -to support complex and capital-intensive projects in priority sectors. The Bank envisages to support Malaysian corporates in deepening joint ventures and capital market linkages with Japanese partners to access funding, technology, expertise and global network.

Leveraging on MUFG's global network and strong Japanese corporate base, the Bank aims to facilitate investment and innovation in green infrastructure and renewable energy, support digitalisation initiatives and enhance cross-border supply chain connectivity across key ASEAN corridors.

Through strategic financing, financial advisory services & solution and ecosystem building, the Bank is committed to playing a catalytic role in advancing bilateral economic ties and supporting Malaysia's transition into a high-tech, sustainable economy.

This includes strengthening our capabilities in both conventional and Islamic finance to ensure financing inclusivity and alignment with diverse market needs.

Going forward, the Bank is poised to become a key enabler of Japan–Malaysia collaboration in driving sustainable economic transformation.

Over the next 3–5 years, the Bank anticipates:

Accelerating green finance growth, as regulatory support and ESG-focused capital drive expansion in renewables, energy-efficiency projects and climate-resilient infrastructure, and expand our balance sheet growth in sustainable manner.

The Bank also aims to further develop its Islamic finance capabilities to meet the growing demand for Shariah-compliant financing, particularly for large-scale green transformation (GX) projects and other capital-intensive initiatives by leveraging on Malaysia's global leadership in Islamic finance.

Strengthening supply chain ecosystems through tailored financing and integration platforms that connect Japanese manufacturers with Malaysia's growing green-tech and digital manufacturing clusters.

Malaysia's economic growth in 2025 is forecasted to expand by between 4.5% and 5.5%. While domestic demand and government initiatives are expected to drive this growth, global uncertainties and market volatilities continue to be a potential risk. The Bank will remain vigilant of the evolving global developments, particularly on implications of trade tariffs on Malaysia's economy and the banks's business.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**
**FOR THE QUARTER ENDED 30 SEPTEMBER 2025 (CONTD)**

## 11. CASH AND SHORT-TERM FUNDS

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| *Amortised cost* | | |
| Cash and balances with banks and other financial institutions | 742,417 | 500,685 |
| Money at call and deposit placements maturing within three months | 4,052,069 | 5,925,070 |
| | 4,794,486 | 6,425,755 |

## 12. REVERSE REPURCHASE AGREEMENTSMENTS

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| *Amortised cost* | | |
| Reverse repurchase agreement | 50,830 | - |

## 13. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| *Amortised cost* | | |
| Licensed banks | | |
| ● Malaysia | 446,155 | 451,237 |
| ● Other countries | 142,245 | 117,852 |
| | 588,400 | 569,089 |

## 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| **Money market instruments:** | | |
| Malaysian Government Securities | 202,228 | - |
| Government Investment Issues | 647,916 | 292,508 |
| | 850,144 | 292,508 |

## 15. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| **Money market instruments:** | | |
| Malaysian Government Securities | 649,322 | 513,513 |
| Government Investment Issues | 373,995 | 261,751 |
| Japan Government Bonds | - | 58,821 |
| Corporate Bond | 300,799 | 300,275 |
| Sukuk | 576,377 | 578,966 |
| | 1,900,493 | 1,713,326 |
| **Non-money market instruments:** | | |
| Unquoted shares | 28,442 | 28,442 |
| | 28,442 | 28,442 |
| Total | 1,928,935 | 1,741,768 |

Movements in allowances for impairment which reflect the expected credit loss ("ECL") computed by impairment model and recognised in ECL reserve are as follows:

| | 12-month ECL Stage 1 RM'000 | Life-time ECL Stage 2 RM'000 | Total RM'000 |
|---|---|---|---|
| **At 1 April** | 1,728 | - | 1,728 |
| Transfer to lifetime ECL not credit-impaired (Stage 2) | (1,728) | 1,728 | - |
| New financial assets originated | - | 327 | 327 |
| Allowance made due to changes in credit risk | - | 2,529 | 2,529 |
| Financial assets derecognised (other than write-off) | - | (166) | (166) |
| **At 30 September 2025** | - | 4,418 | 4,418 |
| **At 1 April** | - | - | - |
| New financial assets originated | 1,728 | - | 1,728 |
| **At 31 March 2025** | 1,728 | - | 1,728 |

## 16. LOANS, ADVANCES AND FINANCING

### (a) By type:

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| *At amortised cost* | | |
| Term loans | | |
| ● Housing loans | 6,566 | 6,823 |
| ● Other term loans | 5,623,875 | 4,195,422 |
| Revolving credits | 3,070,294 | 3,038,723 |
| Overdrafts | 3,791 | 2,265 |
| Claims on customers under acceptance credits | - | 21,732 |
| Staff loans | 7,064 | 6,773 |
| | 8,711,590 | 7,271,738 |
| Unearned interest | - | - |
| Gross loans, advances and financing at amortised cost | 8,711,590 | 7,271,738 |
| Impairment allowances on loans, advances and financing | | |
| ● Stage 1 - 12-month ECL | (15,994) | (14,858) |
| ● Stage 2 - lifetime ECL not credit-impaired | (27,513) | (18,920) |
| ● Stage 3 - lifetime ECL credit-impaired | (186) | (175) |
| Net loans, advances and financing at amortised cost | 8,667,897 | 7,237,785 |
| *At fair value* | | |
| Other term loans | 221,943 | 253,697 |
| Net loans, advances and financing | 8,889,840 | 7,491,482 |
| **Gross loans, advances and financing** | | |
| *At amortised cost* | 8,711,590 | 7,271,738 |
| *At fair value* | 221,943 | 253,697 |
| | 8,933,533 | 7,525,435 |

### (b) By maturity structure:

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Maturing within one year | 3,752,904 | 3,555,683 |
| More than one year to three years | 1,423,694 | 1,833,409 |
| More than three years to five years | 2,108,448 | 1,066,144 |
| More than five years | 1,648,487 | 1,070,199 |
| | 8,933,533 | 7,525,435 |

### (c) By type of customer:

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Domestic non-bank financial institutions | 190,716 | 258,198 |
| Domestic business enterprises | | |
| ● Small medium enterprises | 70,006 | 73,995 |
| ● Others | 3,418,770 | 3,075,203 |
| Individuals | 13,630 | 13,596 |
| Foreign entities | 5,240,411 | 4,104,443 |
| | 8,933,533 | 7,525,435 |

### (d) By interest/profit rate sensitivity:

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Variable rates | 8,931,489 | 7,523,049 |
| Fixed rate | | |
| ● Staff loans | 2,044 | 2,386 |
| | 8,933,533 | 7,525,435 |

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2025 (CONTD)**

## 16. LOANS, ADVANCES AND FINANCING (CONTD)

**(e) By economic sector:**

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Agricultural, hunting, forestry and fishing | 100,019 | - |
| Mining and quarrying | 222,650 | 303,720 |
| Manufacturing | 1,645,681 | 1,420,999 |
| Electricity, gas and water | 221,321 | 202,699 |
| Construction | 168,793 | 258,772 |
| Wholesale, retail trade, restaurants and hotels | 203,059 | 423,859 |
| Transport, storage and communication | 1,072,919 | 837,654 |
| Finance, insurance, real estate and business services | 5,285,461 | 4,064,136 |
| Households | 13,630 | 13,596 |
| | 8,933,533 | 7,525,435 |

**(f) By geographical location:**

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Malaysia | 4,746,020 | 4,773,319 |
| Other countries | 4,187,513 | 2,752,116 |
| | 8,933,533 | 7,525,435 |

**(g) Credit-impaired gross loans by economic sector are as follows:**

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Household | 757 | 720 |

**(h) Credit-impaired gross loans by geographical location are as follows:**

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Malaysia | 757 | 720 |

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

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| At 1 April | 720 | 801 |
| Classified as credit-impaired during the year | 134 | 371 |
| Amount recovered | (7) | (224) |
| Reclassified as performing | (90) | (228) |
| At 31 March | 757 | 720 |

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2025 (CONTD)**

## 16. LOANS, ADVANCES AND FINANCING (CONTD)

### (j) Movements in impairment allowances on loans, advances and financing:

| | | Lifetime ECL | | |
|---|---|---|---|---|
| | 12-month ECL Stage 1 RM'000 | Not credit-impaired Stage 2 RM'000 | Credit-impaired Stage 3 RM'000 | Total RM'000 |
| **At 1 April 2025** | 14,858 | 18,920 | 175 | 33,953 |
| Transfer to 12-month ECL (Stage 1) | 1,147 | (1,147) | - | - |
| Transfer to lifetime ECL not credit-impaired (Stage 2) | (402) | 402 | - | - |
| Transfer to lifetime ECL credit-impaired (Stage 3) | (1) | (7) | 8 | - |
| New financial assets originated | 10,589 | 8,881 | - | 19,470 |
| Financial assets derecognised (other than write-off) | (8,472) | (3,735) | - | (12,207) |
| Net remeasurement due to changes in credit risk | (1,725) | 4,199 | 3 | 2,477 |
| **At 30 September 2025** | 15,994 | 27,513 | 186 | 43,693 |
| | | | | |
| **At 1 April 2024** | 9,070 | 15,123 | 265 | 24,458 |
| Transfer to lifetime ECL not credit-impaired (Stage 2) | (82) | 82 | - | - |
| Transfer to lifetime ECL credit-impaired (Stage 3) | (1) | (20) | 21 | - |
| New financial assets originated | 14,340 | 18,391 | - | 32,731 |
| Financial assets derecognised (other than write-off) | (8,262) | (15,019) | (1) | (23,282) |
| Net remeasurement due to changes in credit risk | (207) | 363 | (110) | 46 |
| **At 31 March 2025** | 14,858 | 18,920 | 175 | 33,953 |

### (k) Movements in gross loans, advances and financing:

| | | Lifetime ECL | | |
|---|---|---|---|---|
| | 12-month ECL Stage 1 RM'000 | Not credit-impaired Stage 2 RM'000 | Credit-impaired Stage 3 RM'000 | Total RM'000 |
| **At 1 April 2025** | 6,178,007 | 1,093,011 | 720 | 7,271,738 |
| Transfer to 12-month ECL (Stage 1) | 48,898 | (48,898) | - | - |
| Transfer to lifetime ECL not credit-impaired (Stage 2) | (293,050) | 293,140 | (90) | - |
| Transfer to lifetime ECL credit-impaired (Stage 3) | (38) | (82) | 120 | - |
| New financial assets originated | 2,568,889 | 3,506,018 | 14 | 6,074,921 |
| Financial assets derecognised (other than write-off) | (4,371,213) | (263,849) | (7) | (4,635,069) |
| **At 30 September 2025** | 4,131,493 | 4,579,340 | 757 | 8,711,590 |
| | | | | |
| **At 1 April 2024** | 9,192,560 | 285,782 | 801 | 9,479,143 |
| Transfer to 12-month ECL (Stage 1) | 7 | (7) | - | - |
| Transfer to lifetime ECL not credit-impaired (Stage 2) | (115,199) | 115,427 | (228) | - |
| Transfer to lifetime ECL credit-impaired (Stage 3) | (87) | (263) | 350 | - |
| New financial assets originated | 5,427,234 | 982,631 | 21 | 6,409,886 |
| Financial assets derecognised (other than write-off) | (8,326,508) | (290,559) | (224) | (8,617,291) |
| **At 31 March 2025** | 6,178,007 | 1,093,011 | 720 | 7,271,738 |

## 17. EMBEDDED LOANS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| *At fair value* | | |
| Embedded loans with term loans nature | 8,982,416 | 9,467,759 |
| Embedded loans with revolving credits nature | 3,539,073 | 4,495,965 |
| | 12,521,489 | 13,963,724 |

Loans measured at FVTPL included RM12,313,800,000 (2025 March: RM13,583,582,000) of outstanding balance for loans, advances and financing, and net fair value for derivative financial assets and liabilities of RM110,967,000 (2025 March: RM238,681,000).

Included in embedded loans are net fair value from derivative financial assets and derivative financial liabilities transacted with the immediate holding company and related companies amounting to RM9,441,000 (2025 March: RM4,871,000) and RM92,000 (2025 March: RM199,000) respectively.

**(a) By maturity structure:**

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Maturing within one year | 5,562,167 | 6,362,008 |
| More than one year to three years | 4,259,149 | 5,174,514 |
| More than three years to five years | 2,684,000 | 2,427,202 |
| More than five years | 16,173 | - |
| | 12,521,489 | 13,963,724 |

**(b) By type of customer:**

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Domestic non-bank financial institutions | 9,365,674 | 10,532,888 |
| Domestic business enterprises | | |
| ● Others | 3,507,271 | 3,225,163 |
| | 12,872,945 | 13,758,051 |
| Domestic financial institutions * | (360,805) | 201,002 |
| Foreign entities | 9,349 | 4,671 |
| | 12,521,489 | 13,963,724 |

* The credit balances are exposure after netting off with the identified cover deals.

**(c) By interest rate sensitivity:**

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Variable rates | 12,521,489 | 13,963,724 |

**(d) By economic sector:**

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Mining and quarrying | 4,375 | 60,675 |
| Manufacturing | 16,612 | 26,304 |
| Electricity, gas and water | 1,604,858 | 1,521,512 |
| Construction | 726,729 | 701,405 |
| Transport, storage and communication | 1,069,477 | 843,666 |
| Finance, insurance, real estate and business services | 9,099,438 | 10,810,162 |
| | 12,521,489 | 13,963,724 |

## 17. EMBEDDED LOANS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL") (CONTD)

**(e) By geographical location:**

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Malaysia | 12,543,314 | 13,959,053 |
| Other countries * | (21,825) | 4,671 |
| | 12,521,489 | 13,963,724 |

* The credit balances are exposure after netting off with the identified cover deals.

**(f) By notional amount of derivative financial assets and liabilities:**

| | 2025 September | | | 2025 March | | |
|---|---|---|---|---|---|---|
| | Contract/ Notional Amount RM'000 | Fair Value Assets RM'000 | Fair Value Liabilities RM'000 | Contract/ Notional Amount RM'000 | Fair Value Assets RM'000 | Fair Value Liabilities RM'000 |
| *At fair value* | | | | | | |
| Embedded loans with term loans nature: | | | | | | |
| Foreign currency swaps | 7,841,235 | 438,575 | 41,566 | 7,884,571 | 203,429 | 201,122 |
| Interest rate swaps | 1,313,897 | 12,229 | 29 | 1,168,189 | 7,949 | 597 |
| | 9,155,132 | 450,804 | 41,595 | 9,052,760 | 211,378 | 201,719 |
| Embedded loans with revolving credits nature: | | | | | | |
| Foreign currency swaps | 3,520,833 | 53,958 | 744 | 4,471,250 | 69,944 | 46,594 |
| Cover deals: | | | | | | |
| Foreign currency forwards | 4,592,599 | 3,667 | 124,930 | 4,987,950 | 89,286 | 10,598 |
| Foreign currency swaps | 7,293,432 | 65,337 | 276,908 | 7,240,596 | 234,494 | 126,777 |
| Interest rate swaps | 12,723,500 | 21,092 | 39,714 | 12,049,745 | 35,910 | 16,643 |
| | 24,609,531 | 90,096 | 441,552 | 24,278,291 | 359,690 | 154,018 |
| | 37,285,496 | 594,858 | 483,891 | 37,802,301 | 641,012 | 402,331 |
| Set off | | (483,891) | (483,891) | | (402,331) | (402,331) |
| Net assets | | 110,967 | - | | 238,681 | - |

## 18. PURCHASED RECEIVABLES

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| *At amortised cost* | | |
| Purchased receivables | 411,438 | 811,887 |
| Impairment allowances on purchased receivables | | |
| ● Stage 1 - 12-month ECL | (162) | (347) |
| | 411,276 | 811,540 |

Purchased receivables relate to receivables acquired by the Bank under the account receivables purchasing and vendors financing product. Included in purchased receivables are non-recourse bills receivables amounting to RM378,991,000 (2025 March: RM690,597,000).

**(a) Movements in impairment allowances on purchased receivables which reflect the ECL model on impairment during the financial year are as follows:**

| | | Lifetime ECL | | |
|---|---|---|---|---|
| | 12-month ECL Stage 1 RM'000 | Not credit-impaired Stage 2 RM'000 | Credit-impaired Stage 3 RM'000 | Total RM'000 |
| **At 1 April 2025** | 347 | - | - | 347 |
| New financial assets originated | 73 | - | - | 73 |
| Financial assets derecognised (other than write-off) | (220) | - | - | (220) |
| Net remeasurement due to changes in credit risk | (38) | - | - | (38) |
| **At 30 September 2025** | 162 | - | - | 162 |
| | | | | |
| **At 1 April 2024** | 323 | - | - | 323 |
| New financial assets originated | 347 | - | - | 347 |
| Financial assets derecognised (other than write-off) | (323) | - | - | (323) |
| **At 31 March 2025** | 347 | - | - | 347 |

## 19. COLLATERAL DEPOSITS

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| *At amortised cost* | | |
| Cash collaterals placed | 307,599 | 35,809 |

The cash collaterals placed are recognised at amortised cost. These deposits 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 and related companies.

| | | |
|---|---|---|
| *At amortised cost* | | |
| Cash collaterals received | 11,792,108 | 11,808,046 |

The cash collaterals received are recognised at amortised cost. These are received in respect of derivative balances pursuant to agreements in accordance with ISDA and CSA entered into with respective counterparties and related companies, and Cash Collateral Scheme entered into with a branch of the holding company amounting to RM11,722,112,000 (2025 March: RM11,456,483,000). The remaining balances are placed with licensed banks.

## 20. DERIVATIVE FINANCIAL ASSETS / LIABILITIES

The table below shows the Bank's derivative financial instruments measured at their fair value together with their corresponding contract/notional amounts as at the reporting date. The notional amounts of these derivative financial instruments refer to the underlying contract values on which changes in the fair value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the end of the financial period but are not indicative of either the market risk or credit risk inherent in the derivative contracts.

| | 2025 September | | | 2025 March | | |
|---|---|---|---|---|---|---|
| | Contract/ Notional Amount | Fair Value | | Contract/ Notional Amount | Fair Value | |
| | | Assets | Liabilities | | Assets | Liabilities |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| *At Fair Value* | | | | | | |
| **Trading Derivatives *** | | | | | | |
| Foreign exchange related contracts | | | | | | |
| ● Forwards | 27,248,029 | 123,822 | 165,802 | 22,593,412 | 136,699 | 96,010 |
| ● Swaps | 4,351,024 | 173,922 | 61,529 | 4,157,778 | 177,832 | 98,939 |
| Interest rate related contracts | | | | | | |
| ● Swaps | 20,215,727 | 69,255 | 110,430 | 15,162,815 | 46,449 | 112,498 |
| Other derivatives | | | | | | |
| ● Currency options | 358,355 | 1,311 | 768 | 340,696 | 1,291 | 743 |
| | 52,173,135 | 368,310 | 338,529 | 42,254,701 | 362,271 | 308,190 |

* Included in trading derivatives are derivative financial assets and derivative financial liabilities transacted with the immediate holding company and related companies amounting to RM86,085,000 (2025 March: RM42,335,000) and RM136,137,000 (2025 March: RM154,076,000) respectively.

## 21. DEPOSITS FROM CUSTOMERS

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| *At amortised cost* | | |
| Demand deposits | 4,887,829 | 4,766,870 |
| Money market deposits | 1,147,499 | 1,142,114 |
| Savings deposits | 10 | 59 |
| Fixed deposits | 5,657,714 | 5,599,854 |
| | 11,693,052 | 11,508,897 |

### (a) The maturity structure of fixed deposits are as follows:

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Due within six months | 4,824,979 | 4,208,453 |
| More than six months to one year | 832,735 | 1,391,401 |
| | 5,657,714 | 5,599,854 |

### (b) The deposits are sourced from the following customers:

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Domestic non-bank financial institutions | 499,477 | 100,307 |
| Business enterprises | 10,959,219 | 10,966,956 |
| Individuals | 1,087 | 1,278 |
| Foreign entities/individuals | 174,805 | 384,038 |
| Others | 58,464 | 56,318 |
| | 11,693,052 | 11,508,897 |

## 22. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| *At amortised cost* | | |
| Licensed banks | 1,620,097 | 3,039,508 |

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**
**FOR THE QUARTER ENDED 30 SEPTEMBER 2025 (CONTD)**

## 23. OTHER LIABILITIES

| | | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|---|
| Provision for retirement benefits | | 24,728 | 25,084 |
| Impairment allowances on commitments and contingencies | (i) | | |
| ● Stage 1 - 12-month ECL | | 9,836 | 11,504 |
| ● Stage 2 - lifetime ECL not credit-impaired | | 12,402 | 12,178 |
| Accrued interest payable | | 71,272 | 52,006 |
| Other payables and accruals | | 184,116 | 107,523 |
| | | 302,354 | 208,295 |

**(i) Movements in impairment allowances on commitments and contingencies which reflect the ECL model on impairment are as follows:**

| | | Lifetime ECL | | |
|---|---|---|---|---|
| | 12-month ECL | Not credit-impaired | Credit-impaired | |
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| **At 1 April 2025** | 11,504 | 12,178 | - | 23,682 |
| Transfer to 12-month ECL (Stage 1) | 455 | (455) | - | - |
| Transfer to lifetime ECL not credit-impaired (Stage 2) | (754) | 754 | - | - |
| New financial assets originated | 2,436 | 4,467 | - | 6,903 |
| Financial assets derecognised (other than write-off) | (3,421) | (381) | - | (3,802) |
| Net remeasurement due to changes in credit risk | (384) | (4,161) | - | (4,545) |
| **At 30 September 2025** | 9,836 | 12,402 | - | 22,238 |
| | | | | |
| **At 1 April 2024** | 6,344 | 16,883 | - | 23,227 |
| Transfer to lifetime ECL not credit-impaired (Stage 2) | (1) | 1 | - | - |
| New financial assets originated | 11,217 | 12,090 | - | 23,307 |
| Financial assets derecognised (other than write-off) | (6,126) | (16,769) | - | (22,895) |
| Net remeasurement due to changes in credit risk | 70 | (27) | - | 43 |
| **At 31 March 2025** | 11,504 | 12,178 | - | 23,682 |

## 24. COMMITMENTS AND CONTINGENCIES

The commitments and contingencies exposures and their related counterparty credit risk of the Bank are as follows:

| | Principal Amount RM'000 | Positive Fair Value of Derivative Contracts RM'000 | Credit Equivalent Amount RM'000 | Risk-Weighted Assets RM'000 |
|---|---|---|---|---|
| **2025 September** | | | | |
| **Contingent Liabilities** | | | | |
| Direct credit substitutes | 461,880 | | 461,880 | 449,176 |
| Transaction related contingent items | 1,276,829 | | 638,414 | 503,660 |
| Short-term self liquidating trade-related contingencies | 161,596 | | 32,319 | 38,897 |
| **Commitments** | | | | |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: | | | | |
| ● not exceeding one year | 135,717 | | 27,143 | 27,143 |
| ● exceeding one year | 23,006 | | 11,503 | 11,459 |
| Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 18,846,026 | | - | - |
| | 20,905,054 | | 1,171,259 | 1,030,335 |
| **Embedded Loans** | | | | |
| Foreign exchange related contracts | | | | |
| ● one year or less | 11,733,858 | 131,134 | 231,281 | 119,557 |
| ● over one year to five years | 11,514,241 | 430,404 | 945,703 | 580,675 |
| Interest rate related contracts | | | | |
| ● one year or less | 7,107,616 | 15,517 | 12,189 | 4,140 |
| ● over one year to five years | 6,913,781 | 17,707 | 135,245 | 58,095 |
| ● over five years | 16,000 | 97 | 937 | 937 |
| | 37,285,496 | 594,859 | 1,325,355 | 763,404 |
| **Derivative Financial Instruments** | | | | |
| Foreign exchange related contracts | | | | |
| ● one year or less | 29,365,827 | 169,713 | 514,025 | 340,408 |
| ● over one year to five years | 1,989,546 | 113,452 | 223,083 | 190,244 |
| ● over five years | 243,680 | 14,579 | 37,894 | 18,948 |
| Interest rate related contracts | | | | |
| ● one year or less | 7,456,957 | 3,664 | 11,666 | 3,816 |
| ● over one year to five years | 11,847,552 | 54,464 | 286,618 | 107,280 |
| ● over five years | 911,218 | 11,127 | 56,935 | 35,408 |
| Currency options * | | | | |
| ● one year or less | 179,177 | 1,311 | 3,999 | 3,999 |
| | 51,993,957 | 368,310 | 1,134,220 | 700,103 |
| | 110,184,507 | 963,169 | 3,630,834 | 2,493,842 |

* Only buy legs are taken into account for counterparty credit risk purposes.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2025 (CONTD)**

## 24. COMMITMENTS AND CONTINGENCIES (CONTD)

| | Principal Amount RM'000 | Positive Fair Value of Derivative Contracts RM'000 | Credit Equivalent Amount RM'000 | Risk-Weighted Assets RM'000 |
|---|---|---|---|---|
| **2025 March** | | | | |
| **Contingent Liabilities** | | | | |
| Direct credit substitutes | 649,111 | | 649,111 | 642,279 |
| Transaction related contingent items | 954,098 | | 477,049 | 432,077 |
| Short-term self liquidating trade-related contingencies | 117,482 | | 23,496 | 23,496 |
| **Commitments** | | | | |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: | | | | |
| ● not exceeding one year | 94,169 | | 18,834 | 18,834 |
| ● exceeding one year | 48,425 | | 24,213 | 24,199 |
| Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 16,411,408 | | - | - |
| | 18,274,693 | | 1,192,703 | 1,140,885 |
| **Embedded Loans** | | | | |
| Foreign exchange related contracts | | | | |
| ● one year or less | 12,843,312 | 232,021 | 356,959 | 132,126 |
| ● over one year to five years | 11,741,055 | 365,132 | 734,109 | 458,530 |
| Interest rate related contracts | | | | |
| ● one year or less | 6,336,554 | 15,418 | 16,390 | 6,711 |
| ● over one year to five years | 6,881,380 | 28,441 | 96,295 | 39,135 |
| | 37,802,301 | 641,012 | 1,203,753 | 636,502 |
| **Derivative Financial Instruments** | | | | |
| Foreign exchange related contracts | | | | |
| ● one year or less | 24,577,606 | 167,706 | 509,611 | 367,102 |
| ● over one year to five years | 1,583,339 | 110,526 | 141,568 | 98,717 |
| ● over five years | 590,245 | 36,299 | 110,477 | 79,598 |
| Interest rate related contracts | | | | |
| ● one year or less | 5,030,565 | 5,301 | 6,888 | 3,004 |
| ● over one year to five years | 9,212,542 | 28,426 | 181,222 | 76,549 |
| ● over five years | 919,708 | 12,722 | 39,347 | 24,078 |
| Currency options * | | | | |
| ● one year or less | 170,348 | 1,291 | 3,846 | 3,846 |
| | 42,084,353 | 362,271 | 992,959 | 652,894 |
| | 98,161,347 | 1,003,283 | 3,389,415 | 2,430,281 |

* Only buy legs are taken into account for counterparty credit risk purposes.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2025 (CONTD)**

| | 2nd Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | 2025 September RM'000 | 2024 September RM'000 | 2025 September RM'000 | 2024 September RM'000 |
| **25. INTEREST INCOME** | | | | |
| Loans, advances and financing measured at amortised cost | 125,411 | 139,704 | 228,827 | 273,542 |
| Loans, advances and financing designated at fair value | 4,624 | 6,296 | 9,232 | 13,084 |
| Money at call and deposit placements with financial institutions | 26,706 | 44,453 | 66,222 | 90,532 |
| Financial assets at FVTPL | 8,523 | 5,035 | 10,524 | 26,043 |
| Financial investments at FVOCI | | | | |
| - Interest income | 22,481 | 13,714 | 44,663 | 27,121 |
| - Net accretion of discount | 1,720 | 2,248 | 834 | 3,088 |
| | 189,465 | 211,450 | 360,302 | 433,410 |
| **26. INTEREST EXPENSE** | | | | |
| Deposits and placements of banks and other financial institutions | 71,161 | 91,269 | 117,737 | 184,070 |
| Deposits from customers | 27,802 | 24,094 | 57,848 | 46,096 |
| | 98,963 | 115,363 | 175,585 | 230,166 |
| **27. NET INCOME FROM EMBEDDED LOANS MEASURED AT FVTPL** | | | | |
| Interest income | 174,690 | 168,426 | 346,823 | 349,907 |
| Interest expense | (147,148) | (132,045) | (294,457) | (281,690) |
| Unrealised gain/(loss) in fair value of embedded loans | 123,687 | (57,147) | (257,839) | (71,477) |
| Realised gain in fair value of embedded loans | 5,361 | 12,760 | 8,400 | 18,118 |
| | 156,590 | (8,006) | (197,073) | 14,858 |
| **28. OTHER OPERATING INCOME** | | | | |
| **Fee income** | | | | |
| Commission | 1,277 | 2,021 | 2,561 | 3,016 |
| Guarantee fees | 1,894 | 1,035 | 3,504 | 2,057 |
| Service charges and fees | 631 | 577 | 1,199 | 1,194 |
| Commitment fees | 498 | 242 | 971 | 549 |
| Other fee income | 6,343 | 8,026 | 16,972 | 14,532 |
| | 10,643 | 11,901 | 25,207 | 21,348 |
| **Net investment income** | | | | |
| Gross dividends | 37 | 37 | 148 | 148 |
| Realised gain/(loss) in fair value of derivative financial instruments | 4,443 | 7,131 | (11,342) | (11,020) |
| Realised gain in fair value of financial assets at FVTPL | 1,692 | 2,969 | 3,996 | 858 |
| Unrealised loss in fair value of derivative financial instruments | (113,982) | (334,418) | (77,804) | (328,318) |
| Unrealised (loss)/gain in fair value of financial assets at FVTPL | (2,742) | 718 | (2,546) | 2,733 |
| Unrealised gain in fair value of loans designated at fair value | 3,219 | 507 | 2,856 | 1,985 |
| Foreign exchange gain | 54,272 | 464,154 | 423,739 | 537,860 |
| Net premium paid for options | (121) | (30) | (121) | (54) |
| | (53,182) | 141,068 | 338,926 | 204,192 |
| **Other income** | | | | |
| Other operating income | 912 | 11,257 | 2,377 | 10,162 |
| | (41,627) | 164,226 | 366,510 | 235,702 |

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2025 (CONTD)**

## 29. OTHER OPERATING EXPENSES

| | | 2nd Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|---|
| | | 2025 September RM'000 | 2024 September RM'000 | 2025 September RM'000 | 2024 September RM'000 |
| Personnel expenses | **(i)** | 24,097 | 22,207 | 52,542 | 49,973 |
| Establishment related expenses | **(ii)** | 4,998 | 9,278 | 10,096 | 19,075 |
| Promotion and marketing related expenses | **(iii)** | 536 | 336 | 1,045 | 906 |
| Administrative and other expenses | **(iv)** | 15,285 | 21,014 | 29,059 | 48,158 |
| | | 44,916 | 52,835 | 92,742 | 118,112 |
| **(i) Personnel expenses** | | | | | |
| Wages, salaries and bonuses | | 19,207 | 18,431 | 41,576 | 40,507 |
| Defined benefit plan | | 555 | 532 | 1,110 | 1,258 |
| Defined contribution plan | | 2,715 | 2,524 | 5,485 | 5,272 |
| Other employee benefits | | 1,620 | 720 | 4,371 | 2,936 |
| | | 24,097 | 22,207 | 52,542 | 49,973 |
| **(ii) Establishment related expenses** | | | | | |
| Depreciation of property, plant and equipment | | 1,117 | 1,409 | 2,190 | 2,799 |
| Amortisation of intangible assets | | 2,309 | 6,271 | 4,609 | 12,560 |
| Depreciation of right-of-use assets | | 1,027 | 1,030 | 2,017 | 2,294 |
| Repair and maintenance | | 61 | 62 | 149 | 125 |
| Expenses relating to short-term leases and leases of low-value assets | | 344 | 335 | 713 | 823 |
| Interest expenses on lease liabilities | | 90 | 114 | 181 | 239 |
| Accretion expense on asset retirement obligation | | 2 | 2 | 5 | 5 |
| Others | | 48 | 55 | 232 | 230 |
| | | 4,998 | 9,278 | 10,096 | 19,075 |
| **(iii) Promotion and marketing related expenses** | | | | | |
| Advertising and publicity | | 2 | - | 5 | - |
| Others | | 534 | 336 | 1,040 | 906 |
| | | 536 | 336 | 1,045 | 906 |
| **(iv) Administrative and other expenses** | | | | | |
| Cash collateral fees on CSA | | 581 | 6,148 | 2,282 | 19,569 |
| Communication expenses | | 250 | 249 | 433 | 426 |
| Legal and professional fees | | 78 | 160 | 199 | 244 |
| Others | | 14,376 | 14,457 | 26,145 | 27,919 |
| | | 15,285 | 21,014 | 29,059 | 48,158 |

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2025 (CONTD)**

| | 2nd Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | 2025 September RM'000 | 2024 September RM'000 | 2025 September RM'000 | 2024 September RM'000 |
| **30. ALLOWANCE FOR IMPAIRMENT ON FINANCIAL INSTRUMENTS** | | | | |
| **(a) Allowance for impairment on loans, advances and financing** | | | | |
| Stage 1 and 2 expected credit losses made during the year | 2,328 | 5,798 | 24,071 | 38,029 |
| Stage 1 and 2 expected credit losses written back | (3,939) | (1,828) | (14,342) | (17,473) |
| Stage 3 expected credit losses made during the year | (6) | - | 11 | - |
| Stage 3 expected credit losses written back | 10 | (39) | - | (97) |
| Other movements | - | 1,256 | 1,061 | 1,332 |
| | (1,607) | 5,187 | 10,801 | 21,791 |
| **(b) Allowance for/(Reversal of) impairment on purchased receivables** | | | | |
| Stage 1 and 2 expected credit losses made during the year | (172) | 132 | 73 | 319 |
| Stage 1 and 2 expected credit losses written back | (49) | (24) | (258) | (317) |
| | (221) | 108 | (185) | 2 |
| **(c) Allowance for/(Reversal of) impairment on off-balance sheet exposures** | | | | |
| Stage 1 and 2 expected credit losses made during the year | (624) | 876 | 8,112 | 28,949 |
| Stage 1 and 2 expected credit losses written back | (4,077) | (148) | (9,556) | (22,933) |
| | (4,701) | 728 | (1,444) | 6,016 |
| **(d) Reversal of impairment on financial investments at FVOCI** | | | | |
| Stage 1 and 2 expected credit losses made during the year | - | - | 2,856 | - |
| Stage 1 and 2 expected credit losses written back | - | - | (166) | - |
| | - | - | 2,690 | - |
| | (6,529) | 6,023 | 11,862 | 27,809 |

## 31. CAPITAL ADEQUACY

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

| | 2025 September % | 2025 March % |
|---|---|---|
| Common equity Tier 1 ("CET 1") capital ratio | 28.730 | 29.116 |
| Tier 1 capital ratio | 28.730 | 29.116 |
| Total capital ratio | 29.756 | 30.063 |

The capital adequacy ratios consist of total capital and risk-weighted assets derived from balances of the Bank and are computed in accordance with BNM's Guidelines on Capital Adequacy Framework (Capital Components and Basel II - Risk Weighted Assets) ("CAF"). The Bank adopted the Standardised Approach for Credit Risk and Market Risk, and the Business Indicator Approach for Operational Risk.

The minimum regulatory capital adequacy requirements including capital conservation buffer for the following capital ratios are:

| | | |
|---|---|---|
| CET 1 Capital Ratio | 7.00 | % |
| Tier 1 Capital Ratio | 8.50 | % |
| Total Capital Ratio | 10.50 | % |

(b) The components of CET 1, Tier 1 and total capital of the Bank are as follows:

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| CET 1 and Tier 1 capital | | |
| ● Paid-up ordinary share capital | 200,000 | 200,000 |
| ● Retained profits | 4,622,482 | 4,622,482 |
| ● Other reserves | 202,703 | 124,311 |
| | 5,025,185 | 4,946,793 |
| Less: Deferred tax assets | (19,404) | (19,404) |
| Intangible assets | (17,984) | (22,364) |
| 55% of fair value reserve | (16,876) | (15,476) |
| Regulatory reserve | (172,231) | (96,383) |
| | 4,798,690 | 4,793,166 |
| Tier 2 capital | | |
| ● Stage 1 and 2 ECL and regulatory reserve | 171,261 | 155,918 |
| Total Capital | 4,969,951 | 4,949,084 |

(c) The breakdown of the risk-weighted assets by each major risk category is as follows:

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Credit risk | 13,700,853 | 13,673,134 |
| Market risk | 1,279,896 | 1,334,208 |
| Operational risk | 1,721,741 | 1,455,118 |
| | 16,702,490 | 16,462,460 |

Detailed disclosures on risk exposures above, as prescribed under BNM's Guidelines on Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Banks (CAFIB) - Dislcosure Requirements (Pillar 3) is presented in the Pillar 3 disclosures.

**31. CAPITAL ADEQUACY (CONTD)**

**2025 September**

| Exposure Class | Gross Exposures RM'000 | Net Exposures RM'000 | Risk-Weighted Assets RM'000 | Capital Requirements RM'000 |
|---|---|---|---|---|
| **(i) Credit Risk** | | | | |
| On-Balance Sheet Exposures : | | | | |
| Sovereigns/Central Banks | 4,415,048 | 4,415,048 | 79,659 | 6,373 |
| Public Sector Entities | 7,587 | 7,587 | 1,518 | 121 |
| Banks, Development Financial Institutions & MDBs | 5,224,313 | 5,224,313 | 1,115,706 | 89,256 |
| Insurance Cos, Securities Firms & Fund Managers | 1 | 1 | 1 | - |
| Corporates | 19,693,247 | 19,693,247 | 9,016,069 | 721,286 |
| Regulatory Retail | 647 | 647 | 647 | 52 |
| Residential Mortgages | 12,227 | 12,227 | 4,812 | 385 |
| Equity Exposures | 28,442 | 28,442 | 28,442 | 2,275 |
| Other Assets | 1,092,831 | 1,092,831 | 959,628 | 76,770 |
| Defaulted Exposures | 529 | 529 | 529 | 42 |
| Total On-Balance Sheet Exposures | 30,474,872 | 30,474,872 | 11,207,011 | 896,560 |
| Off-Balance Sheet Exposures : | | | | |
| Credit-related exposures | 1,171,260 | 1,171,260 | 1,030,335 | 82,427 |
| Derivatives financial instruments | 2,459,574 | 2,459,574 | 1,463,507 | 117,081 |
| Total Off-Balance Sheet Exposures | 3,630,834 | 3,630,834 | 2,493,842 | 199,508 |
| Total On and Off-Balance Sheet Exposures | 34,105,706 | 34,105,706 | 13,700,853 | 1,096,068 |
| | **Long Position RM'000** | **Short Position RM'000** | | |
| **(ii) Market Risk** | | | | |
| Interest Rate Risk | 89,489,293 | (88,457,796) | 1,153,296 | 92,264 |
| Foreign Exchange Risk | 5,945 | (126,603) | 126,600 | 10,128 |
| | 89,495,238 | (88,584,399) | 1,279,896 | 102,392 |
| **(iii) Operational Risk** | | | 1,721,741 | 137,739 |
| **Total RWA and Capital Requirements** | 34,105,706 | 34,105,706 | 16,702,490 | 1,336,199 |

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2025 (CONTD)**

## 31. CAPITAL ADEQUACY (CONTD)

**2025 March**

| Exposure Class | Gross Exposures RM'000 | Net Exposures RM'000 | Risk-Weighted Assets RM'000 | Capital Requirements RM'000 |
|---|---|---|---|---|
| **(i) Credit Risk** | | | | |
| On-Balance Sheet Exposures : | | | | |
| Sovereigns/Central Banks | 6,020,882 | 6,020,882 | 100,157 | 8,013 |
| Banks, Development Financial Institutions & MDBs | 3,516,102 | 3,516,102 | 1,026,719 | 82,138 |
| Corporates | 20,561,601 | 20,561,601 | 9,096,850 | 727,748 |
| Regulatory Retail | 1,110 | 1,110 | 1,110 | 89 |
| Residential Mortgages | 10,344 | 10,344 | 4,695 | 376 |
| Equity Exposures | 28,442 | 28,442 | 28,442 | 2,275 |
| Other Assets | 1,143,195 | 1,143,195 | 982,941 | 78,635 |
| Defaulted Exposures | 1,938 | 1,938 | 1,938 | 155 |
| Total On-Balance Sheet Exposures | 31,283,615 | 31,283,615 | 11,242,853 | 899,429 |
| Off-Balance Sheet Exposures : | | | | |
| Credit-related exposures | 1,192,703 | 1,192,703 | 1,140,885 | 91,271 |
| Derivatives financial instruments | 2,196,712 | 2,196,712 | 1,289,396 | 103,152 |
| Total Off-Balance Sheet Exposures | 3,389,415 | 3,389,415 | 2,430,281 | 194,423 |
| Total On and Off-Balance Sheet Exposures | 34,673,030 | 34,673,030 | 13,673,134 | 1,093,852 |
| | **Long Position RM'000** | **Short Position RM'000** | | |
| **(ii) Market Risk** | | | | |
| Interest Rate Risk | 80,560,660 | (79,974,564) | 1,152,608 | 92,209 |
| Foreign Exchange Risk | 181,601 | (3,498) | 181,600 | 14,528 |
| | 80,742,261 | (79,978,062) | 1,334,208 | 106,737 |
| **(iii) Operational Risk** | | | 1,455,118 | 116,409 |
| **Total RWA and Capital Requirements** | 34,673,030 | 34,673,030 | 16,462,460 | 1,316,998 |

## 32. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Outstanding credit exposures with connected parties | 563,565 | 384,185 |
| Total credit exposures | 34,413,997 | 35,143,671 |
| Percentage of outstanding credit exposures to connected parties | | |
| - as a proportion of total credit exposures | 1.6% | 1.1% |
| - as a proportion of total capital | 11.3% | 7.8% |

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

## 33. THE OPERATIONS OF ISLAMIC BANKING WINDOW

The financial statements as at 30 September 2025 and for the period ended on the date are summarised as follows:

**UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2025**

| | | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and short-term funds | (a) | 141,000 | 120,000 |
| Deposits and placements with financial institutions | (b) | 772 | 2,148 |
| Other assets | | 12,140 | 7,777 |
| **TOTAL ASSETS** | | 153,912 | 129,925 |
| **LIABILITIES AND ISLAMIC BANKING FUNDS** | | | |
| Deposits from customers | (c) | 25,837 | 11,649 |
| Other liabilities | (d) | 63 | 6 |
| **TOTAL LIABILITIES** | | 25,900 | 11,655 |
| **CAPITAL FUNDS** | | 25,000 | 25,000 |
| **RESERVE** | | 103,012 | 93,270 |
| **ISLAMIC BANKING FUNDS** | | 128,012 | 118,270 |
| **TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS** | | 153,912 | 129,925 |
| **COMMITMENTS AND CONTINGENCIES** | | - | - |

Islamic financing based on Commodity Murabahah (Tawarruq) of RM3,847,647,000 (2025 March: RM3,959,341,000) and Ijarah of RM99,706,000 (2025 March: RM103,336,000) were financed under an internal Wakalah scheme and is reported at the entity level.

Tawarruq structure for the Bank's Islamic financing product consists of three (3) sales and purchases transactions. The first involves the purchase of commodity by the Bank from Commodity Trader 1, on cash and spot basis. Secondly, the Bank will sell the commodity using Murabahah contract, to the customer on deferred basis. Subsequently, the customer will sell the commodity to Commodity Trader 2, on cash and spot basis. Finally, the customer will get cash to finance the customer's needs.

**UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2025**

| | | 2nd Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|---|
| | | 2025 September RM'000 | 2024 September RM'000 | 2025 September RM'000 | 2024 September RM'000 |
| Income derived from investment of Islamic Banking capital fun | (e) | 1,049 | 1,511 | 2,068 | 2,990 |
| Expenses derived from financing | (f) | (91) | (1) | (165) | (2) |
| Other operating income | (g) | 4,455 | 3,284 | 8,003 | 7,156 |
| Total net income | | 5,413 | 4,794 | 9,906 | 10,144 |
| Other operating expenses | (h) | (73) | (61) | (164) | (156) |
| Profit for the year | | 5,340 | 4,733 | 9,742 | 9,988 |

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**
**FOR THE QUARTER ENDED 30 SEPTEMBER 2025 (CONTD)**

## 33. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

**UNAUDITED STATEMENT OF CHANGES IN EQUITY**
**FOR THE QUARTER ENDED 30 SEPTEMBER 2025**

| | Capital Funds RM'000 | Regulatory Reserve RM'000 | Retained Profits RM'000 | Total RM'000 |
|---|---|---|---|---|
| **At 1 April 2025** | 25,000 | 118 | 93,152 | 118,270 |
| Profit for the year | - | - | 9,742 | 9,742 |
| **At 30 September 2025** | 25,000 | 118 | 102,894 | 128,012 |
| **At 1 April 2024** | 25,000 | 118 | 75,202 | 100,320 |
| Profit for the year | - | - | 9,988 | 9,988 |
| **At 30 September 2024** | 25,000 | 118 | 85,190 | 110,308 |

**UNAUDITED STATEMENT OF CASH FLOWS**
**FOR THE QUARTER ENDED 30 SEPTEMBER 2025**

| | 2025 September RM'000 | 2024 September RM'000 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before tax | 9,742 | 9,988 |
| Decrease/(Increase) in operating assets: | | |
| Other assets | (4,363) | (14,303) |
| | 5,379 | (4,315) |
| (Decrease)/Increase in operating liabilities: | | |
| Deposits from customers | 14,188 | (59,975) |
| Other liabilities | 57 | (14,171) |
| Net cash generated from operating activities | 19,624 | (78,461) |
| **Net decrease in cash and cash equivalents** | 19,624 | (78,461) |
| **Cash and cash equivalents at beginning of the year** | 122,148 | 187,909 |
| **Cash and cash equivalents at end of the year** | 141,772 | 109,448 |
| **Cash and cash equivalents comprise of:** | | |
| Cash and short-term funds | 141,000 | 109,000 |
| Deposits and placements with financial institutions | 772 | 448 |
| | 141,772 | 109,448 |

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**
**FOR THE QUARTER ENDED 30 SEPTEMBER 2025 (CONTD)**

## 33. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

**Shariah Committee**

The Shariah Committee was established under BNM's "Shariah Governance Policy Document" ("the SGP") to advise the Board of Directors on Shariah matters in its Islamic Banking business operations and to provide technical assistance in ensuring the Islamic Banking products and services offered by the Bank and the relevant documentation are in compliance with Shariah principles.

As of March 2025, the committee comprises: Prof. Dr. Said Bouheraoua, Y.Bhg. Prof. Emeritus Dato' Dr. Mohd Azmi bin Omar and Assoc. Prof. Dr. Mohamad Zaharuddin bin Zakaria.

**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 to the audited financial statements of the Bank for financial year ended 31 March 2025.

**(a) Cash and short-term funds**

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Cash and balances with banks and other financial institutions | 141,000 | 120,000 |

**(b) Deposits and placements with financial institutions**

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| *At amortised cost* | | |
| Licensed bank | | |
| ● Malaysia | 772 | 2,148 |

**(c) Deposits from customers**

**(i) By type of deposits:**

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| *At amortised cost* | | |
| Current accounts - Qard | 12,224 | 10,139 |
| Fixed deposits - Tawarruq | 13,613 | 1,510 |
| | 25,837 | 11,649 |

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

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Due within six months | 13,613 | 1,510 |

**(iii) By type of customer:**

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Domestic business enterprises | 24,792 | 11,356 |
| Foreign entities | 1,046 | 293 |
| | 25,838 | 11,649 |

Qard is a contract of lending a fungible asset to a borrower who is bound to return an equivalent replacement. No profit expense from deposits shall be paid from the transactions.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**
**FOR THE QUARTER ENDED 30 SEPTEMBER 2025 (CONTD)**

## 33. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

### (d) Other liabilities

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Accruals and provisions for operational expenses | 63 | 6 |

### (e) Income derived from investment of Islamic Banking Capital Funds

| | 2nd Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | 2025 September RM'000 | 2024 September RM'000 | 2025 September RM'000 | 2024 September RM'000 |
| Money at call and placements with financial institutions | 1,049 | 1,511 | 2,068 | 2,990 |

### (f) Expenses derived from financing

| | 2nd Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | 2025 September RM'000 | 2024 September RM'000 | 2025 September RM'000 | 2024 September RM'000 |
| Deposits from customers | 91 | 1 | 165 | 2 |

### (g) Other operating income

| | 2nd Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | 2025 September RM'000 | 2024 September RM'000 | 2025 September RM'000 | 2024 September RM'000 |
| Other fee income | 4,455 | 3,284 | 8,003 | 7,156 |

## 33. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

### (h) Other operating expenses

| | 2nd Quarter Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **2025 September RM'000** | **2024 September RM'000** | **2025 September RM'000** | **2024 September RM'000** |
| Personnel expenses | 59 | 46 | 123 | 105 |
| Other expenses | 14 | 15 | 41 | 51 |
| | 73 | 61 | 164 | 156 |

### (i) Capital adequacy

The capital adequacy ratios of the Islamic Banking business of the Bank are computed in accordance with the Capital Adequacy Framework for Islamic Banks ("CAFIB"). The Bank's Islamic Banking business has adopted the Standardised Approach for Credit Risk and Market Risk, and the Business Indicator Approach for Operational Risk.

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

| | **2025 September** | **2025 March** |
|---|---|---|
| Common equity Tier 1 ("CET 1") capital ratio | 360.626 | 367.091 |
| Tier 1 capital ratio | 360.626 | 367.091 |
| Total capital ratio | 360.626 | 367.091 |

The components of CET 1, Tier 1 and total capital of the Bank's Islamic Banking business are as follows:

| | **2025 September RM'000** | **2025 March RM'000** |
|---|---|---|
| CET 1 and Tier 1 capital | | |
| ● Capital funds | 25,000 | 25,000 |
| ● Retained profits | 93,152 | 93,152 |
| ● Other reserves | 118 | 118 |
| | 118,270 | 118,270 |
| Less: Regulatory reserve | (118) | (118) |
| Total capital | 118,152 | 118,152 |

The breakdown of the risk-weighted assets by each major risk category is as follows:

| | **2025 September RM'000** | **2025 March RM'000** |
|---|---|---|
| Operational risk | 32,763 | 32,186 |

Detailed disclosures on risk exposures above, as prescribed under BNM's Guidelines on CAFIB - Disclosure Requirements (Pillar 3) is presented in the Pillar 3 disclosures.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2025 (CONTD)**

## 33. THE OPERATIONS OF ISLAMIC BANKING WINDOW (CONTD)

### (i) Capital adequacy (Contd)

The components of risk-weighted assets of the Bank's Islamic Banking business are as follows:

| | Gross Exposures RM'000 | Net Exposures RM'000 | Risk-Weighted Assets RM'000 | Minimum Capital Requirements at 8% RM'000 |
|---|---|---|---|---|
| **2025 September** | | | | |
| **Exposure Class** | | | | |
| **(i) Credit Risk** | | | | |
| On-Balance Sheet Exposures: | | | | |
| Other Assets | 153,912 | 153,912 | - | - |
| Total On-Balance Sheet Exposures | 153,912 | 153,912 | - | - |
| **(ii) Operational Risk** | | | 32,763 | 2,621 |
| **Total RWA and Capital Requirements** | 153,912 | 153,912 | 32,763 | 2,621 |
| **2025 March** | | | | |
| **Exposure Class** | | | | |
| **(i) Credit Risk** | | | | |
| Other Assets | 129,925 | 129,925 | - | - |
| Total On-Balance Sheet Exposures | 129,925 | 129,925 | - | - |
| **(ii) Operational Risk** | | | 32,186 | 2,575 |
| **Total RWA and Capital Requirements** | 129,925 | 129,925 | 32,186 | 2,575 |

## 34. THE OPERATIONS OF INTERNATIONAL CURRENCY BUSINESS UNIT

The Bank has obtained approval from 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 ICBU.

### (a) Financing and advances

**(i) By type:**

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| *At amortised cost* | | |
| Term financing | | |
| ● Syndicated Islamic financing | 3,490,988 | 2,023,681 |
| ● Islamic term financing | - | 9,045 |
| Revolving credits | 1,052,898 | 1,372,360 |
| Gross financing and advances at amortised cost | 4,543,886 | 3,405,086 |
| | | |
| Impairment allowances financing and advances | | |
| ● Stage 1 - 12-month ECL | (4,565) | (5,340) |
| ● Stage 2 - lifetime ECL not credit-impaired | (16,811) | (9,459) |
| Net financing and advances at amortised cost | 4,522,510 | 3,390,287 |
| | | |
| *At fair value* | | |
| Syndicated Islamic financing | 221,943 | 253,697 |
| Net financing and advances | 4,744,453 | 3,643,984 |
| | | |
| **Gross financing and advances** | | |
| *At amortised cost* | 4,543,886 | 3,405,086 |
| *At fair value* | 221,943 | 253,697 |
| | 4,765,829 | 3,658,783 |

**(ii) By contract:**

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Murabahah Financing-i | 4,493,205 | 3,330,254 |
| Ijarah Financing-i | 50,681 | 65,787 |
| Istina Financing-i | - | 9,045 |
| Wakalah Financing-i | 221,942 | 253,697 |
| | 4,765,828 | 3,658,783 |

### (b) Deposits from customers

**(i) By type and contract:**

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| *At amortised cost* | | |
| Fixed deposits - Tawarruq | 1,808,991 | 1,737,486 |

**MUFG BANK (MALAYSIA) BERHAD**
**(Incorporated in Malaysia)**

**PILLAR 3 DISCLOSURES**

## 1. OVERVIEW

The Pillar 3 Disclosure is prepared in accordance with Bank Negara Malaysia ("BNM")'s Guidelines on Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) ("CAF") and Capital Adequacy Framework for Islamic Banks (CAFIB) - Risk-weighted Assets ("CAFIB"), which is the equivalent to Basel II issued by the Basel Committee on Banking Supervision. Basel II consists of 3 Pillars a

(a) Pillar 1 sets out the minimum amount of regulatory capital that banking institutions must hold against credit, market and operational risks they assume.

(b) Pillar 2 promotes the adoption of a more forward-looking approach to capital management and encourages banking institutions, to develop and employ more rigorous risk management framework and techniques. This includes specific oversight by the Board of Directors and Management on internal controls and corporate governance practices, to ensure that banking institutions have an appropriate level of internal capital above its regulatory capital to commensurate with their risk profile and business plan at all time

(c) Pillar 3 aims to harness the power of market discipline through enhanced disclosure, to supplement regulatory supervision of banking institutions through a consistent and comprehensive disclosure framework on risk management practices and capital adequacy of banking institutions that will enhance comparability amongst banking institutions

The Bank adopted the Standardised Approach in determining the capital requirements for credit risk and market risk and applied the Business Indicator Approach for operational risk of Pillar 1 under BNM's CAF. Under the Standardised Approach, standard risk weights are used to assess the capital requirements for exposures in credit risk and market risk. The capital required for operational risk under the Business Indicator Approach is computed by applying the prescribed Internal Loss Multiplier ("ILM") to a 3-year average income-based metric (Business Indicator Component) that reflects the size and complexity of business operations of the Bank.

Prior to 1 January 2025, the Bank applied the Basic Indicator Approach for operational risk where capital requirement is computed based on earnings at risk on the Bank’s gross income for a fixed number of quarterly periods.

The Bank's Pillar 3 Disclosure is governed by BNM's Guidelines on Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Banks (CAFIB) - Disclosure Requirements (Pillar 3) which set out the minimum disclosure standards. The approach in determining the appropriateness of information disclosed and the internal controls over the disclosure process which cover the verification and review of the accuracy of information disclosed. The information provided herein has been verified by the Internal Audit Department ("IAD") and attested by the Chief Executive Officer. The information is not audited as this is not a requirement. Where required, comparative prior year values have been restated to align with current year's presentation of the disclosures.

The Bank's main business activity is commercial banking which focuses on corporate and investment banking and treasury operations. The Bank is also involved in Islamic Banking activities under the International Currency Business Unit ("ICBU") and in Islamic Banking Operations under Skim Perbankan Islam ("SPI") framework.

The following table presents the minimum regulatory capital requirement to support the Bank's risk-weighted assets:

| | 2025 September | | 2025 March | |
|---|---|---|---|---|
| | Risk-Weighted Assets RM'000 | Minimum Capital Requirement at 8% RM'000 | Risk-Weighted Assets RM'000 | Minimum Capital Requirement at 8% RM'000 |
| Credit Risk | 13,700,853 | 1,096,068 | 13,673,134 | 1,093,852 |
| Market Risk | 1,279,896 | 102,392 | 1,334,208 | 106,737 |
| Operational Risk | 1,721,741 | 137,739 | 1,455,118 | 116,409 |
| | 16,702,490 | 1,336,199 | 16,462,460 | 1,316,998 |

The Bank does not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in BNM's CAF.

## 2. CAPITAL MANAGEMENT

The Bank's capital management is guided by its risk appetite and outlines the Bank's objective to diversify its sources of capital and to allocate capital efficiently, directed by the need to maintain a prudent relationship between available capital and risks in the underlying businesses to meet the expectations of key stakeholders, including the holding company and BNM.

The capital target for capital adequacy ratios is above the minimum regulatory capital requirements and has factored in the expected capital required under the current and future operating environment to support credit, market and operational risks as well as the Bank's business growth.

The Bank-wide stress testing process assesses the Bank's capital requirements under stress events including plausible, exceptional but plausible scenario and worst case scenario, to gauge the ability of the Bank's capital to withstand and absorb external shocks. The results of the stress test are to facilitate the formulation of pre-emptive remedial actions if the stress test reveals that the Bank's capital will be adversely affected under such events. The results of the stress test together with remedial actions, if any, are tabled to the Risk Management Committee ("RMC") and the Board for deliberations.

(a) Capital Adequacy Ratios

The capital adequacy ratios of the Bank are as follows:

| | 2025 September<br>% | 2025 March<br>% |
|---|---|---|
| Common equity Tier 1 ("CET 1") capital ratio | 28.730 | 29.116 |
| Tier 1 capital ratio | 28.730 | 29.116 |
| Total capital ratio | 29.756 | 30.063 |

The capital adequacy ratios consist of total capital and risk-weighted assets derived from balances of the Bank.

The minimum regulatory capital adequacy requirements including capital conservation buffer for the following capital ratios are:

| | | |
|---|---|---|
| CET 1 Capital | 7.00 | % |
| Tier 1 Capital | 8.50 | % |
| Total Capital | 10.50 | % |

Please refer to Note 34(k) for Islamic Banking operation capital adequacy.

(b) The components of CET 1, Tier 1 and total capital of the Bank are as follows:

| | 2025 September<br>RM'000 | 2025 March<br>RM'000 |
|---|---|---|
| CET 1 and Tier 1 capital | | |
| ● Paid-up share capital | 200,000 | 200,000 |
| ● Retained profits | 4,622,482 | 4,622,482 |
| ● Other reserves | 202,703 | 124,311 |
| | 5,025,185 | 4,946,793 |
| Less: Deferred tax assets | (19,404) | (19,404) |
| Intangible assets | (17,984) | (22,364) |
| 55% of fair value reserve | (16,876) | (15,476) |
| Regulatory reserve | (172,231) | (96,383) |
| | 4,798,690 | 4,793,166 |
| Tier 2 capital | | |
| ● Stage 1 and 2 ECL and regulatory reserve | 171,261 | 155,918 |
| Total capital | 4,969,951 | 4,949,084 |

**2. CAPITAL MANAGEMENT (CONTD)**

(c) The components of risk-weighted assets of the Bank are as follows:

**2025 September**

| | **Exposure Class** | **Gross Exposures RM'000** | **Net Exposures RM'000** | **Risk-Weighted Assets RM'000** | **Minimum Capital Requirements at 8% RM'000** |
|---|---|---|---|---|---|
| **(i)** | **Credit Risk** | | | | |
| | On-Balance Sheet Exposures: | | | | |
| | Sovereigns/Central Banks | 4,415,048 | 4,415,048 | 79,659 | 6,373 |
| | Public Sector Entities | 7,587 | 7,587 | 1,518 | 121 |
| | Banks, Development Financial Institutions & MDBs | 5,224,313 | 5,224,313 | 1,115,706 | 89,256 |
| | Insurance Cos, Securities Firms & Fund Managers | 1 | 1 | 1 | - |
| | Corporates | 19,693,247 | 19,693,247 | 9,016,069 | 721,286 |
| | Regulatory Retail | 647 | 647 | 647 | 52 |
| | Residential Mortgages | 12,227 | 12,227 | 4,812 | 385 |
| | Equity Exposures | 28,442 | 28,442 | 28,442 | 2,275 |
| | Other Assets | 1,092,831 | 1,092,831 | 959,628 | 76,770 |
| | Defaulted Exposures | 529 | 529 | 529 | 42 |
| | Total On-Balance Sheet Exposures | 30,474,872 | 30,474,872 | 11,207,011 | 896,560 |
| | Off-Balance Sheet Exposures: | | | | |
| | Credit-Related Exposures | 1,171,259 | 1,171,259 | 1,030,335 | 82,427 |
| | Derivatives Financial Instruments | 2,459,575 | 2,459,575 | 1,463,507 | 117,081 |
| | Total Off-Balance Sheet Exposures | 3,630,834 | 3,630,834 | 2,493,842 | 199,508 |
| | Total On and Off-Balance Sheet Exposures | 34,105,706 | 34,105,706 | 13,700,853 | 1,096,068 |
| | | **Long Position RM'000** | **Short Position RM'000** | | |
| **(ii)** | **Market Risk** | | | | |
| | Interest Rate Risk | 89,489,293 | (88,457,796) | 1,153,296 | 92,264 |
| | Foreign Currency Risk | 5,945 | (126,603) | 126,600 | 10,128 |
| | | 89,495,238 | (88,584,399) | 1,279,896 | 102,392 |
| **(iii)** | **Operational Risk** | | | 1,721,741 | 137,739 |
| | **Total RWA and Capital Requirements** | 34,105,706 | 34,105,706 | 16,702,490 | 1,336,199 |

## 2. CAPITAL MANAGEMENT (CONTD)

(c) The components of risk-weighted assets of the Bank are as follows: (Contd)

| **2025 March**<br>**Exposure Class** | **Gross Exposures RM'000** | **Net Exposures RM'000** | **Risk-Weighted Assets RM'000** | **Minimum Capital Requirements at 8% RM'000** |
|---|---|---|---|---|
| **(i) Credit Risk** | | | | |
| On-Balance Sheet Exposures: | | | | |
| Sovereigns/Central Banks | 6,020,882 | 6,020,882 | 100,157 | 8,013 |
| Banks, Development Financial Institutions & MDBs | 3,516,102 | 3,516,102 | 1,026,719 | 82,138 |
| Corporates | 20,561,601 | 20,561,601 | 9,096,850 | 727,748 |
| Regulatory Retail | 1,110 | 1,110 | 1,110 | 89 |
| Residential Mortgages | 10,344 | 10,344 | 4,695 | 376 |
| Equity Exposures | 28,442 | 28,442 | 28,442 | 2,275 |
| Other Assets | 1,143,195 | 1,143,195 | 982,941 | 78,635 |
| Defaulted Exposures | 1,938 | 1,938 | 1,938 | 155 |
| Total On-Balance Sheet Exposures | 31,283,615 | 31,283,615 | 11,242,853 | 899,429 |
| Off-Balance Sheet Exposures: | | | | |
| Credit-Related Exposures | 1,192,703 | 1,192,703 | 1,140,885 | 91,271 |
| Derivatives Financial Instruments | 2,196,712 | 2,196,712 | 1,289,396 | 103,152 |
| Total Off-Balance Sheet Exposures | 3,389,415 | 3,389,415 | 2,430,281 | 194,423 |
| Total On and Off-Balance Sheet Exposures | 34,673,030 | 34,673,030 | 13,673,134 | 1,093,852 |
| | **Long Position RM'000** | **Short Position RM'000** | | |
| **(ii) Market Risk** | | | | |
| Interest Rate Risk | 80,560,660 | (79,974,564) | 1,152,608 | 92,209 |
| Foreign Currency Risk | 181,601 | (3,498) | 181,600 | 14,528 |
| | 80,742,261 | (79,978,062) | 1,334,208 | 106,737 |
| **(iii) Operational Risk** | | | 1,455,118 | 116,409 |
| **Total RWA and Capital Requirements** | 34,673,030 | 34,673,030 | 16,462,460 | 1,316,998 |

## 3. RISK MANAGEMENT FRAMEWORK

The management of risk within the Bank is governed by a risk management framework, which sets out the risk management governance and infrastructure, risk management processes and control responsibilities. In the Bank, effective risk management is inculcated by a risk awareness culture across all levels of staff in the Bank through effective communication, training, clear policies, procedures and organisational structure, which clearly defined roles and responsibilities as well as the commitment of all employees to a risk management framework. The risk governance of the Bank is as set out below

**Board of Directors**

*Maintain overall responsibility for risk management*

**Board Committees**

- Risk Management Committee ("RMC")

*To establish risk appetite and policy and to review all adherence and compliance to risk management policy*

- Audit Committee ("AC")

*To oversee and review quality of audits conducted by internal and external auditors*

**Shariah Committee**

*To advise the Bank on Shariah matters relating to Islamic Banking operations*

**Dedicated Risk & Compliance Management Committees**

- Credit Risk Management Committee ("CRMC")
- Market Risk, Assets & Liabilities Management Committee ("ALCO")
- Operational Risk Management and Control Committee ("ORMCC")
- IT Steering Committee ("ITSC")
- Business Continuity Management ("BCM") Committee
- Occupational Safety and Health ("OSHA") Committee
- Compliance Committee ("CCM")
- New Product Committee

*Ensure implementation of risk policies and compliance to rules*

**Dedicated Independent Risk Management & Compliance Control Units**

- Credit Risk Management Department
- Market Risk Management Department
- Operational Risk Management Department
- Compliance Department

*Implement and monitor compliance with risk policies*

**Internal Audit**

*Independent assessment of adequacy and reliability of the risk management process*

## 3. RISK MANAGEMENT FRAMEWORK (CONTD)

The Board is ultimately responsible for the management of risks. The Board, through the RMC, maintains overall responsibilities for risk oversight within the Bank. The risk appetite statement embodies the Bank's stance towards the levels of risks and serves as a guide in the formulation of the Bank's strategic direction and business objectives

The RMC is responsible for total risk oversight covering credit risk, market risk, liquidity risk, compliance risk, operation risk, information security risk and unique risk for Islamic financial business in particular Shariah non-compliance risk. Other key functions of RMC include reviewing risk management policies and limits, reviewing reports on risk exposures and risk portfolio composition and ensuring that infrastructure, resources and systems are in place for risk management activities

The AC is supported by IAD to provide an independent assessment of the adequacy and reliability of the risk management processes and its compliance with risk policies and regulatory requirements.

The Shariah Committee ("SC") advises the Bank on Shariah matters relating to the Islamic banking operations. The Committee ensures that the operations of Islamic banking, its products, processes and legal documentation are in line with Shariah principles.

The CRMC, the ALCO, and the ORMCC assist the RMC in managing credit, balance sheet & liquidity, market and operational risks respectively, whereas compliance risk is monitored and managed through Compliance Committee Meeting ("CCM"). These committees are responsible for overseeing the development and implementation of risk management and compliance policies to facilitate the managing and monitoring of risk exposures and portfolio composition. It is also to ensure that adequate infrastructure, resources and systems are put in place to support the risk management and compliance process.

The designated independent risk management control units provide crucial support to the RMC and are responsible for ensuring risk policies are implemented and complied with. They are also responsible for the identification, evaluation, measurement, controlling, monitoring and reporting of risk.

The Bank has established a structured approach to risk management which balances risks against returns, as well as integrated risk management processes across key risk areas. The risk management activities encompass four broad processes namely risk identification, risk evaluation and measurement, risk control and mitigation, risk monitoring and reporting which lead to a balanced risk-return. It is the Bank’s policy that all risk management policies are subject to frequent reviews to ensure that they remain relevant and effective in managing the associated risks arising from changes in both operating and regulatory environments.

The integrated risk management process follows four broad processes:

| **Risk identification** | **Risk Evaluation and Measurement** | **Risk Control and Mitigation** | **Risk Monitoring and Reporting** |
|---|---|---|---|
| To identify, understand and analyse risks | To quantify, measure and assess risk impact | To recommend measures to control and mitigate risks | To monitor and report on progress and compliance |

## 3. RISK MANAGEMENT FRAMEWORK (CONTD)

### Internal Capital Adequacy Assessment Process ("ICAAP")

The Bank has put in place process for assessing its capital adequacy under the BNM's Risk-Weighted Capital Adequacy Framework (Basel II) - Internal Capital Adequacy Assessment Process (Pillar 2) in relation to its risk profile and strategy for maintaining adequate capital levels relative to its risk profile. The Bank's ICAAP framework includes procedures and measures designed to ensure the following

- Appropriate identification and measurement of material risks
- Appropriate level of internal capital relative to the Bank's risk profile
- Sufficient policy and procedures to ensure on-going capital adequacy
- Development and implementation of suitable risk management metholodogies, systems and processes

The Principle of Proportionality is adopted whereby the degree of formalisation and sophistication of the ICAAP is proportionate to the size, nature of business and complexity of Bank's activities. It uses sound techniques and methodologies that commensurate with the current practices and business environment. Material risk assessment is conducted annually covering risks under Pillar 1 & 2 and other risks with documentation of the Bank's risk profile in a risk inventory. Material risk is defined as potential risk exposure that might have impact on the Bank's business operations, profitability, capital and reputation. The material risk assessment is measured by risk frequency and monetary impact and it is reviewed annually to reflect the changes to its business plan, operating environment or other factors, guided by the methodologies, processes, empirical data and assumptions

The risk inventory assessment and review process ensures that all risks are identified and evaluated for their relevance, materiality, mitigation, management and capitalisation considerations that formed an integral part of internal capital trigger and target setting process.

The Bank's internal capital trigger and target are set to ensure that the Bank's capital level is resilient under stressed economic conditions, commensurate with the risk profile of the Bank and remains above regulatory requirements.

The Bank's capital adequacy ratio is being monitored through Risk Appetite Statement ("RAS") dashboard and is reported to the RMC and the Board on a quarterly basis.

### Stress Testing/Reverse Stress Testing

Stress testing framework has been integrated into the Bank's risk management structure and is used as a risk management tool for evaluation of the potential impact on the Bank's capital adequacy and performance under stress conditions. Reverse stress testing ("RST") process is also part of the Bank's stress testing framework with the objective to identify a range of adverse scenarios and trigger points that could potentially threaten the viability of the Bank's business model, including solvency concern and liquidity crunch. The assessment covers the likelihood of such events that could materialise over a time horizon that enables the Bank to identify its potential vulnerabilities and fault lines in its business model.

The stress testing framework is approved by the Board. The Management is actively involved in the process of designing the stress test program, ensuring the assumptions are relevant and consistent with the Bank's risk profile and is conducted properly and any exceptions noted have been dealt with appropriately

The results of the stress test are compared against internal capital trigger and target, as part of the sound capital management process under ICAAP, which are reported to RMC and the Board on a half-yearly basis. The stress test results are deliberated to consider the implications on the Bank's business profile and to consider corrective measures where necessary

## 4. CREDIT RISK

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. The Bank’s exposure to credit risk is primarily from its lending and financing to large corporations and small and medium-sized companies ("SMEs"). Trading and investing the surplus funds of the Bank, such as trading or holding of debt securities, settlement of transactions, also exposed the Bank to credit risk and counterparty credit risk

**Risk Governance**

The CRMC supports the RMC in credit risk management oversight. The CRMC reviews the Bank's credit risk framework and policies, aligns credit risk management with business strategies and planning, reviews credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance level

The Bank's credit risk management includes the establishment of comprehensive credit risk policies, guidelines and procedures which document the Bank's lending standards, discretionary power for loans approval, credit risk rating, acceptable collateral and valuation, and the review, rehabilitation and restructuring of problematic and delinquent loans. All credit processing officers are guided by credit policies, guidelines and procedures which are periodically reviewed to ensure their continued relevance

Within the risk management control units, the Credit Risk Management Department ("CRMD") has functional responsibility for credit risk management which includes formulating and reviewing credit risk related policies, guidelines and procedures. Other independent risk management and control units are responsible for managing the other risks and ensuring the respective risk policies are implemented and complied with. The department is also involved in post-implementation validation of borrower rating model which include the assessment of accuracy and discriminatory power of rating model

**Risk Management Approach**

The Bank manages its credit risk by using its internal credit rating system. The purpose of the credit rating system is to objectively evaluate the credit worthiness/credit risk (i.e. the probability of future credit losses over a period of time) of the borrowers which it extends credit. A borrower is not only screened at the time of initial extension of credits but also monitored continuously during the entire term until the full repayment. Efforts are made towards the early detection of latent problems by assessing the credit risk of borrowers on an on-going basis. Credit examination by the holding company is one of the processes used to verify the suitability of a credit rating and the soundness of a portfolio from a third party's perspective to avoid risk concentration within specific industries, specific purposes or secured by the same type c collateral.

Credit risk management reports are regularly presented to both the CRMC and the RMC, containing information on trends across major portfolios, including credit exposure, quality of credit portfolios, results of the credit profiling conducted, significant credit exposures to connected parties and credit concentration by economic sectors and by large single counterparty. Such information allows Management to identify adverse credit trends, take corrective actions and formulate business strategies

**Distribution of Credit Exposures**

The following tables present the credit exposures of financial assets before the effect of credit risk mitigation, broken down by the relevant category and class of financial assets against the relevant economic sectors, geographical location and maturity. For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amounts. For financial guarantees, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

**4. CREDIT RISK (CONTD)**

**Distribution of Credit Exposures (Contd)**

(a) The following tables present the credit exposures of financial assets of the Bank analysed by economic sectors:

| 2025 September | Cash and Short-Term Funds RM'000 | Reverse Repurchase Agreements RM'000 | Deposits and Placement with Financial Institutions RM'000 | Financial Assets at FVTPL RM'000 | Financial Investments at FVOCI RM'000 | Loans, Advances and Financing# RM'000 | Embedded Loans Measured at FVTPL RM'000 | Purchased Receivables # RM'000 | Collateral Deposits Placed RM'000 | Derivative Financial Assets RM'000 | Statutory Deposits with BNM RM'000 | Other Financial Assets RM'000 | On-Balance Sheet Total RM'000 | Commitments and Contingencies * RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Agricultural | - | - | - | - | - | 100,019 | - | - | - | 66 | - | - | 100,085 | 192,105 |
| Mining and quarrying | - | - | - | - | - | 222,650 | 4,375 | - | - | 3,047 | - | - | 230,072 | 317,356 |
| Manufacturing | - | - | - | - | - | 1,645,681 | 16,612 | 33,085 | - | 52,138 | - | - | 1,747,516 | 4,882,923 |
| Electricity, gas and water | - | - | - | - | - | 221,321 | 1,604,858 | - | - | 4,844 | - | - | 1,831,023 | 3,331,064 |
| Construction | - | - | - | - | - | 168,793 | 726,729 | - | - | 3,912 | - | - | 899,434 | 913,227 |
| Wholesale, retail trade, restaurants and hotels | - | - | - | - | - | 203,059 | - | - | - | 12,261 | - | - | 215,320 | 3,833,187 |
| Transport, storage and communication | - | - | - | - | - | 1,072,919 | 1,069,477 | - | - | 22,217 | - | - | 2,164,613 | 634,481 |
| Finance, insurance, real estate and business services | 2,772,486 | 50,830 | 169,624 | - | 905,616 | 5,285,461 | 9,099,438 | 378,353 | 307,599 | 266,040 | - | 3,671 | 19,239,118 | 6,800,211 |
| Government and government agencies | 2,022,000 | - | 418,776 | 850,144 | 1,023,317 | - | - | - | - | 3,785 | 16,465 | 7,791 | 4,342,278 | - |
| Households | - | - | - | - | - | 13,630 | - | - | - | - | - | - | 13,630 | - |
| Others | - | - | - | - | 2 | - | - | - | - | - | - | 72 | 74 | 500 |
| | 4,794,486 | 50,830 | 588,400 | 850,144 | 1,928,935 | 8,933,533 | 12,521,489 | 411,438 | 307,599 | 368,310 | 16,465 | 11,534 | 30,783,163 | 20,905,054 |
| Other assets not subject to credit risk | - | - | - | - | - | - | - | - | - | - | - | 55,473 | 55,473 | - |
| | 4,794,486 | 50,830 | 588,400 | 850,144 | 1,928,935 | 8,933,533 | 12,521,489 | 411,438 | 307,599 | 368,310 | 16,465 | 67,007 | 30,838,636 | 20,905,054 |

# Stated at gross.
* Commitments and contingencies excluding derivative financial assets and embedded loans measured at FVTPL.

**4. CREDIT RISK (CONTD)**

**Distribution of Credit Exposures (Contd)**

(a) The following tables present the credit exposures of financial assets of the Bank analysed by economic sectors: (Contd)

| 2025 March | Cash and Short-Term Funds RM'000 | Reverse Repurchase Agreements RM'000 | Deposits and Placement with Financial Institutions RM'000 | Financial Assets at FVTPL RM'000 | Financial Investments at FVOCI RM'000 | Loans, Advances and Financing# RM'000 | Embedded Loans Measured at FVTPL RM'000 | Purchased Receivables # RM'000 | Collateral Deposits Placed RM'000 | Derivative Financial Assets RM'000 | Other Financial Assets RM'000 | Statutory Deposits with BNM RM'000 | On-Balance Sheet Total RM'000 | Commitments and Contingencies * RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Agricultural | - | - | - | - | - | - | - | - | - | 21 | - | - | 21 | 294,310 |
| Mining and quarrying | - | - | - | - | - | 303,720 | 60,675 | - | - | 634 | - | - | 365,029 | 225,750 |
| Manufacturing | - | - | - | - | - | 1,420,999 | 26,304 | 120,202 | - | 54,420 | - | - | 1,621,925 | 5,307,877 |
| Electricity, gas and water | - | - | - | - | - | 202,699 | 1,521,512 | - | - | 3,804 | - | - | 1,728,015 | 1,126,500 |
| Construction | - | - | - | - | - | 258,772 | 701,405 | - | - | 2,089 | - | - | 962,266 | 963,595 |
| Wholesale, retail trade, restaurants and hotels | - | - | - | - | - | 423,859 | - | 1,088 | - | 10,003 | - | - | 434,950 | 3,757,000 |
| Transport, storage and communication | - | - | - | - | - | 837,654 | 843,666 | - | - | 10,380 | - | - | 1,691,700 | 919,129 |
| Finance, insurance, real estate and business services | 2,000,755 | - | 123,382 | - | 907,681 | 4,064,136 | 10,810,162 | 690,597 | 35,809 | 248,386 | - | 7,062 | 18,887,970 | 5,679,925 |
| Government and government agencies | 4,425,000 | - | 445,707 | 292,508 | 834,085 | - | - | - | - | 32,526 | 9,017 | 8,913 | 6,047,756 | - |
| Households | - | - | - | - | - | 13,596 | - | - | - | - | - | - | 13,596 | 107 |
| Others | - | - | - | - | 2 | - | - | - | - | 8 | - | 1,018 | 1,028 | 500 |
| | 6,425,755 | - | 569,089 | 292,508 | 1,741,768 | 7,525,435 | 13,963,724 | 811,887 | 35,809 | 362,271 | 9,017 | 16,993 | 31,754,256 | 18,274,693 |
| Other assets not subject to credit risk | - | - | - | - | - | - | - | - | - | - | - | 23,344 | 23,344 | - |
| | 6,425,755 | - | 569,089 | 292,508 | 1,741,768 | 7,525,435 | 13,963,724 | 811,887 | 35,809 | 362,271 | 9,017 | 40,337 | 31,777,600 | 18,274,693 |

# Stated at gross.
* Commitments and contingencies excluding derivative financial assets and embedded loans measured at FVTPL.

## 4. CREDIT RISK (CONTD)

**Distribution of Credit Exposures (Contd)**

(b) The following tables present the credit exposures of financial assets analysed by geographical location based on where the credit risk resides:

| | 2025 September | | 2025 March | |
|---|---|---|---|---|
| | Malaysia RM'000 | Other Countries RM'000 | Malaysia RM'000 | Other Countries RM'000 |
| Cash and short-term funds | 4,052,069 | 742,417 | 5,925,071 | 500,684 |
| Reverse repurchase agreements | 50,830 | - | - | - |
| Deposits and placement with financial institutions | 446,155 | 142,245 | 451,237 | 117,852 |
| Financial assets at FVTPL | 850,144 | - | 292,508 | - |
| Financial investments at FVOCI | 1,928,935 | - | 1,682,948 | 58,820 |
| Loans, advances and financing | 4,746,020 | 4,187,513 | 4,773,319 | 2,752,116 |
| Embedded loans measured at FVTPL * | 12,543,314 | (21,825) | 13,959,053 | 4,671 |
| Purchased receivables | 70,328 | 341,110 | 161,864 | 650,023 |
| Collateral deposits placed | 307,599 | - | 35,809 | - |
| Derivative financial assets | 281,190 | 87,120 | 318,210 | 44,061 |
| Statutory deposits with Bank Negara Malaysia | 16,465 | - | 9,017 | - |
| Other assets | 67,007 | - | 40,337 | - |
| **On-Balance Sheet Exposures** | 25,360,056 | 5,478,580 | 27,649,373 | 4,128,227 |
| **Off-Balance Sheet Exposures** | 2,906,150 | 724,684 | 2,834,967 | 554,448 |
| | 28,266,206 | 6,203,264 | 30,484,340 | 4,682,675 |

* The credit balances are exposure after netting off with the identified cover deals.

## 4. CREDIT RISK (CONTD)

**Distribution of Credit Exposures (Contd)**

(c) The following tables present the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets. Approximately 50% (2025 March: 56%) of the Bank's exposures to customers are short-term, having contractual maturity of one year or less:

| 2025 September | Up to 1 Month RM'000 | 1 to 3 Months RM'000 | 3 to 12 Months RM'000 | 1 to 5 Years RM'000 | Over 5 Years RM'000 | No Specific Maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and short-term funds | 3,432,069 | 620,000 | - | - | - | 742,417 | 4,794,486 |
| Reverse repurcahse agreements | 50,830 | - | - | - | - | - | 50,830 |
| Deposits and placement with financial institutions | - | 540,531 | - | - | - | 47,869 | 588,400 |
| Financial assets at FVTPL | - | - | - | 809,218 | 40,926 | - | 850,144 |
| Financial investments at FVOCI | - | 64,984 | 373,312 | 1,462,197 | - | 28,442 | 1,928,935 |
| Loans, advances and financing | 2,511,094 | 806,250 | 435,559 | 3,532,142 | 1,648,488 | - | 8,933,533 |
| Embedded loans measured at FVTPL | 1,501,513 | 1,066,997 | 2,993,657 | 6,943,149 | 16,173 | - | 12,521,489 |
| Purchased receivables | 239,186 | 172,252 | - | - | - | - | 411,438 |
| Collateral deposits placed | 307,599 | - | - | - | - | - | 307,599 |
| Derivative financial assets | 70,805 | 41,140 | 63,213 | 167,446 | 25,706 | - | 368,310 |
| Statutory deposits with Bank Negara Malaysia | - | - | - | - | - | 16,465 | 16,465 |
| Other assets | - | - | - | - | - | 67,007 | 67,007 |
| | 8,113,096 | 3,312,154 | 3,865,741 | 12,914,152 | 1,731,293 | 902,200 | 30,838,636 |

The residual contractual maturity for off-balance sheet exposures is not presented as the total off-balance sheet exposures do not represent future receivables since the Bank expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire or unconditionally cancelled by the Bank without them being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

## 4. CREDIT RISK (CONTD)

**Distribution of Credit Exposures (Contd)**

(c) The following tables present the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets. Approximately 50% (2025 March: 56%) of the Bank's exposures to customers are short-term, having contractual maturity of one year or less: (Contd)

| 2025 March | Up to 1 Month RM'000 | 1 to 3 Months RM'000 | 3 to 12 Months RM'000 | 1 to 5 Years RM'000 | Over 5 Years RM'000 | No Specific Maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and short-term funds | 5,375,071 | 550,000 | - | - | - | 500,684 | 6,425,755 |
| Reverse repurchase agreements | - | - | - | - | - | - | - |
| Deposits and placement with financial institutions | 559,797 | - | - | - | - | 9,292 | 569,089 |
| Financial assets at FVTPL | - | - | - | 292,508 | - | - | 292,508 |
| Financial investments at FVOCI | - | 65,162 | 209,432 | 1,438,732 | - | 28,442 | 1,741,768 |
| Loans, advances and financing | 2,520,231 | 180,515 | 854,938 | 2,899,553 | 1,070,198 | - | 7,525,435 |
| Embedded loans measured at FVTPL | 355,235 | 837,662 | 5,169,111 | 7,601,716 | - | - | 13,963,724 |
| Purchased receivables | 350,011 | 433,333 | 28,543 | - | - | - | 811,887 |
| Collateral deposits placed | 35,809 | - | - | - | - | - | 35,809 |
| Derivative financial assets | 37,233 | 38,610 | 98,454 | 138,952 | 49,022 | - | 362,271 |
| Statutory deposits with Bank Negara Malaysia | - | - | - | - | - | 9,017 | 9,017 |
| Other assets | - | - | - | - | - | 40,337 | 40,337 |
| | 9,233,387 | 2,105,282 | 6,360,478 | 12,371,461 | 1,119,220 | 587,772 | 31,777,600 |

The residual contractual maturity for off-balance sheet exposures is not presented as the total off-balance sheet exposures do not represent future receivables since the Bank expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire or unconditionally cancelled by the Bank without them being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

## 4. CREDIT RISK (CONTD)

### Distribution of Credit Exposures (Contd)

(d) Off-Balance Sheet Exposures and Counterparty Credit Risk

(i) Off-Balance Sheet Exposures

Off-balance sheet exposures of the Bank are mainly from the following:

- Financial guarantees and standby letters of credit, which represent undertakings that the Bank will make payments in the event that a customer cannot meet its obligations to third parties. These exposures carry the same credit risk as loans even though they are contingent in nature;

- Documentary and commercial letters of credit, which are undertakings by the Bank on behalf of the customer. These exposures are usually collateralised by the underlying shipment of goods to which they relate;

- Commitments to extend credit including the unutilised or undrawn portions of credit facilities; and

- Principal/notional amount of derivative financial instruments.

The management of off-balance sheet exposures is in accordance to the credit risk management approach as set out in the above disclosure.

(ii) Counterparty Credit Risk on Derivative Financial Instruments

Counterparty Credit Risk ("CCR") on derivative financial instruments is the risk that the Bank's counterparty in a foreign exchange, interest rate, commodity, equity, options or credit derivative contract defaults prior to maturity date of the contract and that the Bank at the relevant time has a claim on the counterparty. Apart from derivative financial instruments that are originated from customer-driven transactions, the Bank may also take trading derivative positions, within certain pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates.

Unlike on-balance sheet financial instruments, the Bank's financial loss is not the entire contracted principal value of the derivatives, but rather a fraction equivalent to the cost to replace the defaulted derivative financial instruments with another similar contract in the market. The Bank will only suffer a replacement cost if the contract carries a fair value gain at time of default.

(iii) Risk Management Approach

The CCR arising from all derivative financial instruments is managed via the establishment of counterparty limits and also managed as part of the overall lending limits to banks and customers based on BNM's Single Counterparty Exposure Limit ("SCEL"). Where possible, Over-the-Counter ("OTC") derivative financial instruments, especially Interest Rate Swaps and Options are transacted under master agreements, International Swaps and Derivatives Association ("ISDA") and Credit Support Annex ("CSA") agreements. ISDA allows for the close-out netting in the event of default by a counterparty and CSA provides credit protection with the requirements to post collateral usually in the form of cash or government securities upon any exposure above the agreed threshold levels.

All outstanding financial derivative positions are marked-to-market on a daily basis. Market Risk Management Department ("MRMD") and Processing Department ("PRO") monitor counterparties' positions and promptly request the collateral upon any exposure above the agreed threshold levels with relevant parties. Where possible, the Bank settles its OTC derivatives via the Payment-versus-Payment ("PVP") settlement method to further reduce settlement risk. For derivative financial instruments where the PVP settlement method is not possible, the Bank establishes settlement limits through the Bank's credit approval process.

(iv) Credit Rating Downgrade

In the event of a one-notch downgrade of rating for the Bank, based on the terms of the existing CSA of ISDA, the estimated additional collateral to be posted was Nil for 30 September 2025 (2025 March: RM Nil).

**4. CREDIT RISK (CONTD)**

**Distribution of Credit Exposures (Contd)**

(d) Off-Balance Sheet Exposures and Counterparty Credit Risk (Contd)

(iv) Credit Rating Downgrade (Contd)

The following table presents a breakdown of the off-balance sheet exposures of the Bank:

| | Principal Amount RM'000 | Positive Fair Value of Derivative Contracts RM'000 | Credit Equivalent Amount RM'000 | Risk-Weighted Assets RM'000 |
|---|---|---|---|---|
| **2025 September** | | | | |
| **Contingent Liabilities** | | | | |
| Direct credit substitutes | 461,880 | | 461,880 | 449,176 |
| Transaction related contingent items | 1,276,829 | | 638,414 | 503,660 |
| Short-term self liquidating trade-related contingencies | 161,596 | | 32,319 | 38,897 |
| **Commitments** | | | | |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: | | | | |
| ● not exceeding one year | 135,717 | | 27,143 | 27,143 |
| ● exceeding one year | 23,006 | | 11,503 | 11,459 |
| Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 18,846,026 | | - | - |
| | 20,905,054 | | 1,171,259 | 1,030,335 |
| **Embedded Loans** | | | | |
| Foreign exchange related contracts | | | | |
| ● one year or less | 11,733,858 | 131,134 | 231,281 | 119,557 |
| ● over one year to five years | 11,514,241 | 430,404 | 945,703 | 580,675 |
| Interest rate related contracts | | | | |
| ● one year or less | 7,107,616 | 15,517 | 12,189 | 4,140 |
| ● over one year to five years | 6,913,781 | 17,707 | 135,245 | 58,095 |
| | 37,285,496 | 594,859 | 1,325,355 | 763,404 |
| **Derivative Financial Instruments** | | | | |
| Foreign exchange related contracts | | | | |
| ● one year or less | 29,365,827 | 169,713 | 514,025 | 340,408 |
| ● over one year to five years | 1,989,546 | 113,452 | 223,083 | 190,244 |
| ● over five years | 243,680 | 14,579 | 37,894 | 18,948 |
| Interest rate related contracts | | | | |
| ● one year or less | 7,456,957 | 3,664 | 11,666 | 3,816 |
| ● over one year to five years | 11,847,552 | 54,464 | 286,618 | 107,280 |
| ● over five years | 911,218 | 11,127 | 56,935 | 35,408 |
| Currency options * | | | | |
| ● one year or less | 179,177 | 1,311 | 3,999 | 3,999 |
| | 51,993,957 | 368,310 | 1,134,220 | 700,103 |
| | 110,184,507 | 963,169 | 3,630,834 | 2,493,842 |

* Only buy legs are taken into account for counterparty credit risk purposes.

**4. CREDIT RISK (CONTD)**

**Distribution of Credit Exposures (Contd)**

(d) Off-Balance Sheet Exposures and Counterparty Credit Risk (Contd)

(iv) Credit Rating Downgrade (Contd)

The following table presents a breakdown of the off-balance sheet exposures of the Bank: (Contd)

| | Principal Amount RM'000 | Positive Fair Value of Derivative Contracts RM'000 | Credit Equivalent Amount RM'000 | Risk-Weighted Assets RM'000 |
|---|---|---|---|---|
| **2025 March** | | | | |
| **Contingent Liabilities** | | | | |
| Direct credit substitutes | 649,111 | | 649,111 | 642,279 |
| Transaction related contingent items | 954,098 | | 477,049 | 432,077 |
| Short-term self liquidating trade-related contingencies | 117,482 | | 23,496 | 23,496 |
| **Commitments** | | | | |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: | | | | |
| ● not exceeding one year | 94,169 | | 18,834 | 18,834 |
| ● exceeding one year | 48,425 | | 24,213 | 24,199 |
| Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 16,411,408 | | - | - |
| | 18,274,693 | | 1,192,703 | 1,140,885 |
| **Embedded Loans** | | | | |
| Foreign exchange related contracts | | | | |
| ● one year or less | 12,843,312 | 232,021 | 356,959 | 132,126 |
| ● over one year to five years | 11,741,055 | 365,132 | 734,109 | 458,530 |
| Interest rate related contracts | | | | |
| ● one year or less | 6,336,554 | 15,418 | 16,390 | 6,711 |
| ● over one year to five years | 6,881,380 | 28,441 | 96,295 | 39,135 |
| | 37,802,301 | 641,012 | 1,203,753 | 636,502 |
| **Derivative Financial Instruments** | | | | |
| Foreign exchange related contracts | | | | |
| ● one year or less | 24,577,606 | 167,706 | 509,611 | 367,102 |
| ● over one year to five years | 1,583,339 | 110,526 | 141,568 | 98,717 |
| ● over five years | 590,245 | 36,299 | 110,477 | 79,598 |
| Interest rate related contracts | | | | |
| ● one year or less | 5,030,565 | 5,301 | 6,888 | 3,004 |
| ● over one year to five years | 9,212,542 | 28,426 | 181,222 | 76,549 |
| ● over five years | 919,708 | 12,722 | 39,347 | 24,078 |
| Currency options * | | | | |
| ● one year or less | 170,348 | 1,291 | 3,846 | 3,846 |
| | 42,084,353 | 362,271 | 992,959 | 652,894 |
| | 98,161,347 | 1,003,283 | 3,389,415 | 2,430,281 |

* Only buy legs are taken into account for counterparty credit risk purposes.

**4. CREDIT RISK (CONTD)**

**Distribution of Credit Exposures (Contd)**

(e) Securitisation Exposures

The Bank acts as principal adviser, lead arranger, lead manager, facility agent and/or liquidity provider for third party securitisation with originators. A bankruptcy remote special purpose vehicles, Merdeka Kapital Bhd ("MKB") and Ziya Capital Berhad ("Ziya") or (collectively "SPVs") was established to enter into an agreement with multi-originators to purchase or acquire portfolios of Receivables from them and in turn the SPVs will fund its purchase by issuing series of Asset-backed Medium-Term Notes ("MTNs") backed by such portfolio of Receivables. Horizon Funding Corporation (a bankruptcy remote SPV incorporated in Cayman Islands), acts as a funding vehicle to subscribe to the issuance under the Asset-Backed MTNs Programme.

Both MKB (Conventional Securitization SPV) and Ziya (Islamic Securitization SPV) have its own unrated Asset-backed MTN Programme. The Bank provided liquidity facility to MKB which was recognised as off-balance sheet in the banking book. The Bank also acted as a derivative counterparty for the SPVs. Both MKB's and Ziya's credit facilities have been settled and terminated in April 2024 and July 2021 respectively.

*Risk Management Approach*

The Bank provided liquidity facility to MKB to cover short-term cash flows disruptions for each of the securitisation exposures. The credit and liquidity risks of the Bank were mitigated by the respective waterfall payment obligations of MKB and Ziya. In this instance, the repayment obligation to the Bank as liquidity provider had been made amongst the top priority in the waterfall payment (normally after tax payment obligations to the authorities)

The use of this liquidity facility by MKB was limited to cover short-term cash flows disruptions in relation to payment obligation in respect of each securitisation exposures. It was not to be drawn to provide credit support, cover losses sustained or act as a revolving fund. In addition, the liquidity facility could only be drawn subjected to the conditions that no potential of default or event of default has occurred as well as other terms and conditions set forth in the liquidity facility agreements entered into

## 4. CREDIT RISK (CONTD)

### Credit Risk Mitigation

The Bank's approach in granting credit facilities is based on the credit standing of the customer, source of repayment and debt servicing ability rather than placing primary reliance on Credit Risk Mitigants ("CRM"). Depending on the customer's standing and the type of product, facilities may be provided unsecured. Nevertheless, mitigation of credit risk is a key aspect of effective risk management and takes many forms.

The main types of collateral obtained by the Bank to mitigate credit risk are as follows:

(a) for corporate loans - secured by cash deposits, corporate guarantees and charges over properties or assets being financed.

(b) for retail mortgages - charges over residential properties.

(c) for derivatives - additional margin for exposures above the agreed threshold.

There is no material concentration of CRM held. Presently, the CRM that includes bank guarantees and shares are governed by various monitoring limits to ensure such concentration risk is properly managed.

The reliance that can be placed on CRM is carefully assessed in light of issues such as legal enforceability, market value and counterparty credit risk of the guarantor. Policies and procedures are in place to govern the protection of the Bank's position from the onset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed upon documentation to ensure the legal enforceability of the credit risk mitigants

The valuation of CRM seeks to monitor and ensure that they will continue to provide the credit protection. Policy on the periodic valuation updates of CRM is in place to ensure this. The value of properties taken as collateral is generally updated from time to time during the review of the customers' facilities to reflect the current market value. The quality, liquidity and collateral type will determine the appropriate haircuts or discounts applied on the market value of the collateral

Where there is a currency mismatch, haircuts are applied to protect against currency fluctuations, in addition to ongoing review and controls over maturity mismatch between collateral and exposures. For mortgage loans, the collateral in the form of residential property, is required to be insured at all times against the peril of fire and other associated risks. In addition, customers are generally insured against major risks, such as death and permanent disability.

Currently, the Bank does not employ the use of derivative credit instruments such as credit default swaps, structured credit notes and securitisation structures to mitigate the Bank's credit exposures. In addition, the Bank enters into master netting arrangements with its derivative counterparties to reduce the credit risk where in the event of default, all amounts with the counterparty are settled on a net basis. Separately, the Bank has started obtaining third party cash collateral in its credit granting process

## 4. CREDIT RISK (CONTD)

### Credit Risk Mitigation (Contd)

The following tables present the credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of corporate guarantees, properties, cash, securities from listed exchange or other marketable securities. The Bank does not have any credit exposure which is reduced through the application of other eligible collateral.

| Exposure Class | Total Exposures before CRM RM'000 | Total Exposures covered by Guarantees RM'000 | Total Exposures covered by Financial Collaterals RM'000 | Total Exposures covered by Other Eligible Collaterals RM'000 |
|---|---|---|---|---|
| **2025 September** | | | | |
| **Credit Risk** | | | | |
| On-Balance Sheet Exposures: | | | | |
| Sovereigns/Central Banks | 4,415,048 | - | - | - |
| Public Sector Entities | 7,587 | - | - | - |
| Banks, Development Financial Institutions & MDBs | 5,224,313 | - | 1,052,625 | - |
| Insurance Cos, Securities Firms & Fund Managers | 1 | - | - | - |
| Corporates | 19,693,247 | 21,320 | 9,752,946 | - |
| Regulatory Retail | 647 | - | - | - |
| Residential Mortgages | 12,227 | - | - | - |
| Equity Exposures | 28,442 | - | - | - |
| Other Assets | 1,092,831 | - | - | - |
| Defaulted Exposures | 529 | - | - | - |
| Total On-Balance Sheet Exposures | 30,474,872 | 21,320 | 10,805,571 | - |
| Off-Balance Sheet Exposures: | | | | |
| Credit-related exposures | 1,171,259 | - | - | - |
| Derivatives financial instruments | 2,459,575 | - | - | - |
| Total Off-Balance Sheet Exposures | 3,630,834 | - | - | - |
| Total Credit Exposures | 34,105,706 | 21,320 | 10,805,571 | - |
| **2025 March** | | | | |
| **Credit Risk** | | | | |
| On-Balance Sheet Exposures: | | | | |
| Sovereigns/Central Banks | 6,020,882 | - | - | - |
| Banks, Development Financial Institutions & MDBs | 3,516,102 | 1,327,098 | - | - |
| Insurance Cos, Securities Firms & Fund Managers | 1 | - | - | - |
| Corporates | 20,561,601 | 989,018 | 10,462,523 | - |
| Regulatory Retail | 1,110 | - | - | - |
| Residential Mortgages | 10,344 | - | - | - |
| Equity Exposures | 28,442 | - | - | - |
| Other Assets | 1,143,195 | - | - | - |
| Defaulted Exposures | 1,938 | - | - | - |
| Total On-Balance Sheet Exposures | 31,283,615 | 2,316,116 | 10,462,523 | - |
| Off-Balance Sheet Exposures: | | | | |
| Credit-related exposures | 1,192,703 | - | - | - |
| Derivatives financial instruments | 2,196,712 | - | - | - |
| Total Off-Balance Sheet Exposures | 3,389,415 | - | - | - |
| Total Credit Exposures | 34,673,030 | 2,316,116 | 10,462,523 | - |

## 4. CREDIT RISK (CONTD)

**Assignment of Risk Weights for Portfolios Under the Standardised Approach**

Under the Standardised Approach, the Bank makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following are the rating agencies or External Credit Assessment Institutions ("ECAI") ratings used by the Bank and are recognised by BNM in the CAF:

(a) Standard & Poor's Rating Services ("S&P")
(b) Moody's Investors Services ("Moody's")
(c) Fitch Ratings ("Fitch")
(d) RAM Rating Services Berhad ("RAM")
(e) Malaysian Rating Corporation Berhad ("MARC")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

(a) Banking institutions
(b) Corporates

***Unrated and Rated Counterparties***

The majority of the Bank's credit and counterparties exposures are unrated. Otherwise, in general, the rating specific to the credit exposure is used, i.e. the issuer rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue nor issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least pari passu with the obligation that is rated, as stipulated in the CAF. Where 2 recognised external ratings are available, the lower rating is to be applied or where 3 or more recognised external ratings are available, the lower of the highest 2 ratings will be used. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The following is a summary of the rules governing the assignment of risk weights under the Standardised Approach:

**Corporates**

| Rating Category | S&P | Moody's | Fitch | RAM | MARC | Risk weights |
|---|---|---|---|---|---|---|
| 1 | AAA to AA- | Aaa to Aa3 | AAA to AA- | AAA to AA3 | AAA to AA- | 20% |
| 2 | A+ to A- | A1 to A3 | A+ to A- | A1 to A3 | A+ to A- | 50% |
| 3 | BBB+ to BB- | Baa1 to Ba3 | BBB+ to BB- | BBB1 to BB3 | BBB+ to BB- | 100% |
| 4 | B+ to D | B1 to C | B+ to D | B1 to D | B+ to D | 150% |
| 5 | Unrated | Unrated | Unrated | Unrated | Unrated | 100% |

**Banking Institutions**

| Rating Category | S&P | Moody's | Fitch | RAM | MARC | Risk weights |
|---|---|---|---|---|---|---|
| 1 | AAA to AA- | Aaa to Aa3 | AAA to AA- | AAA to AA3 | AAA to AA- | 20% |
| 2 | A+ to A- | A1 to A3 | A+ to A- | A1 to A3 | A+ to A- | 50% |
| 3 | BBB+ to BBB- | Baa1 to Baa3 | BBB+ to BBB- | BBB1 to BBB3 | BBB+ to BBB- | 50% |
| 4 | BB+ to B- | Ba1 to B3 | BB+ to B- | BB1 to B3 | BB+ to B- | 100% |
| 5 | CCC+ to D | Caa1 to C | CCC+ to D | C1 to D | C+ to D | 150% |
| 6 | Unrated | Unrated | Unrated | Unrated | Unrated | 50% |

**Sovereigns and Central Banks**

Exposures to Government of Malaysia and BNM denominated and funded in Ringgit Malaysia are assigned a preferential risk weight of 0% as stipulated in the CAF. Other sovereign and central bank exposures are risk-weighted based on ECAI as below:

| Rating Category | S&P | Moody's | Fitch | R&I | Risk weights |
|---|---|---|---|---|---|
| 1 | AAA to AA- | Aaa to Aa3 | AAA to AA- | AAA to AA- | 0% |
| 2 | A+ to A- | A1 to A3 | A+ to A- | A+ to A- | 20% |
| 3 | BBB+ to BBB- | Baa1 to Baa3 | BBB+ to BBB- | BBB+ to BBB- | 50% |
| 4 | BB+ to B- | Ba1 to B3 | BB+ to B- | BB+ to B- | 100% |
| 5 | CCC+ to D | Caa1 to C | CCC+ to D | CCC+ to C | 150% |
| 6 | Unrated | Unrated | Unrated | Unrated | 100% |

## 4. CREDIT RISK (CONTD)

**Assignment of Risk Weights for Portfolios Under the Standardised Approach (Contd)**

**2025 September**

| Credit Exposure | Ratings of Sovereign and Central Banks by Approved ECAIs | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | Unrated | Total |
| On and Off Balance Sheet Exposures | | | | | | | |
| Sovereign/Central Banks | - | 4,415,048 | - | - | - | - | 4,415,048 |

| Credit Exposure | Ratings of Banking Institutions by Approved ECAIs | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | Unrated | Total |
| On and Off Balance Sheet Exposures | | | | | | | |
| Banks, Development Financial Institutions & MDBs | 4,975,389 | 1,662,210 | - | 23,153 | 13,155 | - | 6,673,907 |

| Credit Exposure | <--------------- Ratings of Corporate by Approved ECAIs ---------------> | | | | | |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | Unrated | Total |
| On and Off Balance Sheet Exposures | | | | | | |
| Public Sector Entities | - | - | - | - | 87,500 | 87,500 |
| Insurance Cos, Securities Firms & Fund Managers | - | - | - | - | 47,595 | 47,595 |
| Corporates | 7,006,671 | 1,283 | - | - | 14,738,851 | 21,746,805 |
| Regulatory Retail | - | - | - | - | 647 | 647 |
| Residential Mortgages | - | - | - | - | 12,931 | 12,931 |
| Other Assets | - | - | - | - | 1,092,831 | 1,092,831 |
| Equity Exposure | - | - | - | - | 28,442 | 28,442 |
| | 7,006,671 | 1,283 | - | - | 16,008,797 | 23,016,751 |

## 4. CREDIT RISK (CONTD)

**Assignment of Risk Weights for Portfolios Under the Standardised Approach (Contd)**

**2025 March**

| Credit Exposure | Ratings of Sovereign and Central Banks by Approved ECAIs | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | Unrated | Total |
| On and Off Balance Sheet Exposures | | | | | | | |
| Sovereign/Central Banks | - | 6,020,882 | - | - | - | - | 6,020,882 |

| Credit Exposure | Ratings of Banking Institutions by Approved ECAIs | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | Unrated | Total |
| On and Off Balance Sheet Exposures | | | | | | | |
| Banks, Development Financial Institutions & MDBs | 2,949,634 | 1,838,880 | - | 28,925 | - | - | 4,817,439 |

| Credit Exposure | <--------------- Ratings of Corporate by Approved ECAIs ---------------> | | | | | |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | Unrated | Total |
| On and Off Balance Sheet Exposures | | | | | | |
| Public Sector Entities | - | - | - | - | 108,579 | 108,579 |
| Insurance Cos, Securities Firms & Fund Managers | - | - | - | - | 47,976 | 47,976 |
| Corporates | 7,042,591 | 2,982 | - | - | 15,447,499 | 22,493,072 |
| Regulatory Retail | - | - | - | - | 1,110 | 1,110 |
| Residential Mortgages | - | - | - | - | 12,335 | 12,335 |
| Other Assets | - | - | - | - | 1,143,195 | 1,143,195 |
| Equity Exposure | - | - | - | - | 28,442 | 28,442 |
| | 7,042,591 | 2,982 | - | - | 16,789,136 | 23,834,709 |

**4. CREDIT RISK (CONTD)**

**Assignment of Risk Weights for Portfolios Under the Standardised Approach (Contd)**

The following tables present the credit exposures by risk weights and after credit risk mitigation of the Bank:

| **2025 September** | <---------- Exposures after Netting and Credit Risk Mitigation ----------> | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Risk Weights** | **Sovereigns / Central Banks RM'000** | **Public Sector Entities RM'000** | **Banks, Development Financial Institutions & MDBs RM'000** | **Insurance Cos, Securities Firms & Fund Managers RM'000** | **Corporates RM'000** | **Regulatory Retail RM'000** | **Residential Mortgages RM'000** | **Securitisation Exposures RM'000** | **Equity Exposures RM'000** | **Other Assets RM'000** | **Total Exposures after Netting and Credit Risk Mitigation RM'000** | **Total Risk-Weighted Assets RM'000** |
| 0% | 4,016,754 | - | 1,052,625 | - | 9,217,852 | - | - | - | - | 114,577 | 14,401,808 | - |
| 20% | 398,294 | 7,587 | 3,922,764 | - | 2,111,094 | - | - | - | - | 23,283 | 6,463,022 | 1,292,605 |
| 35% | - | - | - | - | - | - | 9,585 | - | - | - | 9,585 | 3,355 |
| 50% | - | - | 1,662,210 | - | 1,283 | - | 2,096 | - | - | - | 1,665,589 | 832,795 |
| 75% | - | - | - | - | - | - | 721 | - | - | - | 721 | 540 |
| 100% | - | 79,913 | 23,153 | 47,595 | 10,416,576 | 647 | 529 | - | 28,442 | 954,971 | 11,551,826 | 11,551,826 |
| 150% | - | - | 13,155 | - | - | - | - | - | - | - | 13,155 | 19,732 |
| Total Exposures | 4,415,048 | 87,500 | 6,673,907 | 47,595 | 21,746,805 | 647 | 12,931 | - | 28,442 | 1,092,831 | 34,105,706 | 13,700,853 |
| Risk-Weighted Assets by Exposures | 79,659 | 81,430 | 1,658,542 | 47,595 | 10,839,437 | 647 | 5,473 | - | 28,442 | 959,628 | 13,700,853 | |
| Average Risk Weight | 2% | 93% | 25% | 100% | 50% | 100% | 42% | 0% | 100% | 88% | 40% | |
| Deduction from Total Capital | | | - | | | | | - | - | | - | |

## 4. CREDIT RISK (CONTD)

**Assignment of Risk Weights for Portfolios Under the Standardised Approach (Contd)**

The following tables present the credit exposures by risk weights and after credit risk mitigation of the Bank: (Contd)

| **2025 March** | <------------- Exposures after Netting and Credit Risk Mitigation -------------> | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Risk Weights** | **Sovereigns / Central Banks RM'000** | **Public Sector Entities RM'000** | **Banks, Development Financial Institutions & MDBs RM'000** | **Insurance Cos, Securities Firms & Fund Managers RM'000** | **Corporates RM'000** | **Regulatory Retail RM'000** | **Residential Mortgages RM'000** | **Securitisation Exposures RM'000** | **Equity Exposures RM'000** | **Other Assets RM'000** | **Total Exposures after Netting and Credit Risk Mitigation RM'000** | **Total Risk-Weighted Assets RM'000** |
| 0% | 5,520,097 | - | - | - | 9,921,275 | - | - | - | - | 137,920 | 15,579,292 | - |
| 20% | 500,785 | - | 2,949,634 | - | 2,139,176 | - | - | - | - | 27,920 | 5,617,515 | 1,123,503 |
| 35% | - | - | - | - | - | - | 7,428 | - | - | - | 7,428 | 2,600 |
| 50% | - | - | 1,838,879 | - | 2,982 | - | 959 | - | - | - | 1,842,820 | 921,410 |
| 75% | - | - | - | - | - | - | 1,417 | - | - | - | 1,417 | 1,063 |
| 100% | - | 108,579 | 28,925 | 47,976 | 10,429,639 | 1,110 | 2,531 | - | 28,442 | 977,356 | 11,624,558 | 11,624,558 |
| Total Exposures | 6,020,882 | 108,579 | 4,817,438 | 47,976 | 22,493,072 | 1,110 | 12,335 | - | 28,442 | 1,143,196 | 34,673,030 | 13,673,134 |
| Risk-Weighted Assets by Exposures | 100,157 | 108,579 | 1,538,291 | 47,976 | 10,858,965 | 1,110 | 6,673 | - | 28,442 | 982,941 | 13,673,134 | |
| Average Risk Weight | 2% | 100% | 32% | 100% | 48% | 100% | 54% | #DIV/0! | 100% | 86% | 39% | |
| Deduction from Total Capital | | | - | | | | | - | - | | - | |

**4. CREDIT RISK (CONTD)**

**Credit Quality of Gross Loans, Advances and Financing**

The tables below present the gross loans, advances and financing analysed by credit quality:

| | 2025 September | | | | 2025 March | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Neither past due nor credit-impaired | | | | | | | | |
| Normal grades | 4,131,491 | 4,519,988 | - | 8,651,479 | 6,178,007 | 998,095 | - | 7,176,102 |
| Close watch | - | 58,574 | - | 58,574 | - | 93,973 | - | 93,973 |
| Past due but not credit-impaired | | | | | | | | |
| Normal grades | - | 780 | - | 780 | - | 943 | - | 943 |
| Credit-impaired | | | | | | | | |
| Past due | - | - | 757 | 757 | - | - | 720 | 720 |
| Not past due | - | - | - | - | - | - | - | - |
| | 4,131,491 | 4,579,342 | 757 | 8,711,590 | 6,178,007 | 1,093,011 | 720 | 7,271,738 |

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Gross credit-impaired loans as a percentage of gross loans, advances and financing | 0.01% | 0.01% |

(a) Past due but not credit-impaired

Past due but not credit-impaired loans, advances and financing are loans where the customer has failed to make a principal or interest payment when contractually due and includes loans which are due one or more days after the contractual due date but less than 3 months. The past due but not impaired loans, advances and financing of the Bank as at 30 September 2025 was 0.01% (2025 March: 0.01%).

The amount of past due but not credit-impaired loans breakdown by economic sector is as follows:

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Household | 780 | 943 |

The amount of past due but not credit-impaired loans breakdown by geographical location is as follows:

| | 2025 September | | 2025 March | |
|---|---|---|---|---|
| | Malaysia RM'000 | Other Countries RM'000 | Malaysia RM'000 | Other Countries RM'000 |
| Past due but not credit-impaired | 780 | - | 943 | - |

## 4. CREDIT RISK (CONTD)

**Credit Quality of Gross Loans, Advances and Financing (Contd)**

(b) Credit-impaired Loans, Advances and Financing

The Bank assesses, at each reporting period, whether there is any objective evidence that an individually significant loan is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

Credit-impaired loans, advances and financing are loans whereby payments of principal or interest or both are past due for three (3) months or more, or loans which are past due for less than three (3) months which exhibit indications of credit weaknesses, or impaired loans which have been restructured/rescheduled, but where repayments based on the revised terms have yet to fulfil the observation period required under the Bank's impairment policy.

The movements in impaired loans, advances and financing are set out in Note 16(i), the movements in impairment allowances are set out in Note 16(j) and the amount of impaired loans, advances and financing broken down by economic sector and geographical location are set out in Note 16(g) and Note 16(h) to the financial statement.

The amount of expected credit losses by economic purpose is as follows:

| | 2025 September | | 2025 March | |
|---|---|---|---|---|
| | Stage 1 and 2 Expected Credit Loss RM'000 | Stage 3 Expected Credit Loss RM'000 | Stage 1 and 2 Expected Credit Loss RM'000 | Stage 3 Expected Credit Loss RM'000 |
| Agricultural, hunting, forestry and fishing | 318 | - | - | - |
| Mining and quarrying | 7 | - | 185 | - |
| Manufacturing | 4,163 | - | 4,889 | - |
| Electricity, gas and water | 144 | - | - | - |
| Construction | 1,941 | - | 733 | - |
| Wholesale, retail trade, restaurants and hotels | 432 | - | 458 | - |
| Transport, storage and communication | 9,263 | - | 1,010 | - |
| Finance, insurance, real estate and business services | 26,720 | - | 25,971 | - |
| Households | 519 | 186 | 532 | 175 |
| | 43,507 | 186 | 33,778 | 175 |

The charges for allowance for stage 3 expected credit losses during the year is as follows:

| | Stage 3 Lifetime ECL Credit-Impaired 2025 March RM'000 | Allowance for the Year RM'000 | Stage 3 Lifetime ECL Credit-Impaired 2025 September RM'000 |
|---|---|---|---|
| Household | 175 | 11 | 186 |

(c) The amount of allowance for expected credit losses by geographical location is as per table below:

**Impairment allowances by geographical location:**

| | 2025 September RM'000 | 2025 March RM'000 |
|---|---|---|
| Malaysia | | |
| ● Stage 1 - 12-month ECL | 14,631 | 11,189 |
| ● Stage 2 - lifetime ECL not credit-impaired | 7,767 | 9,461 |
| ● Stage 3 - lifetime ECL credit-impaired | 186 | 175 |
| | 22,584 | 20,825 |
| Other countries | | |
| ● Stage 1 - 12-month ECL | 1,363 | 3,669 |
| ● Stage 2 - lifetime ECL not credit-impaired | 19,746 | 9,459 |
| | 21,109 | 13,128 |

## 5. MARKET RISK

Market risk is the risk of loss arising from movements in market variables, such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. In addition, the market risk of Islamic Banking business of the Bank includes rate of return risk and displaced commercial risk.

**Regulatory Capital Requirements**

The Bank has adopted the Standardised Approach for market risk. The following tables present the minimum regulatory capital requirement on market risk:

| | Long Position RM'000 | Short Position RM'000 | Risk-Weighted Assets RM'000 | Minimum Capital Requirements at 8% RM'000 |
|---|---|---|---|---|
| **2025 September** | | | | |
| Interest rate risk - general interest rate risk | 89,489,293 | (88,457,796) | 1,153,296 | 92,264 |
| Foreign exchange risk | 5,945 | (126,603) | 126,600 | 10,128 |
| | 89,495,238 | (88,584,399) | 1,279,896 | 102,392 |
| **2025 March** | | | | |
| Interest rate risk - general interest rate risk | 80,560,660 | (79,974,564) | 1,152,608 | 92,209 |
| Foreign exchange risk | 181,601 | (3,498) | 181,600 | 14,528 |
| | 80,742,261 | (79,978,062) | 1,334,208 | 106,737 |

**Risk Governance**

The Bank has established Trading Book and Hedging Policy as guidance for market risk management framework and policies. The ALCO supports the RMC in market risk management oversight, meets regularly and is the forum to discuss and aligns market risk management with business strategies and planning and recommends actions to ensure that the market risks remain within established risk tolerance level.

For effective control of market risk, triggers and limits are established after taking into account the Bank's risk appetite, and approved by the Board. Trading exposures are subject to intraday limits and daily limit. This is monitored and escalated by independent unit to relevant business unit, Management and ALCO on regular basis.

**Risk Management Approach**

**Interest Rate Risk/Rate of Return in the Banking Book**

Interest rate risk in the banking book ("IRRBB") and Rate of Return ("ROR") arises from the changes in market interest rate that adversely impact on the Bank's net interest income. One of the primary sources is due to repricing mismatches of the Bank's banking assets and liabilities and also from the Bank's investment of its surplus funds.

The primary objective in managing the IRRBB is to manage the volatility in the Bank's earnings. This is achieved in a variety of ways that involve the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets to narrow the mismatch in interest rate sensitive assets and liabilities and entering into derivative financial instruments which have the opposite effects.

The Bank uses various tools including repricing gap reports and stress tests to measure its IRRBB. The impact on earnings is considered at all times in measuring the IRRBB and is subject to limits approved by the Board.

## 5. MARKET RISK (CONTD)

**Risk Management Approach (Contd)**

**Interest Rate Risk/Rate of Return in the Banking Book (Contd)**

The following table sets out the Bank's sensitivity to interest rate movements by time band, based on the earlier of contractual repricing and maturity dates. Actual repricing dates may differ from contractual dates due to prepayments of loans or early withdrawals of deposits. As at 30 September 2025, the Bank recorded an overall positive interest rate gap of RM9,382,899,000 (2025 March: RM7,785,223,000), representing the net difference between interest sensitive assets and liabilities.

**Sensitivity of Profit**

The table below shows the senstitivity of the Bank's banking book to movement in the interest rates:

| | 2025 September | 2025 March |
|---|---|---|
| | Increase/(Decrease) | |
| **Impact on earnings from 200 bps parallel shift** | **RM'000** | **RM'000** |
| MYR | 101,611 | 124,452 |
| USD | (21,584) | (23,477) |
| SGD | (296) | (356) |
| Others | 2,261 | (398) |
| Total | 81,992 | 100,221 |
| **Impact on economic value from 200 bps parallel shift** | **RM'000** | **RM'000** |
| MYR | 27,093 | 17,959 |
| USD | 7,674 | 20,305 |
| SGD | 947 | 1,141 |
| Others | 10,698 | 10,934 |
| Total | 46,412 | 50,339 |

The sensitivity analysis is measured using Earning at Risk ("EaR") methodology and is based on the balance sheet position as at reporting date. The analysis does not take into account any actions that may be undertaken by Global Markets or business units to mitigate the impact of interest rate movements. In practice, Global Markets actively manage the Bank's interest rate risk profile to minimise losses and optimise net revenues. The projection assumes that interest rates across all maturities move in parallel and by the same magnitude, and therefore does not capture scenarios in which some rates change while others remain stable. The projection also assumes constant financial position structure, with all instruments held to maturity.

The repricing profile of non maturity loans is determined based on the earliest possible repricing date; actual dates may veary due to prepayments. The potential impacts on earnings are assessed on a monthly basis and are reported to the ALCO and RMC for review.

## 5. MARKET RISK (CONTD)

### Risk Management Approach (Contd)

### (a) Interest Rate Risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following tables indicate the effective interest rate at the reporting date and the Bank's sensitivity to the interest rate by time band based on the earlier of contractual repricing date and maturity date:

| | <---------- Non-Trading Book | | | | ----------> | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2025 September | Up to 1 Month RM'000 | 1 to 3 Months RM'000 | 3 to 12 Months RM'000 | 1 to 5 Years RM'000 | Over 5 Years RM'000 | Non-Interest Sensitive RM'000 | Trading Book RM'000 | Total RM'000 | Effective Interest Rate % |
| **Financial assets** | | | | | | | | | |
| Cash and short-term funds | 3,432,069 | 620,000 | - | - | - | 742,417 | - | 4,794,486 | 2.86 |
| Reverse repurchase agreements | 50,830 | - | - | - | - | - | - | 50,830 | 2.83 |
| Deposits and placements with financial institutions | - | 540,531 | - | - | - | 47,869 | - | 588,400 | 0.42 |
| Financial assets at FVTPL | - | - | - | - | - | - | 850,144 | 850,144 | 3.12 |
| Financial investments at FVOCI | - | 877,176 | 373,312 | 650,005 | - | 28,442 | - | 1,928,935 | 4.42 |
| Loans, advances and financing | | | | | | | | | |
| - Non-impaired | 3,521,145 | 3,293,929 | 2,117,702 | - | - | - | - | 8,932,776 | 4.82 |
| - Impaired * | 571 | - | - | - | - | - | - | 571 | |
| - 12-month ECL and lifetime ECL not credit-impaired | - | - | - | - | - | (43,507) | - | (43,507) | |
| Embedded loans measured at FVTPL | 1,501,513 | 1,066,997 | 2,993,658 | 6,943,148 | 16,173 | - | - | 12,521,489 | 5.15 |
| Purchased receivables | 239,186 | 172,252 | - | - | - | (162) | - | 411,276 | 2.71 |
| Collateral deposits placed | 307,599 | - | - | - | - | - | - | 307,599 | 3.70 |
| Derivative financial assets | - | - | - | - | - | - | 368,310 | 368,310 | |
| Statutory deposits with Bank Negara Malaysia | - | - | - | - | - | 16,465 | - | 16,465 | |
| Other assets | - | - | - | - | - | 67,007 | - | 67,007 | |
| | 9,052,913 | 6,570,885 | 5,484,672 | 7,593,153 | 16,173 | 858,531 | 1,218,454 | 30,794,781 | |

* This is arrived after deducting the ECL from the outstanding gross impaired loans, advances and financing.

## 5. MARKET RISK (CONTD)

-

**Risk Management Approach (Contd)**

-

**(a) Interest Rate Risk (Contd)**

| | <------ Non-Trading Book | | | | | ------> | | | |
|---|---|---|---|---|---|---|---|---|---|
| **2025 September** | **Up to 1 Month RM'000** | **1 to 3 Months RM'000** | **3 to 12 Months RM'000** | **1 to 5 Years RM'000** | **Over 5 Years RM'000** | **Non-Interest Sensitive RM'000** | **Trading Book RM'000** | **Total RM'000** | **Effective Interest Rate %** |
| **Liabilities** | | | | | | | | | |
| Deposits from customers | 5,487,000 | 407,296 | 910,927 | - | - | 4,887,829 | - | 11,693,052 | 3.31 |
| Deposits and placements of banks and other financial institutions | 1,306,626 | 299,130 | - | - | - | 14,341 | - | 1,620,097 | 3.63 |
| Collateral deposits received | 3,325,919 | 838,101 | 2,185,215 | 4,386,334 | 1,056,539 | - | - | 11,792,108 | 4.18 |
| Derivative financial liabilities | - | - | - | - | - | - | 338,529 | 338,529 | |
| Other liabilities | - | - | - | - | - | 277,626 | - | 277,626 | |
| Lease liabilities | 269 | 541 | 2,226 | 8,699 | - | - | - | 11,735 | 2.92 |
| | 10,119,814 | 1,545,068 | 3,098,368 | 4,395,033 | 1,056,539 | 5,179,796 | 338,529 | 25,733,147 | |
| On-balance sheet interest sensitivity gap | (1,066,901) | 5,025,817 | 2,386,304 | 3,198,120 | (1,040,366) | (4,321,265) | 879,925 | 5,144,790 | |
| Off-balance sheet interest sensitivity gap | - | - | - | - | - | - | 1,031,497 | 1,031,497 | |
| Total interest sensitivity gap | (1,066,901) | 5,025,817 | 2,386,304 | 3,198,120 | (1,040,366) | (4,321,265) | 1,911,422 | 6,176,287 | |

## 5. MARKET RISK (CONTD)

**Risk Management Approach (Contd)**

**(a) Interest Rate Risk (Contd)**

| | <------ Non-Trading Book | | | | | ------> | | | |
|---|---|---|---|---|---|---|---|---|---|
| **2025 March** | **Up to 1 Month RM'000** | **1 to 3 Months RM'000** | **3 to 12 Months RM'000** | **1 to 5 Years RM'000** | **Over 5 Years RM'000** | **Non-Interest Sensitive RM'000** | **Trading Book RM'000** | **Total RM'000** | **Effective Interest Rate %** |
| **Financial assets** | | | | | | | | | |
| Cash and short-term funds | 5,375,071 | 550,000 | - | - | - | 500,684 | - | 6,425,755 | 3.11 |
| Reverse repurchase agreements | - | - | - | - | - | - | - | - | |
| Deposits and placements with financial institutions | 559,797 | - | - | - | - | 9,292 | - | 569,089 | 0.40 |
| Financial assets at FVTPL | - | - | - | - | - | - | 292,508 | 292,508 | 3.38 |
| Financial investments at FVOCI | - | 879,241 | 209,432 | 624,653 | - | 28,442 | - | 1,741,768 | 4.65 |
| Loans, advances and financing | | | | | | | | | |
| - Non-impaired | 3,613,021 | 2,158,108 | 1,753,586 | - | - | - | - | 7,524,715 | 5.08 |
| - Impaired * | 545 | - | - | - | - | - | - | 545 | |
| - 12-month ECL and lifetime ECL not credit-impaired | - | - | - | - | - | (33,778) | - | (33,778) | |
| Embedded loans measured at FVTPL | 2,483,356 | 11,323,624 | 65,300 | 91,444 | - | - | - | 13,963,724 | 5.18 |
| Purchased receivables | 350,011 | 433,333 | 28,543 | - | - | (347) | - | 811,540 | 3.32 |
| Collateral deposits placed | 35,809 | - | - | - | - | - | - | 35,809 | 3.94 |
| Derivative financial assets | - | - | - | - | - | - | 362,271 | 362,271 | |
| Statutory deposits with Bank Negara Malaysia | - | - | - | - | - | 9,017 | - | 9,017 | |
| Other assets | - | - | - | - | - | 40,337 | - | 40,337 | |
| | 12,417,610 | 15,344,306 | 2,056,861 | 716,097 | - | 553,647 | 654,779 | 31,743,300 | |

* This is arrived after deducting the ECL from the outstanding gross impaired loans, advances and financing.

**5. MARKET RISK (CONTD)**

**Risk Management Approach (Contd)**

**(a) Interest Rate Risk (Contd)**

| | <---- Non-Trading Book | | | | | ----> | | | |
|---|---|---|---|---|---|---|---|---|---|
| **2025 March** | **Up to 1 Month RM'000** | **1 to 3 Months RM'000** | **3 to 12 Months RM'000** | **1 to 5 Years RM'000** | **Over 5 Years RM'000** | **Non-Interest Sensitive RM'000** | **Trading Book RM'000** | **Total RM'000** | **Effective Interest Rate %** |
| **Liabilities** | | | | | | | | | |
| Deposits from customers | 5,523,975 | 1,100,654 | 1,623,445 | - | - | 3,260,823 | - | 11,508,897 | 3.46 |
| Deposits and placements of banks and other financial institutions | 2,518,805 | 406,470 | 102,379 | - | - | 11,854 | - | 3,039,508 | 3.97 |
| Collateral deposits received | 1,834,141 | 495,031 | 4,680,961 | 4,561,497 | 236,416 | - | - | 11,808,046 | 4.24 |
| Derivative financial liabilities | - | - | - | - | - | - | 308,190 | 308,190 | |
| Other liabilities | - | - | - | - | - | 183,211 | - | 183,211 | |
| Lease liabilities | 253 | 486 | 2,154 | 9,573 | - | - | - | 12,466 | 2.91 |
| | 9,877,174 | 2,002,641 | 6,408,939 | 4,571,070 | 236,416 | 3,455,888 | 308,190 | 26,860,318 | |
| On-balance sheet interest sensitivity gap | 2,540,436 | 13,341,665 | (4,352,078) | (3,854,973) | (236,416) | (2,902,241) | 346,589 | 4,882,982 | |
| Off-balance sheet interest sensitivity gap | - | - | - | - | - | - | 586,096 | 586,096 | |
| Total interest sensitivity gap | 2,540,436 | 13,341,665 | (4,352,078) | (3,854,973) | (236,416) | (2,902,241) | 932,685 | 5,469,078 | |

## 5. MARKET RISK (CONTD)

### Risk Management Approach (Contd)

(b) Foreign Exchange Risk

Foreign exchange risk arises from movements in currency exchange rates that may affect the value of the Bank's financial assets, liabilities and future cash flows denominated in foreign currencies. The exposures primarily originate from treasury and money market activities conducted in currencies other than Ringgit Malaysia, mainly the United States Dollar and Japanese Yen.

The Bank manages its foreign exchange risk by matching assets and liabilities in the same currency wherever possible, and by maintaining low net open positions within approved limits. Overall and individual currency Net Open Position ("NOP") limits are established in accordance with internal market risk policies. These exposures are monitored daily by the independent risk management function.

In addition to daily limit monitoring, the Bank conducts periodic stress testing to assess the impact of significant adverse currency movements under stressed market conditions. The stress testing framework incorporates macroeconomic linkages and market rate projections to estimate potential valuation impacts on foreign exchange positions.

**Interest Rate and Foreign Currency Risk Stress Testing**

Interest rate risk arises from movements in market interest rates that may affect the value of the Bank's trading securities and derivative positions. These exposures primarily originate from Global Markets trading activities involving interest rate swaps and Malaysian Government Securities (MGS).

The Bank manages interest rate risk by monitoring exposure to changes in yield curve and swap spreads within approved limits. Positions are actively managed within approved trading and hedging mandates and adjusted in response changes in market condition.

To supplement daily limit monitoring, the Bank performs periodic stress testing on its interest rate exposures. The stress testing framework evaluates the impact of shifts in market yield curves and swap rates under adverse conditions. Stressed yield and spread assumptions are based on a combination of internal scenario design and external market references. These are applied to derivative and securities portfolios to estimate potential valuation

All market risk stress testing results are reviewed by senior management and reported to the RMC. The results form an integral part of the Bank's capital adequacy assessment and ICAAP processes, ensuring that vulnerabilities to movements in foreign exchange and interest rates are appropriately assessed, and that sufficient capital buffers are maintained to withstand adverse market conditions.

## 5. MARKET RISK (CONTD)

### Risk Management Approach (Contd)

(b) Foreign Exchange Risk

| 2025 September | Denominated in USD RM'000 | JPY RM'000 | EUR RM'000 | SGD RM'000 | AUD RM'000 | CNY RM'000 | Others RM'000 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and short-term funds | 334,550 | 156,877 | 51,112 | 65,147 | 10,942 | 100,663 | 23,127 |
| Deposits and placements with financial institutions | - | 540,531 | - | - | - | - | - |
| Financial investments at FVOCI | - | - | - | - | - | - | - |
| Loans, advances and financing | 6,353,935 | 30,473 | - | - | - | - | - |
| Embedded loans measured at FVTPL | 11,138,796 | - | - | - | 86,030 | - | - |
| Purchased receivables | 93,975 | - | - | - | - | 293,465 | - |
| Collateral deposits placed | 217,178 | - | - | - | - | - | - |
| Derivative financial assets | (692,568) | (388,086) | 199,776 | 34 | 88,721 | 727 | 952 |
| | 17,445,866 | 339,795 | 250,888 | 65,181 | 185,693 | 394,855 | 24,079 |
| **Liabilities** | | | | | | | |
| Deposits from customers | 5,627,498 | 481,491 | 29,018 | 47,268 | 385 | 49,030 | 4,519 |
| Deposits and placements of banks and other financial institutions | 1,263,150 | - | - | - | - | 342,606 | - |
| Collateral deposits received | 11,486,111 | 196,577 | - | - | - | - | - |
| Derivative financial liabilities | 285,403 | (185,023) | 199,000 | 507 | 151 | 142 | 2,994 |
| Other liabilities | 127,312 | 9,247 | 153 | 206 | 609 | 1,771 | 168 |
| | 18,789,474 | 502,292 | 228,171 | 47,981 | 1,145 | 393,549 | 7,681 |
| **Net financial (liabilities)/ assets exposure** | (1,343,608) | (162,497) | 22,717 | 17,200 | 184,548 | 1,306 | 16,398 |

| 2025 March | Denominated in USD RM'000 | JPY RM'000 | EUR RM'000 | SGD RM'000 | AUD RM'000 | CNY RM'000 | Others RM'000 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and short-term funds | 29,093 | 107,697 | 24,727 | 70,534 | 14,925 | 227,830 | 25,880 |
| Deposits and placements with financial institutions | - | 559,797 | - | - | - | - | - |
| Financial investments at FVOCI | - | 58,821 | - | - | - | - | - |
| Loans, advances and financing | 4,895,072 | 49,654 | - | - | - | - | - |
| Embedded loans measured at FVTPL | 12,374,638 | 400,439 | - | - | - | - | - |
| Purchased receivables | 165,340 | - | - | - | - | 619,670 | - |
| Collateral deposits placed | 25,257 | - | - | - | - | - | - |
| Derivative financial assets | 1,017,426 | (185,683) | 171,267 | 368 | 74 | 294 | 685 |
| | 18,506,826 | 990,725 | 195,994 | 70,902 | 14,999 | 847,794 | 26,565 |
| **Liabilities** | | | | | | | |
| Deposits from customers | 5,410,383 | 474,563 | 30,859 | 56,914 | 1,114 | 58,365 | 5,597 |
| Deposits and placements of banks and other financial institutions | 2,259,810 | - | - | - | - | 767,844 | - |
| Collateral deposits received | 11,002,468 | 697,852 | - | - | - | - | - |
| Derivative financial liabilities | 1,627,668 | (642,693) | 167,569 | 6,703 | 2,316 | 407 | 775 |
| Other liabilities | 84,603 | 16,632 | - | 2,325 | 189 | 6,214 | 576 |
| | 20,384,932 | 546,354 | 198,428 | 65,942 | 3,619 | 832,830 | 6,948 |
| **Net financial (liabilities)/ assets exposure** | (1,878,106) | 444,371 | (2,434) | 4,960 | 11,380 | 14,964 | 19,617 |

(c) Equity Risk

Equity risk refers to the adverse impact of change in equity prices on equity positions held by the Bank.

The Bank currently hold equity investments amounting to RM28,442,000 (2025 March: RM28,442,000) which are privately held for social economic purpose and is unquoted and stated at fair value through other comprehensive income and adjusted for impairment loss, if any.

## 5. MARKET RISK (CONTD)

**Risk Management Approach (Contd)**

**Islamic Banking Business**

There are no significant market risk exposures as at 30 September 2025 (2025 March: Nil).

## 6. LIQUIDITY RISK

Liquidity risk is the risk that the Bank is unable to maintain sufficient liquid assets, to meet its financial commitments and obligations, when they fall due or securing the funding requirements at excessive cost. Funding risk is the risk that the Bank does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

**Risk Governance**

The ALCO is the primary party responsible for liquidity management based on guidelines approved by the RMC. Liquidity policies and frameworks are reviewed by the ALCO and approved by the Board prior to implementation.

**Risk Management Approach**

The liquidity risk management of the Bank, is aligned with the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") requirements issued by BNM. NSFR compliance became effective from 1 July 2020. In addition, the Bank maintains a liquidity compliance buffer to meet any unexpected cash outflows. The day-to-day funding management, is undertaken by treasury operations and this includes the maintenance of a portfolio of highly liquid assets, that can be easily liquidated to meet the unforeseeable demand in cash flows arising from the maturity of deposits and loans. As at 30 September 2025, the information is available under table in Note 14 and 15 to the interim financial report.

The Bank's liquidity and funding position is supported by the Bank's significant deposit base. The deposit base primarily comprises of current and term deposits. Although the current account deposit is payable on demand, it has historically provided stable sources of funding. The Bank's reputation, earnings capacity, financial, capital strength and competitive deposit rates are core attributes to preserve depositors’ confidence and to ensure stablility in liquidity. The Bank accesses the wholesale markets by taking money market deposits to meet short-term obligations and to maintain its presence in the local money market space. The Bank has also obtained a Liquidity Support Letter from its Parent Bank and has given full support of fund related to any liquidity matter at any time.

The primary tools for monitoring liquidity is the maturity mismatch analysis, assessment on the concentration of funding, the availability of unencumbered assets as buffer assets, early warning indicators from the use of market-wide information to identify possible liquidity problems. It also measures funding liquidity risk by assessing the potential liquidity cost arising from the maximum likely cash outflow over the horizon period at a specified confidence level, covering the Bank’s deposit denominated in major currencies. Liquidity positions are reported to the ALCO on a monthly basis and in major currencies i.e. in Ringgit Malaysia and in United States Dollars.

Contingency funding plans are in place to identify early warning signals of a potential liquidity problem. The contingency funding plans also set out the crisis escalation process as well as the various strategies to be employed to preserve liquidity including an orderly communication channel during a liquidity problem. To complement the contingency funding plans, a liquidity drill is conducted annually to validate the Bank’s ability to raise funds/liquidity from the market. A liquidity stress test programme is in place to ensure liquidity stress tests are systematically performed by the various entities under the Bank to determine the cash flow mismatches under the "Specific Institution Liquidity Problem" and "Systemic Liquidity Problem" scenarios and the possible source of funding to meet the shortfalls during a liquidity crisis.

The Bank hold sufficient high-quality liquid assets ("HQLA") to withstand an acute liquidity stress scenario over a 30-day horizon for Liquidity Coverage Ratio ("LCR"). The Bank is maintaining stable source of funds to support assets and off-balance sheet activities for Net Stable Funding Ratio ("NSFR"). LCR and NSFR are part of the Basel III reform package which comprises measures to further strengthen the existing capital and liquidity standards for banking institutions. As of end March 2025, the Bank complies with the minimum LCR and NSFR as stipulated by BNM.

**Islamic Banking Business**

There are no significant liquidity risk exposures as at 30 September 2025 (2025 March: Nil).

## 7. OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal process, people and system or from external events. The increasing need for an effective operational risk management is driven by a number of factors, among others are:

- Significant operational losses experienced at financial institutions;
- New regulatory requirements and international best practices;
- Significant and rapid changes to the economic and business environment;
- Growing need to optimise economic capital and measure performance;
- Protection and enhancement of shareholders' value; and
- Increasing number of potential threats affecting Bank's business operations especially cyber security and pandemic threats.

Periodic audit review from internal, holding company as well as external audit are conducted to ensure adequacy and effectiveness of the operational risk management process.

**Regulatory Capital Requirements**

The following presents the minimum regulatory capital requirement on operational risk for the Bank:

| | 2025 September | | 2025 March | |
|---|---|---|---|---|
| | Risk-Weighted Assets RM'000 | Minimum Capital Requirement at 8% RM'000 | Risk-Weighted Assets RM'000 | Minimum Capital Requirement at 8% RM'000 |
| Operational risk | 1,721,741 | 137,739 | 1,455,118 | 116,409 |

**Risk Governance**

In line with BNM's Guideline on Risk Governance, the Bank's internal processes and practices are tuned towards the same direction. The objectives are supported by a framework of principles on risk governance to guide the Board and Management in performing their risk oversight function. Risk Governance focuses on applying sound principles on the assessment and management of risks to ensure that risk taking activities are aligned with the Bank capacity to absorb losses and its long term viability. It is concerned in particular with the roles of the Board, Management and risk management control functions as well as processes by which risk information is collected, analysed and communicated to provide a sound basis for management decision. It is also concerned with the effects of incentives and organisational culture on risk taking behaviors and perceptions of risk in the Bank.

**Operational Risk Management Framework**

The Bank adopted sound Operational Risk Management ("ORM") practices based on industry best practices and international standards, as well as guidelines as described by the holding company's Operational Risk and Risk Management Policies.

The focus of the Framework is to provide greater clarity of roles and responsibilities in operational risk management at all levels of staff. It aims to promote stronger operational risk awareness and culture and to inculcate ORM practices in day-to-day business activities and responsibilities. This is further supported by having structured enablers for ORM using clearly defined Operational Risk language and processes, integrated approach and lifecycles, and internal control systems within the organisation. The ORM Framework sets out:

- Bank's definition and categories of Operational Risk;
- Roles and responsibilities of key staff and oversight committees;
- Overview the relationship of the integrated components to manage Operational Risk {Risk and Controls Self-Assessment ("RCSA"), Global Control Self Assessment ("GCSA"), Loss Event Data ("LED") and Key Risk Indicators ("KRI")};
- The framework covers both Conventional and Shariah risks.

The framework adopted 3-lines of defense ("3LOD") model to manage operational risk with clear roles and responsibilities reflected for each line of defense. In 2025, we continue to strengthen the effectiveness of our 3LOD to better manage the risk. First line of defense identifies and manages the conducive control environment associated with their business function, while second line of defense represented by Risk & Compliance departments sets policy & control standards and manages enforcement, undertakes assessment & monitoring activities to manage risks. Third line of defense represented by Audit provides independent challenge to the risk management posture and process to provide assurance of effectiveness to the Board.

## 7. OPERATIONAL RISK (CONTD)

### Risk and Control Assessments

Risk and control assessment is a periodic set of activities and programs to manage the different types of operational risk. Among others (but not limited to) are Risk & Control Self Assessment (RCSA), Global Control Self Assessment (GCSA), Periodic Review of Outsourcing Parties, Self Inspection Program, Product Review, System Risk Evaluation, Cyber Maturity Assessment, etc. These activities are carried out in collaboration with first line of defence as the risk owner to manage operational risk within acceptable level.

### Business Continuity Management

The Bank's Business Continuity Management ("BCM") programme is in compliance with requirements of BNM, the holding company and in line with International Standards ISO22301 to ensure all critical business functions can continue in the event of a disruption.

During the Covid-19 pandemic period, we successfully implemented business continuity responses and continued to offer essential services and maintained service level agreements to serve our customers with minimal disruption. No major impact arised from pandemic infection or third party dependencies in the past one year. The Crisis Management Team ("CMT") chaired by CEO monitors and manages responses to any incident escalated from the business functions to ensure continuity of our business.

### Reporting

Reporting forms an essential part of operational risk management. The Bank's risk management processes are designed to ensure that operational issues are identified, escalated and managed on a timely manner. Operational risk areas for key operation, business and control units are reported through monthly operational risk management reports, which provide analysis and action plans for each significant business operation. The operational risk areas include premises control and safety, losses due to fraud and control lapses, systems availability, disaster recovery and business continuity simulations, information security, product/service review, self-inspection, operations volume, staff attrition, Shariah non-compliance, outsourcing activities and managing legal action taken against the Bank. The operational risk management reports are tabled to the Operational Risk Management and Control Committee Meeting ("ORMCC") on monthly basis and escalated to the Risk Management Committee Meeting ("RMC") on quarterly basis.

### Islamic Banking Business

| | 2025 September | | 2025 March | |
|---|---|---|---|---|
| | Risk-Weighted Assets RM'000 | Minimum Capital Requirement at 8% RM'000 | Risk-Weighted Assets RM'000 | Minimum Capital Requirement at 8% RM'000 |
| Operational risk | 32,763 | 2,621 | 32,186 | 2,575 |

## 8. PROFIT SHARING INVESTMENT ACCOUNTS AMD SHARIAH GOVERNANCE

(a) Profit Sharing Investment Accounts

This disclosure is not applicable as the Islamic Banking business does not have any Profit Sharing Investment Accounts.

(b) Shariah Governance

This is disclosed in the Pillar 3 Disclosures of the Bank attached to the audited financial statements for the financial period ended 31 March 2025.

## 7. OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal process, people and system or from external events. The increasing need for an effective operational risk management is driven by a number of factors, among others are:

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**Islamic Banking Business**

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