PUBLIC ISLAMIC BANK BERHAD
Company Registration No.: 197301001433 (14328-V)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS AND AUDITED FINANCIAL STATEMENTS 31 DECEMBER 2024

Registered Office
27th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Malaysia

PUBLIC ISLAMIC BANK BERHAD
Company Registration No.: 197301001433 (14328-V)
(Incorporated in Malaysia)

CONTENTS **PAGE**

PUBLIC ISLAMIC BANK BERHAD
Company Registration No.: 197301001433 (14328-V)
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

The Directors have pleasure in presenting to the member their report together with the audited financial statements of Public Islamic Bank Berhad ("the Bank") for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

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

The principal activities of the associated company are as disclosed in Note 14 to the financial statements.

There have been no significant changes to these principal activities during the financial year.

FINANCIAL RESULTS

	RM'000
Profit before zakat and taxation	1,008,074
Zakat	(5,021)
Taxation	(236,890)
Profit for the year	766,163

DIVIDENDS

No dividend has been paid or declared by the Bank since the financial year ended 31 December 2023.

The Directors do not propose any dividend for the financial year ended 31 December 2024.

ISSUANCE OF SHARES AND DEBENTURES

There were no issuance of new shares by the Bank during the year.

During the year, the Bank made issuance and redemption of debt securities, as disclosed in Note 21 to the financial statements.

HOLDING COMPANY

The holding as well as the ultimate holding company of the Bank is Public Bank Berhad, a licensed bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

RESERVES, PROVISIONS AND ALLOWANCES

There were no material transfers to or from reserves or provisions or allowances during the year other than those disclosed in the statement of changes in equity and Notes 6, 7, 8, 9, 10, 22, 25 and 26 to the financial statements.

DIRECTORS OF THE BANK

The Directors who served since the beginning of the financial year to the date of this report are:

Dato' Haji Kamil Khalid bin Dato' Mushir Ariff
Tan Sri Dato' Sri Dr. Tay Ah Lek
Datin Dr. Rusnah binti Muhamad
Mr Lam Song Shen
Dr. Shafaai bin Musa
Datuk Mohd Anwar bin Yahya
Mr Tan Keat Lin (appointed on 27 March 2024)

In accordance with Clause 98 of the Bank's Constitution, Mr Tan Keat Lin retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Clause 99 of the Bank's Constitution, Mr Lam Song Shen and Dr. Shafaai bin Musa retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares of the Bank's holding company, Public Bank Berhad ("PBB") and in shares of its related companies during the financial year were as follows:

Shares Held in PBB

	Number of Ordinary Shares			
	Balance at 1.1.2024	**Acquired**	**Disposed**	**Balance at 31.12.2024**
Direct interests:				
Tan Sri Dato' Sri Dr. Tay Ah Lek	27,944,225	-	-	27,944,225
Deemed interests:				
Tan Sri Dato' Sri Dr. Tay Ah Lek	3,448,725	-	-	3,448,725

DIRECTORS' INTERESTS (continued)

Shares Held in its related company, LPI Capital Berhad

	Number of Ordinary Shares			
	Balance at * 04.12.2024	**Acquired**	**Disposed**	**Balance at 31.12.2024**
Direct interests:				
Tan Sri Dato’ Sri Dr. Tay Ah Lek	333,849	-	-	333,849
Deemed interests:				
Tan Sri Dato’ Sri Dr. Tay Ah Lek	87,552	-	-	87,552

* Arising from the completion of the acquisition of 44.15% equity interest in LPI Capital Bhd by the Bank's holding company, PBB on 4 December 2024.

Shares Held in its related company, Public Financial Holdings Limited

	Number of Ordinary Shares			
	Balance at 1.1.2024	**Acquired**	**Disposed**	**Balance at 31.12.2024**
Direct interests:				
Tan Sri Dato’ Sri Dr. Tay Ah Lek	350,000	-	-	350,000

Other than as disclosed above, none of the Directors in office at the end of the financial year had any interest in shares in PBB or its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Bank is a party with the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Since the end of the previous financial year, the remuneration in aggregate amount received or due and receivable by the Directors or the fixed salary of a full time employee of the Bank are as follows:

	RM’000
Directors' fees	793
Directors' other emoluments	1,737
	2,530

DIRECTORS' BENEFITS (continued)

Details of Directors' remuneration of the Bank are set out in Note 34 to the financial statements.

Other than as disclosed above, no Director of the Bank has received or become entitled to receive any benefit by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has substantial financial interest except for those transactions arising in the ordinary course of business as disclosed in Note 38(a) to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the statement of profit or loss and statement of financial position of the Bank were made out, the Directors took reasonable steps:

   (i) to ascertain that actions had been taken in relation to the writing off of bad financing and the making of allowance for doubtful financing, and satisfied themselves that all known bad financing had been written off and adequate allowance had been made for doubtful financing; and

   (ii) to ensure that current assets, other than financing, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Bank had been written down to an amount which they might be expected to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

   (i) the amount written off for bad financing, or the amount of the allowance for doubtful financing in the financial statements of the Bank, inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Bank misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets and liabilities in the financial statements of the Bank misleading or inappropriate.

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

OTHER STATUTORY INFORMATION (continued)

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Bank that has arisen since the end of the financial year other than those incurred in the ordinary course of business of the Bank.

(f) In the opinion of the Directors:

(i) no contingent liability or other liability of the Bank has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Bank for the current financial year in which this report is made.

SIGNIFICANT EVENTS

There were no significant events during the financial year.

SUBSEQUENT EVENTS

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

INDEMNIFICATION OF DIRECTORS

The Bank's holding company, Public Bank Berhad maintained on a group basis, insurance coverage up to an aggregate limit of RM435,000,000 (2023: RM435,000,000) against any legal liability incurred by the Directors and officers in the discharge of their duties while holding office for Public Bank Berhad or for its subsidiary companies. The Directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. The amount of insurance premium paid for the Directors and officers by Public Bank Berhad for the current financial year was RM10,562,000 (2023: RM10,759,000).

BUSINESS REVIEW 2024

Global growth was stable in 2024 amid better alignment of economic activities, coupled with inflation that gradually receded and monetary policy easing. However, external shocks raised concerns that underlying economic vulnerabilities deepened. Several low-income developing countries have experienced downside to growth.

The Malaysian economy was mainly supported by domestic demand, a strong recovery in exports and a thriving tourism sector. The Malaysian banking system remained resilient underpinned by ample liquidity and healthy capital buffers.

Islamic financing and deposits in the domestic industry grew by 8.1% and 6.8% respectively in 2024. Household sector financing for the purchase of residential properties was partly driven by the Government's initiatives.

Public Islamic Bank ("the Bank") remains committed in the areas of environmental, social and governance ("ESG") with efforts encompassing a wide array of initiatives in support of a green and lower carbon emission environment. These include attractive financing packages for the purchase of energy efficient vehicles and solar panel.

The Bank offers a comprehensive range of Shariah compliant products and services, leveraging on Public Bank's strong branding, extensive network of branches and infrastructure.

The Bank continued to emphasise on consumer and retail commercial financing business in 2024. The Bank's financing grew by 9.1%, mainly driven by higher financing in purchase of passenger vehicles and residential properties. In 2024, the Bank's financing for purchase of passenger vehicles rose by 23.4% and home financing increased by 8.1%.

The Bank's asset quality remained resilient with gross impaired financing ratio of 0.35% as at the end of 2024, which continued to stay well below the Islamic banking industry's gross impaired financing ratio of 1.35%.

The Bank's total deposits expanded by 6.6% in 2024, mainly due to demand, term and savings deposits which grew by 7.5%, 6.9% and 4.2% respectively. The Bank's liquidity positions remained stable with its gross financing to fund and equity ratio of 80.1% as at 31 December 2024 as well as its average liquidity coverage ratio of 156.2% in 2024.

BUSINESS REVIEW 2024 (continued)

The Bank’s Common Equity Tier I, Tier I and total capital ratios stood at 13.419%, 13.419% and 16.312% respectively as at the end of 2024, which remained above the minimum regulatory requirements.

The Bank continues to offer ‘green’ financing products, which is in tandem with its ESG goals, pioneering in its socially responsible financing facilities such as Energy Efficient Vehicle Financing and Solar Panel Financing for both retail and commercial customers. These are supportive of Bank Negara Malaysia’s ("BNM") value-based intermediation (“VBI”) directives. In 2024, among the Bank’s key priorities include the implementation of VBI strategies and engagement with Halal Financing Program with ESG elements. The Bank also provided financing support in its social finance initiative (“i-TEKAD”) with the aim of assisting low-income micro entrepreneur.

The Bank remains committed to strengthen further its information and communication technology infrastructure for improved operational efficiency and resilience in line with its ESG commitment and responsible financing practices. The Bank embraces modern technologies, prioritising on the enhancement of customer experiences coupled with its unwavering commitment in terms of security and reliability.

ECONOMIC OUTLOOK AND PROSPECTS FOR 2025

Against the backdrop of favourable economic growth ahead, the global outlook remains dependent on the overall policy environment and geopolitical situation. Potential downside risks are mainly due to elevated policy uncertainty and geopolitical tensions. In the United States of America, the overall outlook will be subjected to the policy changes from the new administration and decision on the benchmark interest rate by the Federal Reserve. Regional economies are expected to be impacted by potentially deeper slowdown in China. Meanwhile, the Euro area economy is expected to grow, helped by stronger domestic demand and a gradual easing of monetary policy.

The diversified economic structure of the Malaysian economy remains supported by firm fundamentals and stable labour market conditions. Steady domestic demand, services sector growth including tourism activities as well as further progress of investment and infrastructure projects will remain supportive of growth. Meanwhile, downside risks mainly stem from weaker-than-expected external demand and commodity production. Ongoing policy support will help cushion the impact of downside risks stemming from prolonged geopolitical uncertainties and potentially tight global financial conditions.

Domestic financial conditions remain conducive for financial intermediation underpinned by the resilience in the Malaysian banking system. The Malaysian banking system is backed by ample liquidity and healthy capital buffers. Banks will remain proactive in monitoring its asset quality and to maintain resilient credit quality. Banks in Malaysia will continue to cater to the needs of customers while enhancing operational and cost efficiency as well as overall productivity through various digital efforts.

BUSINESS OUTLOOK FOR 2025

The Malaysian business landscape is supported by appropriate policies and reform initiatives, which enhance business resilience and encourage domestic investments. However, business growth remains highly dependent on the overall macro developments.

Malaysia is expected to remain at the forefront of Islamic banking globally, supported by sustained demand for Islamic banking products and services.

In 2025, the Bank will continue to emphasise on its core segments of Islamic home financing, hire purchase financing and commercial business financing. The Bank will also continue to tap on business opportunities in the SME financing space by offering competitive products and services.

In terms of deposits taking, the Bank will remain focused on growing demand and savings deposits of its retail customers.

The Bank continues to cater to the needs of customers by offering ‘green’ products and services in line with the ESG directives by BNM.

The Bank will also continue to collaborate closely with AIA PUBLIC Takaful Berhad to promote bancatakaful products.

The Bank is fully committed in its role as a financial intermediary as well as contributing towards national development and economic growth. The Bank continues to maintain prudence in its management of credit risk as well as preserve its sound corporate governance and risk management practices. The Bank will ensure that it remains well-capitalised and well-funded to support its business and safeguard the interests of its stakeholders.

In addition, the Bank will continue to accelerate its digitalisation efforts with ongoing upgrades and enhancement of information and communication technology infrastructure as well as exploration and adoption of new technologies to cater to evolving customer needs.

The Bank remains committed to further strengthen its financial intermediary role, leveraging on Public Bank’s strong branding, widely distributed branch network and infrastructure as well as multi-delivery channels and customers’ touch points.

AUDITORS

The retiring auditors, Messrs. Ernst & Young PLT, have indicated their willingness to accept re-appointment.

Auditors' remuneration of the Bank is RM602,000 (2023 : RM650,000).

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

DATO' HAJI KAMIL KHALID BIN DATO' MUSHIR ARIFF
Director

TAN SRI DATO' SRI DR. TAY AH LEK

Director

Kuala Lumpur, Malaysia

Dated : 26 February 2025

PUBLIC ISLAMIC BANK BERHAD
Company Registration No.: 197301001433 (14328-V)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, DATO' HAJI KAMIL KHALID BIN DATO' MUSHIR ARIFF and TAN SRI DATO' SRI DR. TAY AH LEK, being two of the Directors of PUBLIC ISLAMIC BANK BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 20 to 175 are properly drawn up in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 December 2024 and of its financial performance and cash flows for the year then ended.

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

DATO' HAJI KAMIL KHALID BIN DATO' MUSHIR ARIFF
Director

TAN SRI DATO' SRI DR. TAY AH LEK
Director

Kuala Lumpur, Malaysia

Dated : 26 February 2025

PUBLIC ISLAMIC BANK BERHAD
Company Registration No.: 197301001433 (14328-V)
(Incorporated in Malaysia)

STATUTORY DECLARATION
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, YIK SOOK LING, being the officer primarily responsible for the financial management of PUBLIC ISLAMIC BANK BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 20 to 175, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed YIK SOOK LING at KUALA LUMPUR in WILAYAH PERSEKUTUAN on 26 February 2025

YIK SOOK LING
MIA No.: CA 11419

BEFORE ME:

Commissioner for Oaths
Kuala Lumpur, Malaysia

PUBLIC ISLAMIC BANK BERHAD
Company Registration No.: 197301001433 (14328-V)
(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT
In the name of Allah, The Most Gracious, The Most Merciful

To the shareholder, depositors and customers of the Bank:

In carrying out the roles and responsibilities of the Bank's Shariah Committee as prescribed in the Shariah Governance Policy Document of Bank Negara Malaysia ("BNM"), we hereby submit the following report for the financial year ended 31 December 2024.

We have based on the information provided to us, reviewed the Shariah principles and the contracts relating to the transactions and products introduced by the Bank during the year ended 31 December 2024. It is our responsibility to form an independent opinion on the state of Shariah compliance of the Bank with respect to its overall activities in accordance to the Shariah rules and principles as well as Shariah standards issued by BNM and Shariah decisions made by us.

The Management of the Bank is responsible for ensuring that the conduct of its business is in accordance with Shariah rules and principles as well as the Shariah standards of BNM. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank and to report to you.

We have periodically assessed the work carried out by Shariah Review & Compliance Department as well as Shariah Audit Unit which had been done by examining on a test basis, the Islamic banking transactions executed, relevant documentation and procedures adopted by the Bank.

There were four (4) Shariah Non-Compliance ("SNC") incidents involving the following nature of events for the financial year ended 31 December 2024 (2023:7):

(i) Non-renewal of Cash Line Facility-i ("CLF-i") resulting in breach of selling price;

(ii) Utilisation of Bankers Guarantee-i ("BG-i") for SNC activities (Insurance Coverage);

(iii) Cross selling/bundling of conventional business insurance (PB WealthElite Xtra) with Islamic financing (Musharakah Mutanaqisah Home Equity Financing-i Redraw); and

(iv) Use of incomplete/under construction properties as assets for underlying transactions for Bai’ Bithaman Ajil ("BBA") House Financing-i ("HF-i") and Term Financing-i ("TF-i").

We were informed that the total SNC income for purification amounted to RM3,000,000 (2023: RM26,000) whereby SNC income amounting to RM5,000 was incurred from a newly discovered actual SNC event in 2024. The remaining RM2,995,000 were resulting from the findings on residual accounts affected pertaining to actual SNC events occurring in previous years.

During the financial year 2024, rectification plan has been on-going to rectify the SNC incident in relation to incomplete/under construction properties as underlying assets for BBA HF-i and BBA TF-i. The accumulated profit relating to the affected accounts has been derecognised from the financial statements until the appropriate actions have been taken to rectify this SNC incident.

Further, a total of RM475,000 (2023: RM62,000) was identified as Gharamah and are not recognised as income.

We were also informed on the root causes of the SNC incidents and noted that the Bank had taken corrective and preventive measures to prevent any future recurrence.

We confirmed that all of the SNC incidents together with their rectification plans including the method of purification of SNC Income have been presented to us for endorsement prior to their approval by the Board of Directors. Subsequently, the incidents have been reported in accordance with the reporting requirement prescribed by the regulator.

We have performed our review and provided our advice on the basis of information and explanations provided to us, which in turn allow us to give reasonable assurance that the Bank is in compliance with Shariah rules and principles as well as the Shariah standards of BNM.

In our opinion and to the best of our knowledge:

1) the contracts, transactions and dealings entered into by the Bank in the normal course of its business activities for the year ended 31 December 2024 with the exception to the reported Actual SNC events are in compliance with Shariah rules and principles as well as Shariah standards of BNM;

2) the income from SNC sources or by means prohibited by Shariah rules and principles or any other non-recognisable income has been set for purification; and

3) the calculation of zakat is in compliance with Shariah principles as set by the Islamic Religious Council of the Federal Territory.

We, the members of the Shariah Committee of the Bank, do hereby confirm that the operations of the Bank for the financial year ended 31 December 2024 have been conducted in conformity with Shariah rules and principles as well as the Shariah standards of BNM except for the Actual SNC incidents as disclosed above.

Company Registration No.: 197301001433 (14328-V)

On behalf of the Public Islamic Bank Shariah Committee

DR. SHAFAAI BIN MUSA
Chairman of the Shariah Committee

ASSOC. PROF. DR. YASMIN HANANI BINTI MOHD SAFIAN
Member of the Shariah Committee

Kuala Lumpur, Malaysia
Dated : 26 February 2025

PUBLIC ISLAMIC BANK BERHAD
Company Registration No.: 197301001433 (14328-V)
(Incorporated in Malaysia)

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF PUBLIC ISLAMIC BANK BERHAD
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Public Islamic Bank Berhad, which comprise the statement of financial position as at 31 December 2024 of the Bank, and statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Bank for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 20 to 175.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024, and of its financial performance and cash flows for the financial year then ended in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

Information other than the financial statements and auditors' report thereon (cont'd.)

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF PUBLIC ISLAMIC BANK BERHAD (cont'd.)
(Incorporated in Malaysia)

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
PUBLIC ISLAMIC BANK BERHAD (cont'd.)
(Incorporated in Malaysia)

Other matters

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

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Dato' Megat Iskandar Shah Bin Mohamad Nor
No. 03083/07/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia

Dated : 26 February 2025

PUBLIC ISLAMIC BANK BERHAD
Company Registration No.: 197301001433 (14328-V)
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
ASSETS			
Cash and balances with banks	3	559,131	247,627
Financial assets at fair value through profit or loss	4	993,555	1,893,292
Derivative financial assets	5	19,924	24,596
Financial investments at fair value through other comprehensive income	6	13,484,611	12,949,519
Financial investments at amortised cost	7	5,363,834	5,374,376
Financing and advances	8	79,620,797	72,760,746
Tax recoverable		-	413
Other assets	9	264,500	230,818
Statutory deposits with Bank Negara Malaysia	11	1,860,700	1,710,590
Deferred tax assets	12	86,443	112,223
Collective investment	13	630,315	609,709
Investment in an associated company	14	67,500	67,500
Right-of-use assets	15(a)	20,268	21,708
Property and equipment	16	4,013	3,186
TOTAL ASSETS		102,975,591	96,006,303
LIABILITIES			
Deposits from customers	17	87,797,771	82,325,264
Deposits from banks and other financial institutions	18	3,032,719	2,287,243
Bills and acceptances payable	19	883	2,386
Recourse obligations on financing sold to Cagamas	20	1,000,000	1,100,000
Derivative financial liabilities	5	12,026	24,817
Sukuk Murabahah	21	2,000,000	2,000,000
Lease liabilities	15(b)	21,199	22,295
Other liabilities	22	854,679	831,024
Provision for zakat and taxation	23	23,152	-
TOTAL LIABILITIES		94,742,429	88,593,029

PUBLIC ISLAMIC BANK BERHAD
Company Registration No.: 197301001433 (14328-V)
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
EQUITY			
Share capital	24	3,032,717	3,032,717
Regulatory reserve	25	207,446	-
Other reserves	26	(5,913)	(59,638)
Retained profits		4,998,912	4,440,195
TOTAL EQUITY		8,233,162	7,413,274
TOTAL LIABILITIES AND EQUITY		102,975,591	96,006,303
COMMITMENTS AND CONTINGENCIES	44	13,444,846	13,649,791
Net assets per share attributable to ordinary equity holder of the Bank (RM)		33.85	30.48

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

PUBLIC ISLAMIC BANK BERHAD
Company Registration No.: 197301001433 (14328-V)
(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
Income derived from investment of depositors' funds and others	27	3,903,218	3,571,303
Income derived from investment of shareholder's funds	28	346,844	309,537
Writeback of allowance / (Allowance) for impairment on financing and advances	29	116,761	(17,972)
Allowance for impairment on other assets	30	(3,281)	(1,342)
Total distributable income		4,363,542	3,861,526
Income attributable to depositors and others	31	(2,670,950)	(2,481,647)
Total net income		1,692,592	1,379,879
Personnel expenses	32	(45,371)	(36,012)
Other overheads and expenditures	33	(639,147)	(592,805)
Profit before zakat and taxation		1,008,074	751,062
Zakat	35	(5,021)	(2,359)
Taxation	35	(236,890)	(182,824)
Profit for the year		766,163	565,879
Earnings per share			
- basic / diluted (sen)	36	315.0	232.7

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

PUBLIC ISLAMIC BANK BERHAD
Company Registration No.: 197301001433 (14328-V)
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
Profit for the year		766,163	565,879
Other comprehensive income / (loss):			
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit reserves:			
- Gain / (Loss) on remeasurements of defined benefit plan	10, 26	305	(2,644)
Items that may be reclassified subsequently to profit or loss:			
Revaluation reserves:			
- Net change in revaluation of financial investments at fair value through other comprehensive income	26	62,214	158,779
Hedging reserves:			
- Net change in cash flow hedges	26	8,171	(19,326)
		70,385	139,453
Income tax relating to components of other comprehensive income / (loss) :			
- Defined benefit reserves	12, 26	(73)	634
- Revaluation reserves	12, 26	(14,931)	(38,107)
- Hedging reserves	12, 26	(1,961)	4,638
	12, 26	(16,965)	(32,835)
Other comprehensive income for the year, net of tax		53,725	103,974
Total comprehensive income for the year		819,888	669,853

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

PUBLIC ISLAMIC BANK BERHAD
Company Registration No.: 197301001433 (14328-V)
(Incorporated in Malaysia)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Share Capital RM'000	<----- Non-distributable -----> Reserves: Regulatory Reserve RM'000	Other Reserves RM'000	Distributable Reserve: Retained Profits RM'000	Total Equity RM'000
At 1 January 2024		3,032,717	-	(59,638)	4,440,195	7,413,274
Profit for the year		-	-	-	766,163	766,163
Other comprehensive income for the year		-	-	53,725	-	53,725
Total comprehensive income for the year		-	-	53,725	766,163	819,888
Transactions with owner / other equity movements:						
Transfer to regulatory reserve	25	-	207,446	-	(207,446)	-
		-	207,446	-	(207,446)	-
At 31 December 2024		3,032,717	207,446	(5,913)	4,998,912	8,233,162
		Note 24	Note 25	Note 26		

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

PUBLIC ISLAMIC BANK BERHAD
Company Registration No.: 197301001433 (14328-V)
(Incorporated in Malaysia)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

		<-------- Non-distributable -------> Reserves		Distributable Reserve	
	Share Capital RM'000	**Regulatory Reserve RM'000**	**Other Reserves RM'000**	**Retained Profits RM'000**	**Total Equity RM'000**
At 1 January 2023	3,032,717	-	(163,612)	3,874,316	6,743,421
Profit for the year	-	-	-	565,879	565,879
Other comprehensive income for the year	-	-	103,974	-	103,974
Total comprehensive income for the year	-	-	103,974	565,879	669,853
At 31 December 2023	3,032,717	-	(59,638)	4,440,195	7,413,274
	Note 24	Note 25	Note 26		

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

PUBLIC ISLAMIC BANK BERHAD
Company Registration No.: 197301001433 (14328-V)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
Cash flows from operating activities			
Profit before zakat and taxation		1,008,074	751,062
Adjustments for:			
Depreciation of right-of-use assets	15(a), 33	1,615	1,669
Depreciation of property and equipment	16, 33	977	895
Net gain on disposal of foreclosed properties		(95)	(256)
Net gain on disposal of property and equipment		-	(4)
(Writeback of allowance) / Allowance for impairment on financing and advances	29	(96,412)	38,446
Net gain arising from sale of financial investments at fair value through other comprehensive income		(4,260)	(3,657)
Unrealised loss / (gain) on revaluation of financial assets at fair value through profit or loss		29	(54)
Loss / (Gain) representing ineffective portions of hedging derivatives		51	(97)
Distributions from collective investment		(20,663)	(20,163)
Allowance for impairment on other assets	30	3,281	1,342
Operating profit before working capital changes		892,597	769,183
Decrease / (Increase) in operating assets:			
Financial assets at fair value through profit or loss		899,708	(1,893,238)
Financing and advances		(6,770,223)	(7,172,079)
Other assets		(30,387)	(11,259)
Statutory deposits with Bank Negara Malaysia		(150,110)	35,510

PUBLIC ISLAMIC BANK BERHAD
Company Registration No.: 197301001433 (14328-V)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
Cash flows from operating activities (continued)			
Increase / (Decrease) in operating liabilities:			
Deposits from customers		5,472,507	6,236,694
Deposits from banks and other financial institutions		745,476	(428,208)
Bills and acceptances payable		(1,503)	(714)
Recourse obligations on financing sold to Cagamas		(100,000)	-
Other liabilities		23,328	368,852
Cash generated from / (used in) operations		981,393	(2,095,259)
Income tax expense and zakat paid		(209,531)	(282,200)
Tax refunded		-	7,205
Net cash generated from / (used in) operating activities		771,862	(2,370,254)
Cash flows from investing activities			
Purchase of property and equipment		(1,804)	(589)
Proceeds from disposal of property and equipment		-	4
Proceeds from disposal of foreclosed properties		871	3,712
Net purchase of financial investments at fair value through other comprehensive income		(468,698)	(710,592)
Net sale of financial investments at amortised cost		10,544	261,354
Distributions received from collective investment		20,606	19,871
Investment in collective investment		(20,606)	(19,871)
Net cash used in investing activities		(459,087)	(446,111)
Cash flows from financing activities			
Repayment of lease liabilities	15(d)	(1,271)	(1,337)
Net proceeds from issuance of Sukuk Murabahah	21	500,000	-
Redemption of Sukuk Murabahah	21	(500,000)	-
Net cash used in financing activities		(1,271)	(1,337)

PUBLIC ISLAMIC BANK BERHAD
Company Registration No.: 197301001433 (14328-V)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
Net increase / (decrease) in cash and cash equivalents		311,504	(2,817,702)
Cash and cash equivalents at beginning of year		247,627	3,065,329
Cash and cash equivalents at end of year		559,131	247,627

Note:			
Cash and balances with banks	3	559,131	247,627
Less: Balances with banks with original maturity more than three months		-	-
Cash and cash equivalents at end of year		559,131	247,627
Non-cash investing activities	15(a)	-	122

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

There have been no significant changes to these principal activities during the financial year.

The Bank is a licensed Islamic bank under the Islamic Financial Services Act 2013, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 27th Floor, Menara Public Bank, 146, Jalan Ampang, 50450 Kuala Lumpur.

The holding as well as the ultimate holding company of the Bank is Public Bank Berhad, a licensed bank incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were approved and authorised for issue by the Board of Directors on 26 February 2025.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accounting policies adopted by the Bank are consistent with those adopted in the previous years except for the adoption of the following:

(i) Amendments to MFRS Accounting Standards and MFRS Accounting Standards that were Early Adopted by the Bank

The Bank has adopted the following in the current financial year:

<u>Effective for annual periods commencing on or after 1 January 2025</u>
- Lack of Exchangeability (Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates)

<u>Effective for annual periods commencing on or after 1 January 2027</u>
- MFRS 19 Subsidiaries without Public Accountability: Disclosures

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The accounting policies adopted by the Bank are consistent with those adopted in the previous years except for the adoption of the following (continued):

(i) Amendments to MFRS Accounting Standards and MFRS Accounting Standards that were Early Adopted by the Bank (continued)

The Bank has adopted the following in the current financial year (continued):

The adoption of the above Amendments to MFRS Accounting Standards and MFRS Accounting Standards did not have any impact on the financial statements of the Bank. The applicable accounting standards for the Bank are disclosed below:

Lack of Exchangeability (Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates) - The amendments provide guidance on the spot exchange rate to use when a currency is not exchangeable into another currency and the disclosures entities need to provide to enable users of financial statements to understand the impact of a currency not being exchangeable.

(ii) Amendments to MFRS Accounting Standards and MFRS Accounting Standards that have been Issued but are Not Yet Effective to the Bank

The following Amendments to MFRS Accounting Standards and MFRS Accounting Standards have been issued by Malaysian Accounting Standards Board ("MASB") but are not yet effective to the Bank:

Effective for annual periods commencing on or after 1 January 2026

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to MFRS 9 Financial Instruments and MFRS 7 Financial Instruments: Disclosures)
- Amendments to MFRS Accounting Standards contained in the document entitled "Annual Improvements to MFRS Accounting Standards - Volume 11"
- Contracts Referencing Nature-dependent Electricity (Amendments to MFRS 9 Financial Instruments and MFRS 7 Financial Instruments: Disclosures)

Effective for annual periods commencing on or after 1 January 2027

- MFRS 18 Presentation and Disclosure in Financial Statements

Effective date of these Amendments to Standards has been deferred, pending further announcement

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The accounting policies adopted by the Bank are consistent with those adopted in the previous years except for the adoption of the following (continued):

(ii) Amendments to MFRS Accounting Standards and MFRS Accounting Standards that have been Issued but are Not Yet Effective to the Bank (continued)

The following Amendments to MFRS Accounting Standards and MFRS Accounting Standards have been issued by MASB but are not yet effective to the Bank (continued):

The adoption of the above Amendments to MFRS Accounting Standards and MFRS Accounting Standards is not expected to have any financial impact on the financial statements of the Bank. The applicable accounting standards for the Bank are disclosed below:

Amendments to the Classification and Measurement of Financial Instruments (Amendments to MFRS 9 Financial Instruments and MFRS 7 Financial Instruments: Disclosures) - The amendments provided clarification on the classification of financial assets with environmental, social and corporate governance ("ESG") linked features via additional guidance on the assessment of contingent features. The amendments also clarify the date on which a financial asset or financial liability is derecognised. In addition, the amendments permit a company to derecognise a financial liability before it delivers cash on the settlement date if specified criteria are met.

New disclosure requirements are also introduced for financial instruments with contingent features and equity instruments classified at fair value through other comprehensive income.

Amendments to MFRS Accounting Standards contained in the document entitled "Annual Improvements to MFRS Accounting Standards - Volume 11" - The annual improvements include clarifications, simplifications, corrections and changes aimed at improving the consistency of the following MFRS Accounting Standards:

- Hedge accounting by a first-time adopter (Amendments to MFRS 1)
- Gain or loss on derecognition (Amendments to MFRS 7)
- Lessee derecognition of lease liabilities and transaction price (Amendments to MFRS 9)
- Determination of a 'de facto agent' (Amendments to MFRS 10)
- Cost method (Amendments to MFRS 107)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The accounting policies adopted by the Bank are consistent with those adopted in the previous years except for the adoption of the following (continued):

(ii) Amendments to MFRS Accounting Standards and MFRS Accounting Standards that have been Issued but are Not Yet Effective to the Bank (continued)

The following Amendments to MFRS Accounting Standards and MFRS Accounting Standards have been issued by MASB but are not yet effective to the Bank (continued):

Contracts Referencing Nature-dependent Electricity (Amendments to MFRS 9 Financial Instruments and MFRS 7 Financial Instruments: Disclosures) - The amendments help entities better reflect the nature-dependent electricity contracts in their financial statements. The amendments include, but are not limited to, the following:

- clarify the application of the 'own-use' exception as per paragraph 2.4 of MFRS 9;
- permitting an entity to apply hedge accounting in MFRS 9 when these contracts are used as hedging instruments; and
- introducing new disclosure requirements in MFRS 7 to help users of financial statements understand the effects these contracts have on the amount, timing and uncertainty of an entity's future cash flows and financial performance.

MFRS 18 Presentation and Disclosure in Financial Statements - The new standard introduces new requirements on presentation within the statement of profit or loss. It also requires disclosure of management-defined performance measures and includes enhanced principles on aggregation and disaggregation of financial information which apply to the primary financial statements and the notes.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - The amendments clarify that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not), as defined in MFRS 3 Business Combinations. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information

(a) Basis of Accounting

The financial statements of the Bank have been prepared in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia. The financial statements of the Bank have been prepared on a historical cost basis unless otherwise indicated in the notes to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000), unless otherwise stated.

In the preparation of the financial statements, management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgments used in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following:

(i) *Fair value estimation of financial instruments (Note 41)* - For financial instruments measured at fair value, where the fair values cannot be derived from active markets, these fair values are determined using a variety of valuation techniques, including the use of mathematical models. Whilst the Bank generally uses widely recognised valuation models with market observable inputs, judgment is required where market observable data are not available. Such judgment normally incorporate assumptions that other market participants would use in their valuations, including assumptions about profit rate yield curves, exchange rates, volatilities and prepayment and default rates.

(ii) *Impairment losses on financing and advances (Notes 8 and 29)* - The measurement of impairment losses on financing and advances requires judgment. In particular, the estimation of the amount and timing of future cash flows, the assessment of a significant increase in credit risk and incorporation of forward-looking information in the measurement of impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of impairment losses.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(a) Basis of Accounting (continued)

Significant areas of estimation, uncertainty and critical judgments used in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following (continued):

(ii) *Impairment losses on financing and advances (Notes 8 and 29) (continued)*
The impairment losses computed based on the expected credit losses ("ECL") models are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. A number of significant judgments are also required in applying the accounting requirements for measuring impairment losses, such as determining criteria for significant increase in credit risk, choosing appropriate models and assumptions for the measurement of impairment losses, establishing the segmentation of financing for purposes of measuring impairment losses on a collective basis, determining the number of economic inputs (e.g. gross domestic product growth rates, consumer price index, housing price index, etc.) as well as the effects on default rates and recovery rates, and selecting forward-looking macroeconomic scenarios and determining its probability-weightings.

The following are the values of the key domestic macroeconomic variables and latest available statistics/projections, as published by the government and related agencies which have been considered by the Bank in the forward-looking models:

	2024
Gross domestic product %	4.8 - 5.3
Consumer price index %	1.8
Housing price index	226.5 *
Unemployment rate %	3.2

* Latest available statistics.

For credit-impaired financing and advances which are individually assessed, judgment by management is required in the estimation of the amount and timing of future cash flows in the determination of impairment losses. In estimating these cash flows, judgments are made about the realisable value of collateral pledged and the customer's financial position. These estimations are based on assumptions and the actual results may differ, hence resulting in changes to impairment losses recognised.

(iii) *Management overlay for ECL of financing (Note 29)* - The Bank has exercised judgment in the provision of management overlay for ECL of financing which is estimated and adapted based on information on-hand. Management overlay is made in circumstances where the Bank believes that existing inputs, assumptions and modelling process have not captured existing or expected risk factors relevant to the financing portfolio. Examples of such circumstances include emerging risks in the local or global macroeconomic, microeconomic or political events, and natural disasters that have not been considered in the modelling process.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(a) Basis of Accounting (continued)

Significant areas of estimation, uncertainty and critical judgments used in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following (continued):

(iii) *Management overlay for ECL of financing (Note 29) (continued)* - The Bank has made management overlay for potential deterioration in credit risks of its large corporate, retail and small and medium enterprises ("SME") portfolios. The factors associated with potential deterioration in credit risks include economic uncertainty due to geopolitical tensions, rising inflation, rapidly increasing profit rates, alongside other factors, which may have potential ramifications to the economy. Additionally, the deterioration in credit profile has yet to be fully reflected in modelling data due to the masking effects of observed defaults owing to various relief assistances to support businesses and individuals, hence management overlay is provided.

(iv) *Income taxes (Note 35)* - Significant management judgment is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether taxes will be payable. The estimation process may involve seeking the advice of experts, where appropriate. Where the final liability for taxation assessed by the tax authority is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

(v) *Deferred tax assets (Note 12)* - Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

(vi) *Defined Benefit Plan (Note 10)* - The defined benefit obligation is determined based on an actuarial valuation. The actuarial valuation involves making assumptions regarding the discount rate, future salary increases and attrition rates. Due to the long term nature of the defined benefit plan, such estimates are subject to significant uncertainty. The amount of defined benefit asset recognised in the statement of financial position is limited to the present value of economic benefits in the form of refunds or reductions in future contributions to the fund. The levels of future contributions to the plan which are used to assess this limit is subject to some uncertainties due to other assumptions made regarding fund membership levels and future salary increases.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(b) Functional and Presentation Currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates, i.e. the functional currency. The financial statements of the Bank are presented in RM, which is also the Bank's functional currency.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances with banks and other financial institutions, and short-term deposits with original maturity of less than three (3) months.

(d) Financial Assets and Liabilities

(i) Initial Recognition

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument. At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or financial liability. Management also determines the classification of a financial asset and a financial liability at initial recognition.

Regular way purchases and sales of financial assets are recognised using settlement date accounting. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets.

(ii) Classification and Subsequent Measurement

(a) Financial Assets

The Bank classifies financial assets in the following measurement categories - amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on the Bank’s business model for managing the asset and the cash flow characteristics of the asset. Based on these factors, the Bank classifies its debt instruments into one of the following three (3) measurement categories:

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(d) Financial Assets and Liabilities (continued)

(ii) Classification and Subsequent Measurement (continued)

(a) Financial Assets (continued)

Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit ("SPPP"), and that are not designated at FVTPL, are measured at amortised cost using the effective profit method. Financial assets classified in this category include cash and balances with banks and financing and advances. Financing and advances consist of Bai' Bithaman Ajil, Ijarah Thumma Al-Bai', Bai' Inah, Musharakah Mutanaqisah, Murabahah, Commodity Murabahah and Ujrah contracts. The carrying amount of these assets is adjusted by impairment losses recognised and measured using the expected credit losses models described in Note 2(iii)(f)(ii). Finance income on financial assets measured at amortised cost is recognised in “Finance income and Hibah” in the statement of profit or loss. The losses arising from impairment on financing and advances are recognised in the statement of profit or loss as “Allowance for impairment on financing and advances”. The losses arising from impairment on financial assets other than financing and advances are recognised in the statement of profit or loss as “Allowance for impairment on other assets”.

FVOCI

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPP, and that are not designated at FVTPL, are measured at FVOCI. The changes in the fair value are recognised through other comprehensive income, except for the recognition of impairment losses measured using the expected credit losses models as described in Note 2(iii)(f)(ii), finance income and foreign exchange gains or losses on the financial assets' amortised cost which are recognised in profit or loss. Finance income earned whilst holding the assets are reported as "Finance income and Hibah" using the effective profit method. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss and recognised in "Net gains and losses on financial instruments".

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(d) Financial Assets and Liabilities (continued)

(ii) Classification and Subsequent Measurement (continued)

(a) Financial Assets (continued)

<u>FVTPL</u>
Financial assets that do not meet the criteria for amortised cost or FVOCI, including financial assets held for trading and derivatives, are measured at FVTPL. Upon derecognition, the gain or loss on a financial asset that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in "Net gains and losses on financial instruments". Finance income earned whilst holding the assets are reported as "Finance income and Hibah" using the effective profit method.

Business model assessment for debt instruments
The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level which best reflects the way the business is managed and information is provided to management. The factors considered include policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual finance income, maintaining a particular rate of return profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets. Other factors considered also include the frequency, volume and timing of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel, and how risks are assessed and managed.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(d) Financial Assets and Liabilities (continued)

(ii) Classification and Subsequent Measurement (continued)

(a) Financial Assets (continued)

Assessment whether contractual cash flows of debt instruments are solely payments of principal and profit (the SPPP test)
Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Bank assesses whether the financial assets' contractual cash flows represent solely payment of principal and profit. In applying the SPPP test, the Bank considers whether the contractual cash flows are consistent with a basic financing arrangement, i.e. profit includes only consideration for time value of money, credit risk, other basic financing risks and a profit margin that is consistent with a basic financing arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic financing arrangement, the related financial asset is classified and measured at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and profit.

Reclassification of debt instruments
The Bank reclassifies debt instruments when and only when its business model for managing those assets changes. The Bank does not change the classification of the remaining financial assets held in that business model, but consider the circumstances leading to the model change when assessing newly originated or newly purchased financial assets going forward.

(b) Derecognition other than a modification of financing

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership, but has transferred control of the assets.

(c) Financial Liabilities

The Bank classifies its financial liabilities in the following measurement categories - amortised cost or FVTPL. Financial liabilities are classified and subsequently measured at amortised cost, except for:

(i) financial liabilities at FVTPL; and
(ii) financial guarantee contracts and financing commitments.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(d) Financial Assets and Liabilities (continued)

(ii) Classification and Subsequent Measurement (continued)

(c) Financial Liabilities (continued)

Amortised cost

Financial liabilities issued by the Bank are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Non-derivative financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial liabilities are measured at amortised cost using the effective profit method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective profit rate. Financial liabilities measured at amortised cost include deposits from customers, deposits from banks and other financial institutions, lease liabilities and Sukuk Murabahah issued. Deposits from customers and deposits from banks and other financial institutions consist of Qard, Murabahah and Tawarruq contracts.

FVTPL

The classification and measurement of financial liabilities at FVTPL is applied to derivative financial instruments as described in Note 2(iii)(e). The Bank does not have any non-derivative financial liabilities designated at FVTPL.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

(iii) Determination of Fair Value

All financial instruments are recognised initially at fair value. At initial recognition, the fair value of a financial instrument is generally the transaction price, i.e. the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments measured at fair value are measured in accordance with the valuation methodologies as set out in Note 41.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(d) Financial Assets and Liabilities (continued)

(iv) Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and to settle the liability simultaneously. This is not generally the case for financial instruments with master netting agreements and therefore, the related assets and liabilities are presented on a gross basis in the statement of financial position.

(e) Derivative Financial Instruments and Hedge Accounting

The Bank had elected an accounting policy choice under MFRS 9 Financial Instruments to continue to apply the hedge accounting requirements under MFRS 139 Financial Instruments: Recognition and Measurement.

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value. Derivatives are classified as financial assets when their fair values are positive and as financial liabilities when their fair values are negative.

Derivatives which are not designated in an effective hedge transaction are classified as FVTPL, with changes in fair value recognised in "Net gains and losses on financial instruments" in the statement of profit or loss. For derivative transactions which meet the specific criteria for hedge accounting, the Bank applies either fair value or cash flow hedge accounting.

At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instruments, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedge relationship. Hedges are expected to be highly effective in offsetting the designated risk in the hedged item, and are assessed at inception of the hedge relationship and on an ongoing basis to ensure that they remain highly effective throughout the hedge period. A hedge is deemed as highly effective if the cumulative changes in the fair value or cash flows attributable to the hedged risk are expected to offset in a range of 80% to 125% during the period for which the hedge is designated.

The Bank will discontinue hedge accounting if the hedging instrument expires, is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting or is revoked.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(e) Derivative Financial Instruments and Hedge Accounting (continued)

(i) Cash Flow Hedge

Cash flow hedges are hedges of the exposure to variability in future cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged forecast cash flows affect the profit or loss. If the hedged forecast transaction results in the recognition of a non-financial asset or liability, the gain or loss previously recognised in other comprehensive income is adjusted to the initial cost of the asset or liability.

When a hedging instrument expires or is sold, terminated, exercised or where the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss as hedge ineffectiveness.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(f) Impairment of Financial Assets

(i) Definition of Credit-impaired and Default

At each reporting date, the Bank assesses whether financial assets are impaired. In general, a financial asset is impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Financing and advances ("Financing") of the Bank are classified as credit-impaired when they fulfil any of the following criteria:

(1) principal or profit or both are past due for ninety (90) days or more; or
(2) outstanding amount is in excess of approved limit for ninety (90) days or more in the case of revolving facilities; or
(3) where a financing is in arrears or the outstanding amount has been in excess of the approved limit for less than ninety (90) days, the financing exhibits indications of significant credit weaknesses; or
(4) where a credit-impaired financing is rescheduled and restructured ("R&R"), the financing will remain as credit-impaired until repayments based on the revised and/or restructured terms have been continuously paid for a period of at least six (6) months and the account is less than ninety (90) days past due upon compliance of the required nursing period; or
(5) for repayments scheduled on intervals of ninety (90) days or more including bullet repayment, as soon as default occurs.

In making an assessment whether an investment in debt or sovereign debt is impaired, the Bank considers factors such as, but not limited to, market’s assessment of creditworthiness as reflected in the bond yields, rating agencies’ assessment of creditworthiness and country’s ability to access the capital markets for new debt issuance.

As part of the assessment of impairment for financial assets under the expected credit losses models, the default definition has been applied to model Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). The definition of default largely aligns with the definition of impaired for regulatory reporting purposes except for immaterial exposures which are not considered defaulted as such defaults are not attributed to the credit risk of the exposures and certain exposures which are considered defaulted based on qualitative assessment.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(f) Impairment of Financial Assets (continued)

(ii) Measurement of Impairment - Expected Credit Losses

The Bank assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from financing commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable as well as supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. The Bank first assesses whether objective evidence of impairment exists for financial assets which are individually significant. If the Bank determines that objective evidence of impairment exists, i.e. credit-impaired, for an individually assessed financial asset, a lifetime ECL will be recognised for impairment loss which has been incurred. Financial assets which are collectively assessed are grouped on the basis of similar credit risk characteristics such as instrument type, credit risk ratings, credit utilisation, level of collateralisation, collateral type, remaining term to maturity and other relevant factors. Collectively, the individual assessment allowance and collective assessment allowance form the total allowance for impairment on debt instruments, financing and advances.

Allowance for impairment will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

(i) Stage 1: 12-month ECL - not credit-impaired
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

(ii) Stage 2: Lifetime ECL - not credit-impaired
For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, a lifetime ECL will be recognised.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(f) Impairment of Financial Assets (continued)

(ii) Measurement of Impairment - Expected Credit Losses (continued)

(iii) Stage 3: Lifetime ECL - credit-impaired
Financial assets are assessed as credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit-impaired, a lifetime ECL will be recognised.

Significant increase in credit risk
At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition to determine whether the exposure is subject to 12-month ECL or lifetime ECL. This is performed by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. When determining whether the risk of default has increased significantly since initial recognition, the Bank considers both quantitative and qualitative information and analysis based on the Bank's historical experience and expert credit risk assessment, including forward-looking information.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative factors such as delinquency, historical delinquency trend, changes in credit ratings and qualitative factors as well as a backstop based on delinquency. For retail portfolio, a combination of delinquency, historical delinquency trend and qualitative factors are used to determine significant increase in credit risk. For non-retail portfolio, internally derived credit ratings have been identified as representing the best available determinant of credit risk whilst for debt securities, external ratings attributed by external agencies are used. The Bank assigns each counterparty, debt securities and financial instrument, credit rating at initial recognition based on available information about the counterparty, debt securities and financial instrument. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition. Nevertheless, regardless of the change in credit rating, a backstop is applied and a financial asset is considered to have experienced a significant increase in credit risk if the financial asset is more than 30 days past due on its contractual payments. In addition, the Bank may determine that an exposure has demonstrated a significant increase in credit risk based on certain qualitative factors using its expert credit judgment and, where possible, relevant historical experience that are considered to be indicative of such increase and whose effect may not otherwise be fully reflected in its quantitative factors.

The Bank has not used the low credit risk exemption for any financial assets in the current financial year.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(f) Impairment of Financial Assets (continued)

(ii) Measurement of Impairment - Expected Credit Losses (continued)

Measurement of ECL

ECL are measured using three components, i.e. a PD, a LGD and an EAD. These parameters are derived from internally developed statistical models and adjusted to reflect forward-looking information as described below.

The 12-month and lifetime PD represent the expected point-in-time probability of default over the next 12 months and remaining lifetime of the financial instrument respectively, based on conditions existing at the reporting date and future economic conditions that affect credit risk. The LGD represents the expected loss if a default event occurs at a given time, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money. The EAD represents the expected exposure at default, taking into account the repayment of principal and profit from the reporting date to the default event together with any expected drawdown of a facility. The 12-month ECL is equal to the discounted sum over the next 12 months of monthly PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly PD over the remaining life multiplied by LGD and EAD. The discount rate used in the ECL measurement is the original effective profit rate or an approximation thereof.

Forward-looking information

The Bank has developed methodologies for the application of macroeconomic variables ("MEV") which comprise economic indicators and industry statistics in the measurement of ECL. This involves the incorporation of MEVs into the estimation of the PD and LGD via an application of a scale. The process of formulating a scale involves developing the correlation of MEVs to default rates and recovery rates for various portfolios of financial assets based on analysis of historical data. This correlation is then used to form the predicted effect (reflected via a scalar) between the MEVs and PD as well as LGD, taking into account the projections of MEVs.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(f) Impairment of Financial Assets (continued)

(ii) Measurement of Impairment - Expected Credit Losses (continued)

Forward-looking information (continued)
The MEVs taken into consideration include, but are not limited to, gross domestic product growth rates, consumer price index as well as housing price index, and require an evaluation of both the current and forecast of the economic environment. The projections of the MEVs are made based on a most-likely outcome (the "base economic scenario") and a more favourable ("upside") as well as a more unfavourable outcome ("downside") as compared to the base economic scenario. The base economic scenario represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as budgeting. The projections based on the respective economic scenarios are approved by Public Bank’s Assets and Liabilities Management Committee and are provided once a year. However, the projections will be reviewed and updated if economic conditions have changed significantly. Scenario weightings for each economic scenario are also determined via a statistical analysis with reference to external forecasts. The scenario weightings will be used to derive a single probability-weighted scalar for each portfolio which will be used to adjust for the PD and LGD of the respective portfolio.

The carrying amount of the asset (other than debt instrument measured at FVOCI) is reduced through the use of an allowance account and the loss is recognised in profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. The impairment loss for a debt instrument measured at FVOCI does not reduce the carrying amount of the financial asset which remains at fair value. Instead, an amount equal to the allowance that would arise if the asset was measured at amortised cost is recognised in other comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in other comprehensive income is recycled to the profit or loss upon the derecognition of the financial asset.

For financing commitments and financial guarantee contracts, the loss allowance is recognised as allowance for impairment on financing commitments and financial guarantees which is reported under “Other liabilities” in the statement of financial position.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(f) Impairment of Financial Assets (continued)

(iii) Write-off

Where a financing is uncollectible, it is written off against the related allowance for financing impairment. Such financing are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off are recognised in profit or loss.

(iv) Modification of Financing

Where a financing shows evidence of significant credit weaknesses, the Bank sometimes renegotiates or otherwise modifies the contractual cash flows of the financing rather than takes possession of the collateral. When this happens, the Bank assesses whether the new terms are substantially different from the original terms. The Bank considers, among others, the following factors:

(a) If the customer is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the customer is expected to be able to pay;
(b) Whether any substantial new terms are introduced that substantially affect the risk profile of the financing;
(c) Significant extension of the financing term;
(d) Significant change in the profit rate; and
(e) Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the financing.

The Bank derecognises a financing when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new financing and recalculates a new effective profit rate for the financing. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financing recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the customer being unable to make the originally agreed payments.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition and impairment continues to be assessed for significant increase in credit risk compared to the credit risk at initial origination.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(g) Collective Investment

Collective investment is an investment in unit trust fund which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions but not control or joint control of those policies.

In the Bank's financial statements, collective investment is stated at cost less impairment losses, if any. On disposal of such investment, the difference between the net disposal proceeds and the net carrying value of the investment is recognised in profit or loss.

The results of the collective investment has not been equity accounted as consolidated financial statements are not prepared by the Bank. Details of the collective investment and the effect on the profit or loss and collective investment had the equity method been applied are disclosed in Note 13.

(h) Associated Company

Associated company is an entity in which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated company but not control or joint control of those policies.

In the Bank's financial statements, the investment in an associated company is stated at cost less impairment losses, if any, determined on an individual basis. On disposal of such investment, the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

The results of the associated company has not been equity accounted as consolidated financial statements are not prepared by the Bank as permitted by Paragraph 17 of MFRS 128 Investments in Associates and Joint Ventures. Details of the associated company and the effect on the profit or loss and investment in the associated company had the equity method been applied are disclosed in Note 14.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(i) Impairment of Non-Financial Assets

Non-financial assets such as property and equipment, right-of-use assets, collective investment, investment in an associated company and foreclosed properties, are assessed for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where such indications exist, the carrying amount of the asset is written down to its recoverable amount, which is the higher of the fair value less costs to sell and the value-in-use.

The impairment loss is recognised in profit or loss, and is reversed only if there is a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying value that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised for the asset in prior years.

(j) Financing Income and Expense

For all financial instruments measured at amortised cost and profit-bearing financial assets classified as FVTPL and FVOCI, financing income and expense are recognised under "Finance income and Hibah" and "Income attributable to depositors and others" respectively in the statement of profit or loss using the effective profit method.

The effective profit method is a method of calculating the amortised cost of a financial asset or liability and of allocating the financing income or expense over the relevant period. The effective profit rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. Significant fees and transaction costs integral to the effective profit rate, as well as premiums or discounts are also considered.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(j) Financing Income and Expense (continued)

For credit-impaired financial assets where the value of the financial asset has been written down as a result of an impairment loss, financing income continues to be recognised using the profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

The policy for recognition of financing income and expense for the Bank's Shariah contracts are as follows:

(i) Bai' Bithaman Ajil
This contract involves the purchase and sale of an asset by the Bank to the customer on a deferred payment basis either be paid in lump sum or instalment basis within an agreed period of time at a price which includes a profit margin agreed by both parties. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

(ii) Ijarah Thumma Al-Bai'
Contract of lease ending with transfer of ownership from the lessor to the lessee in the form of sale transaction based on agreed terms and conditions. There are two contracts in this arrangement. The first contract is ijarah where the lessee enjoys the usufruct of the assets for an agreed rental during an agreed period of time while the ownership remains with the lessor. The second contract is the sale contract (Aqad) which may take place at the end of the ijarah period or at any point of time during the period subject to the agreed terms and conditions between the contracting parties. Financing income is recognised on effective profit rate basis over the lease term.

(iii) Bai' Inah
Contract of sale and purchase of an asset whereby the Bank sells an asset to the customer on a deferred basis and subsequently buys back the asset at a cash price lower than the deferred sales price. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(j) Financing Income and Expense (continued)

The policy for recognition of financing income and expense for the Bank's Shariah contracts are as follows (continued):

(iv) Musharakah Mutanaqisah
In Musharakah Mutanaqisah financing, the customer and the Bank jointly acquire and own the asset. The Bank then leases its equity or share of asset to the customer on the basis of ijarah. The customer is given the right to acquire the Bank's equity in the asset periodically. Financing income is accounted for on the basis of the reducing balance on a time-apportioned basis that reflects the effective yield of the asset.

(v) Murabahah
This contract involves the sale of goods or assets by the Bank at a mark up price to the customer, which includes a profit margin as agreed by both parties. The price, costs and profit margin in Murabahah shall be made transparent and agreed by both parties. This contract applies to the Bank's trade financing products whilst the Bank's Commodity Murabahah term financing and deposit products are based on the contract of Murabahah and Tawarruq.

Financing income under this contract is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

Profit attributable to depositors is recognised as an expense in profit or loss as incurred. Profit distributed is based on the expected profit rate which is quoted to the customer on the placement date.

(vi) Ujrah
The Bank's credit card issued is based on Ujrah contract. Ujrah is based on fee on service with a pre-assigned credit limit. It works on the premise that the Bank is providing a payment mechanism for purchases via a credit card and the Bank will receive a fee in return for the service.

Financing income is recognised on profit charged on the utilisation of the credit limit by the customer that has not been settled in full on or before the due date.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(j) Financing Income and Expense (continued)

The policy for recognition of financing income and expense for the Bank's Shariah contracts are as follows (continued):

(vii) Qard

Qard means repayment with guarantee. The Bank in this situation is guaranteeing the repayment of the money and will return the same to the customer accordingly, subject to the Bank’s procedures. The granting of return to the customer as a token of appreciation which is also known as Hibah is solely based on the Bank’s discretion and is recognised as an expense in profit or loss as incurred.

(viii) Tawarruq

Arrangement that involves a purchase of an asset or commodity based on Murabahah contract on deferred term and a subsequent sale of the same asset to a third party in order to obtain cash.

The Bank's Commodity Murabahah term financing and deposit products are based on the contract of Murabahah and Tawarruq. The commodity trading fee incurred in the Tawarruq arrangement is borne by the Bank and is recognised as an expense in profit or loss as incurred.

(k) Fee and Commission Income

The Bank earns fee and commission income from a diverse range of services provided to its customers. Such income are generally recognised on an accrual basis when the performance obligations have been satisfied.

Fees earned for the provision of services over a period of time, such as financing arrangement and management, are accrued over the period. Fee income from the provision of transaction services, such as funds remittances, are recognised upon completion of the underlying transaction.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(l) Employee Benefits

(i) Short Term Employee Benefits

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

(ii) Defined Contribution Plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees' Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss as incurred.

(iii) Defined Benefit Plan

The Bank contributes to a fully-funded defined benefit plan approved by the Inland Revenue Board known as the Public Bank Group Officers' Retirement Benefits Fund (the “Fund”) for its eligible employees. The obligations under the Fund are determined based on actuarial valuation where the amount of benefit that employees have earned in return for their service in the current and prior years are estimated. The benefit is calculated using the Projected Unit Credit Method in order to determine its present value. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding finance income), are recognised immediately in defined benefit reserve via other comprehensive income and are not subsequently recycled to profit or loss. Past service costs, whether unvested or already vested, are recognised immediately in profit or loss as incurred. Net finance income or cost is calculated by applying the discount rate to the net defined benefit asset or liability. The Bank recognises the changes in the net defined benefit obligation which includes current service costs, past service costs and net finance cost or income under "Personnel expenses" in the statement of profit or loss.

The amount recognised in the statement of financial position represents the actual deficit or surplus in the Fund. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from or reductions in future contributions to the Fund.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(m) Tax Expense

Tax expense comprises current and deferred tax. Tax expense is calculated on the basis of the applicable tax law in Malaysia and is recognised as an expense in profit or loss except to the extent that it relates to items that are charged or credited in other comprehensive income or directly to equity. In such cases, tax expense is charged or credited to other comprehensive income or to equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

Deferred tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Deferred tax is not provided for assets and liabilities that at the time of initial recognition, affects neither accounting nor taxable profit. Deferred tax relating to fair value remeasurement of financial investments at FVOCI and cash flow hedges, which are recognised in other comprehensive income, is also charged or credited directly to other comprehensive income, and is subsequently recognised in profit or loss only when the deferred fair value gain or loss is recognised in profit or loss.

Deferred tax is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to set-off under the same taxable entity and taxation authority. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iii) Material Accounting Policy Information (continued)

(n) Zakat Obligations

This represents business zakat payable by the Bank to comply with Shariah principles. Zakat provision is calculated using the profit and loss method at a zakat rate of 2.5% and is based on the percentage of estimated Muslim shareholders of the Bank's holding company.

The beneficiaries of the Bank's zakat fund are state zakat collection centres, deserving orphanage homes for the poor and other deserving recipients (asnaf).

(o) Government Financing Scheme and Government Financing Facility

Financing under a government scheme is recognised and measured in accordance with MFRS 9 Financial Instruments, with the benefit at a below market and concession rate is measured as the difference between the initial carrying amount or fair value of the financing and the amount received. Government financing facility is measured in accordance with the amount received.

The benefit of a financing or a facility under a government scheme that addresses identified costs or expenses incurred by the Bank is recognised in the profit or loss in the same financial period when the costs or expenses are recognised, when the required conditions are fulfilled.

3. CASH AND BALANCES WITH BANKS

	2024 RM'000	2023 RM'000
Cash and bank balances	559,131	247,627
	559,131	247,627

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

	2024 RM'000	2023 RM'000
At fair value		
Money market instruments:		
Negotiable Islamic Debt Certificates	993,555	1,893,292
	993,555	1,893,292

5. DERIVATIVE FINANCIAL ASSETS / LIABILITIES

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, profit rates and equity prices) of the underlying instruments. These instruments further allow the Bank to transfer, modify or reduce its foreign exchange and profit rate risks via designated hedge relationships. Derivative financial instruments that are entered into for hedging purposes but which do not meet the hedge effectiveness criteria or which relate to customers' transactions are classified as trading derivatives.

The table below shows the Bank's derivative financial instruments measured at their fair values 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 value on which changes in the value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end but are not indicative of either the market risk or credit risk inherent in the derivative contracts. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 40 to the financial statements.

	2024			**2023**		
	Contract/ Notional Amount RM'000	**Fair Value**		**Contract/ Notional Amount RM'000**	**Fair Value**	
		Assets RM'000	**Liabilities RM'000**		**Assets RM'000**	**Liabilities RM'000**
At fair value						
Trading derivatives:						
Foreign exchange contracts						
- Currency forwards	-	-	-	32	*	*
Hedging derivatives:						
Cash flow hedge						
Profit rate related contracts						
- Profit rate swaps	4,000,000	19,924	12,026	3,400,000	24,596	24,817
Total	4,000,000	19,924	12,026	3,400,032	24,596	24,817

* Denotes less than RM500.

The fair values of derivative financial instruments are normally zero or negligible at inception. The subsequent change in fair value is either favourable or unfavourable as a result of fluctuations in the underlying market profit rates and/or foreign exchange rates relative to the terms of the respective contracts.

5. DERIVATIVE FINANCIAL ASSETS / LIABILITIES (continued)

As at 31 December 2024, the Bank has positions in the following type of derivative financial instruments:

Forwards

Forwards are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps

Swaps are contractual agreements between two parties to exchange exposures in foreign currency or profit rates.

Cash Flow Hedge

The Bank principally uses profit rate swaps to protect against exposures to variability in future cash flows on non-trading financial assets and liabilities which bear profit at variable rates. The derivatives are entered into after taking into consideration of the profit rate risk from a portfolio of exposures, such as portfolio of assets or portfolio of liabilities.

To qualify for hedge accounting purpose, derivatives are designated in cash flow hedge relationships to manage the profit and loss volatility associated with the derivatives which would otherwise be measured at fair value through profit or loss. This requires identification of eligible assets and liabilities, and designation of derivatives to obtain hedge accounting, which involves designating derivatives as hedges of the variability in highly probable forecasted future cash flows attributable to profit rate risk from the benchmark profit rate on variable rate assets and liabilities. The accounting policies for cash flow hedge are as disclosed in Note 2(iii)(e).

To test hedge effectiveness, a comparison is performed to ensure the expected profit cash flows from the portfolio exceed those of the hedging instruments. The main potential source of hedge ineffectiveness from cash flow hedges is the mismatches in the terms of hedged items and hedging instruments such as the frequency and the timing of when the profit rates are reset.

The following table shows the notional amount of derivatives designated in cash flow hedge relationships in time bands based on the maturity of the derivatives:

	Up to 3 Months RM'000	3 - 12 Months RM'000	1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
2024					
Profit rate swaps					
- Pay fixed	-	1,200,000	2,600,000	200,000	4,000,000
- Receive fixed	-	-	-	-	-
	-	1,200,000	2,600,000	200,000	4,000,000
2023					
Profit rate swaps					
- Pay fixed	-	-	3,200,000	200,000	3,400,000
- Receive fixed	-	-	-	-	-
	-	-	3,200,000	200,000	3,400,000

5. DERIVATIVE FINANCIAL ASSETS / LIABILITIES (continued)

Cash Flow Hedge (continued)

There were no cash flow hedges that were discontinued as a result of the hedged cash flows no longer expected to occur.

The gains and losses on the ineffective portions of such derivatives are recognised immediately in the statement of profit or loss under "Net gains and losses on financial instruments". During the financial year, a loss of RM51,000 (2023 - gain of RM97,000) was recognised by the Bank.

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

	2024 RM'000	2023 RM'000
At fair value		
Government securities and treasury bills:		
Malaysian Government Investment Issues	13,484,611	12,949,519
	13,484,611	12,949,519

The following expected credit losses ("ECL") for debt instruments are recognised in other comprehensive income. Such ECL do not reduce the carrying amount in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value:

		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 January 2024	2,217	-	-	2,217
Net allowance made during the year (Note 30)	81	-	-	81
New financial investments purchased	944	-	-	944
Allowance written back	(204)	-	-	(204)
Amount derecognised	(659)	-	-	(659)
At 31 December 2024	2,298	-	-	2,298
At 1 January 2023	2,096	-	-	2,096
Net allowance made during the year (Note 30)	121	-	-	121
New financial investments purchased	689	-	-	689
Allowance written back	(7)	-	-	(7)
Amount derecognised	(561)	-	-	(561)
At 31 December 2023	2,217	-	-	2,217

7. FINANCIAL INVESTMENTS AT AMORTISED COST

	2024 RM'000	2023 RM'000
At amortised cost		
Government securities and treasury bills:		
Malaysian Government Investment Issues	4,169,385	4,271,900
Non-money market instruments:		
Debt securities		
- Cagamas sukuk	1,195,361	1,103,390
Allowance for impairment	(912)	(914)
	5,363,834	5,374,376

Movements in allowances for impairment on debt instruments which reflect the ECL model on impairment 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 January 2024	914	-	-	914
Net allowance written back during the year (Note 30)	(2)	-	-	(2)
New financial investments purchased	388	-	-	388
Allowance written back	(82)	-	-	(82)
Amount derecognised	(308)	-	-	(308)
At 31 December 2024	912	-	-	912
At 1 January 2023	958	-	-	958
Net allowance written back during the year (Note 30)	(44)	-	-	(44)
New financial investments purchased	230	-	-	230
Allowance made	2	-	-	2
Amount derecognised	(276)	-	-	(276)
At 31 December 2023	914	-	-	914

8. FINANCING AND ADVANCES

Net financing and advances analysed by type and Shariah contracts are as follows :

2024	Bai' Bithaman Ajil RM'000	Ijarah ^ Thumma Al-Bai' RM'000	Bai' Inah RM'000	Musharakah Mutanaqisah RM'000	Murabahah RM'000	Others RM'000	Total Financing and Advances RM'000
At amortised cost:							
Cash line	1,183,267	-	498,757	-	-	-	1,682,024
Term financing							
- House financing	4,358,707	-	-	33,454,253	-	-	37,812,960
- Syndicated financing	-	-	-	-	1,000,850	357,150	1,358,000
- Hire purchase receivables	-	14,557,793	-	-	-	-	14,557,793
- Other term financing	1,003,304	-	3,372,867	15,255,687	3,064,347	969,624	23,665,829
Credit card receivables	-	-	-	-	-	156,095	156,095
Bills receivables	-	-	-	-	1,369	-	1,369
Trust receipts	-	-	-	-	443	-	443
Claims on customers under acceptance credits	-	-	-	-	264,754	-	264,754
Revolving credits	171,990	-	476,097	-	38,042	-	686,129
Staff financing	-	18,888	-	131,694	-	-	150,582
Gross financing and advances	6,717,268	14,576,681	4,347,721	48,841,634	4,369,805	1,482,869	80,335,978
Less : Allowance for impairment on financing and advances							
- Expected credit losses							(715,181)
- Stage 1 : 12-Month ECL							(161,826)
- Stage 2 : Lifetime ECL not credit-impaired							(476,463)
- Stage 3 : Lifetime ECL credit-impaired							(76,892)
Net financing and advances							79,620,797

All the financing and advances are located in Malaysia.

^ The Bank is the owner of the asset throughout the tenure of the Ijarah financing. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.

8. FINANCING AND ADVANCES (continued)

Net financing and advances analysed by type and Shariah contracts are as follows (continued):

2023	Bai' Bithaman Ajil RM'000	Ijarah ^ Thumma Al-Bai' RM'000	Bai' Inah RM'000	Musharakah Mutanaqisah RM'000	Murabahah RM'000	Others RM'000	Total Financing and Advances RM'000
At amortised cost:							
Cash line	1,376,638	-	245,083	-	-	-	1,621,721
Term financing							
- House financing	4,786,610	-	-	30,194,425	-	-	34,981,035
- Syndicated financing	-	-	-	-	1,000,857	359,663	1,360,520
- Hire purchase receivables	-	11,796,649	-	-	-	-	11,796,649
- Other term financing	1,157,910	-	2,937,700	14,840,037	2,869,350	1,025,448	22,830,445
Credit card receivables	-	-	-	-	-	113,250	113,250
Bills receivables	-	-	-	-	826	-	826
Trust receipts	-	-	-	-	902	-	902
Claims on customers under acceptance credits	-	-	-	-	222,629	-	222,629
Revolving credits	171,771	-	388,440	-	24,183	-	584,394
Staff financing	-	16,735	-	117,832	-	-	134,567
Gross financing and advances	7,492,929	11,813,384	3,571,223	45,152,294	4,118,747	1,498,361	73,646,938
Less : Allowance for impairment on financing and advances							
- Expected credit losses							(886,192)
- Stage 1 : 12-Month ECL							(178,079)
- Stage 2 : Lifetime ECL not credit-impaired							(635,085)
- Stage 3 : Lifetime ECL credit-impaired							(73,028)
Net financing and advances							72,760,746

All the financing and advances are located in Malaysia.

^ The Bank is the owner of the asset throughout the tenure of the Ijarah financing. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.

8. FINANCING AND ADVANCES (continued)

Gross financing and advances presented by class of financial instruments are as follows:

	2024 RM'000	2023 RM'000
Retail financing *		
- House financing	37,812,960	34,981,035
- Hire purchase	14,557,793	11,796,649
- Credit cards	156,095	113,250
- Other financing ^	19,394,864	19,145,069
	71,921,712	66,036,003
Corporate financing	8,414,266	7,610,935
Gross financing and advances	80,335,978	73,646,938

* *Included in retail financing are financing granted to individual customers and mid-market commercial enterprises.*

^ *Included in other financing are term financing, trade financing, cash line and revolving credits.*

The maturity structure of gross financing and advances by residual contractual maturity is as follows:

	2024 RM'000	2023 RM'000
Maturity within one year	4,488,082	2,877,371
More than one year to three years	2,864,961	4,517,826
More than three years to five years	3,789,444	3,022,237
More than five years	69,193,491	63,229,504
Gross financing and advances	80,335,978	73,646,938

8. FINANCING AND ADVANCES (continued)

Gross financing and advances analysed by type of customer are as follows:

	2024 RM'000	2023 RM'000
Domestic non-bank financial institutions		
- Others	2,791,780	2,447,251
Domestic business enterprises		
- Small and medium enterprises	10,371,264	10,078,377
- Others	4,216,714	3,915,422
Government and statutory bodies	2,017,754	2,017,833
Individuals	60,324,552	54,771,359
Other domestic entities	3,030	3,428
Foreign entities	610,884	413,268
Gross financing and advances	80,335,978	73,646,938

Gross financing and advances analysed by rate of return sensitivity are as follows:

	2024 RM'000	2023 RM'000
Fixed rate		
- House financing	133,439	157,167
- Hire purchase receivables	14,557,571	11,796,386
- Other fixed rate financing	4,702,018	4,753,742
Variable rate		
- Base rate / base financing rate plus	55,153,609	52,003,599
- Cost plus	5,789,341	4,936,044
Gross financing and advances	80,335,978	73,646,938

Gross financing and advances analysed by economic purpose are as follows:

	2024 RM'000	2023 RM'000
Purchase of transport vehicles	14,576,682	11,813,386
Purchase of properties	52,538,827	49,307,334
(of which: - residential	38,583,333	35,742,147
- non-residential)	13,955,494	13,565,187
Purchase of fixed assets (excluding properties)	11,760	4,056
Personal use	2,595,508	2,852,338
Credit card	156,095	113,250
Purchase of consumer durables	467	472
Construction	877,210	1,120,168
Working capital	9,088,161	7,821,885
Other purpose	491,268	614,049
Gross financing and advances	80,335,978	73,646,938

8. FINANCING AND ADVANCES (continued)

Gross financing and advances analysed by sector are as follows:

	2024 RM'000	2023 RM'000
Agriculture, hunting, forestry and fishing	429,350	451,805
Mining and quarrying	44,480	41,218
Manufacturing	1,810,751	1,789,668
Electricity, gas and water	3,988	3,026
Construction	2,326,921	2,779,735
Wholesale & retail trade and restaurants & hotels	4,318,606	3,558,179
Transport, storage and communication	1,585,458	1,393,965
Finance, insurance and business services	3,210,874	2,858,265
Real estate	3,312,680	3,276,295
Community, social and personal services	2,357,434	2,323,209
Households	60,935,436	55,171,573
Gross financing and advances	80,335,978	73,646,938

Movements in credit-impaired financing and advances ("impaired financing") are as follows:

	2024 RM'000	2023 RM'000
At 1 January	251,402	154,367
Impaired during the year	607,776	607,682
Reclassified as non-credit impaired	(429,819)	(319,597)
Recoveries	(65,089)	(146,513)
Amount written off	(74,197)	(35,851)
Financing converted to foreclosed properties	(6,911)	(8,686)
At 31 December	283,162	251,402
Gross impaired financing as a percentage of gross financing and advances	0.35%	0.34%

8. FINANCING AND ADVANCES (continued)

Impaired financing and advances analysed by economic purpose are as follows:

	2024 RM'000	2023 RM'000
Purchase of transport vehicles	36,270	41,027
Purchase of properties	208,970	179,178
(of which: - residential	154,453	144,148
- non-residential)	54,517	35,030
Personal use	22,175	24,249
Credit card	614	1,034
Working capital	15,120	5,892
Other purpose	13	22
Impaired financing and advances	283,162	251,402

Impaired financing and advances analysed by sector are as follows:

	2024 RM'000	2023 RM'000
Agriculture, hunting, forestry and fishing	11	25
Mining and quarrying	4,481	176
Manufacturing	1,942	231
Construction	11,037	3,802
Wholesale & retail trade and restaurants & hotels	12,352	7,361
Transport, storage and communication	1,818	487
Finance, insurance and business services	12,250	14,430
Real estate	3,690	4,755
Community, social and personal services	240	197
Households	235,341	219,938
Impaired financing and advances	283,162	251,402

All the impaired financing and advances are located in Malaysia.

8. FINANCING AND ADVANCES (continued)

Financial assets that are purchased or originated and credit-impaired

The Bank does not purchase or originate credit-impaired financing and advances.

Write-off of financing and advances which are still under enforcement activity

The contractual amount outstanding on financing and advances that were written off during the year and that are still subject to enforcement activity is RM74,197,000 (2023 - RM35,851,000).

Information about the nature and effect of modification on the measurement of allowance for impairment on financing and advances

The amortised costs prior to modification of financing and advances of the Bank that were modified but not derecognised during the year for which allowance for impairment was measured at an amount equal to lifetime ECL is RM561,839,000 (2023 - RM611,428,000).

Gross carrying amount of previously modified financing and advances for which loss allowance has changed to 12-Month ECL measurement during the year is RM361,711,000 (2023 - RM375,345,000) as at the end of the year.

Collateral and other credit enhancements

The Bank's policy regarding obtaining collateral has not significantly changed during the year and there has been no significant change in the overall quality of the collateral held by the Bank since the end of the previous financial year.

In line with the Bank's ECL model, no loss allowance was recognised for certain financing and advances which were individually assessed where the expected realisable value of the underlying collateral were higher than the exposure at default at the reporting date. The carrying amount of such financial assets is RM10,169,000 (2023 - RM16,714,000) as at the end of the year.

8. FINANCING AND ADVANCES (continued)

Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows:

	<---------- Retail Financing	---------->				
	House Financing RM'000	**Hire Purchase RM'000**	**Credit Cards RM'000**	**Other Financing RM'000**	**Corporate Financing RM'000**	**Total RM'000**
2024						
Stage 1: 12-Month ECL						
At 1 January 2024	33,250	46,769	1,175	81,139	15,746	178,079
Changes due to financing and advances recognised as at 1 January 2024:	22,090	12,778	522	23,020	159	58,569
- Transfer to Stage 1: 12-Month ECL	22,350	14,177	565	24,413	168	61,673
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(239)	(1,305)	(39)	(1,346)	(9)	(2,938)
- Transfer to Stage 3: Lifetime ECL credit-impaired	(21)	(94)	(4)	(47)	-	(166)
New financing and advances originated	1,779	4,903	435	4,471	1,179	12,767
Net remeasurement due to changes in credit risk	(8,885)	(10,471)	(774)	(30,594)	(5,801)	(56,525)
Financing and advances derecognised (other than write-off)	(246)	(2,368)	(27)	(1,906)	(794)	(5,341)
Modifications to contractual cash flows of financing and advances	(103)	(29)	(1)	(594)	(6)	(733)
Changes in models / risk parameters	1,040	(27,717)	-	1,956	(202)	(24,923)
Amount written off	-	(67)	-	-	-	(67)
At 31 December 2024	48,925	23,798	1,330	77,492	10,281	161,826

8. FINANCING AND ADVANCES (continued)

Movements in loss allowance for financing and advances by class which reflect the ECL model on impairment are as follows (continued):

	<---------------------- Retail Financing			------------------->		
	House Financing RM'000	**Hire Purchase RM'000**	**Credit Cards RM'000**	**Other Financing RM'000**	**Corporate Financing RM'000**	**Total RM'000**
2024						
Stage 2: Lifetime ECL not credit-impaired						
At 1 January 2024	209,006	149,083	741	186,816	89,439	635,085
Changes due to financing and advances recognised as at 1 January 2024:	(15,305)	(12,326)	(197)	(21,482)	(159)	(49,469)
- Transfer to Stage 1: 12-Month ECL	(18,962)	(13,372)	(386)	(22,490)	(168)	(55,378)
- Transfer to Stage 2: Lifetime ECL not credit-impaired	6,009	2,585	213	3,932	9	12,748
- Transfer to Stage 3: Lifetime ECL credit-impaired	(2,352)	(1,539)	(24)	(2,924)	-	(6,839)
New financing and advances originated	837	1,917	81	2,330	35	5,200
Net remeasurement due to changes in credit risk	(28,995)	(15,161)	(70)	(35,462)	(16,379)	(96,067)
Financing and advances derecognised (other than write-off)	(740)	(1,351)	(95)	(4,647)	(213)	(7,046)
Modifications to contractual cash flows of financing and advances	5,017	(322)	263	1,821	(3,898)	2,881
Changes in models / risk parameters	2,050	(14,563)	-	(602)	(1,006)	(14,121)
At 31 December 2024	171,870	107,277	723	128,774	67,819	476,463

8. FINANCING AND ADVANCES (continued)

Movements in loss allowance for financing and advances by class which reflect the ECL model on impairment are as follows (continued):

	<---------- Retail Financing			---------->		
	House Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Financing RM'000	Corporate Financing RM'000	Total RM'000
2024						
Stage 3: Lifetime ECL credit-impaired						
At 1 January 2024	21,990	25,877	840	24,189	132	73,028
Changes due to financing and advances recognised as at 1 January 2024:	(6,785)	(452)	(325)	(1,538)	-	(9,100)
- Transfer to Stage 1: 12-Month ECL	(3,388)	(805)	(179)	(1,923)	-	(6,295)
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(5,770)	(1,280)	(174)	(2,586)	-	(9,810)
- Transfer to Stage 3: Lifetime ECL credit-impaired	2,373	1,633	28	2,971	-	7,005
New financing and advances originated *	236	1,526	57	40	-	1,859
Net remeasurement due to changes in credit risk	23,003	22,594	565	18,316	55	64,533
Financing and advances derecognised (other than write-off)	(738)	(2,407)	(43)	(1,779)	-	(4,967)
Modifications to contractual cash flows of financing and advances	11,695	713	143	12,985	-	25,536
Changes in models / risk parameters	-	196	-	12	-	208
Amount written off	(28,150)	(27,203)	(733)	(18,111)	-	(74,197)
Amount transferred to allowance for impairment loss on foreclosed properties	-	-	-	(8)	-	(8)
At 31 December 2024	21,251	20,844	504	34,106	187	76,892
Total ECL as at 31 December 2024	242,046	151,919	2,557	240,372	78,287	715,181

* New financing and advances originated during the year which are not credit-impaired at origination but subsequently the credit risk has deteriorated.

8. FINANCING AND ADVANCES (continued)

Movements in loss allowance for financing and advances by class which reflect the ECL model on impairment are as follows (continued):

	<-------------------- Retail Financing			----------------->		
	House Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Financing RM'000	Corporate Financing RM'000	Total RM'000
2023						
Stage 1: 12-Month ECL						
At 1 January 2023	132,720	150,722	850	152,813	18,422	455,527
Changes due to financing and advances recognised as at 1 January 2023:	31,823	17,805	271	24,168	(3,210)	70,857
- Transfer to Stage 1: 12-Month ECL	32,106	19,316	316	26,233	-	77,971
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(263)	(1,425)	(40)	(2,032)	(3,204)	(6,964)
- Transfer to Stage 3: Lifetime ECL credit-impaired	(20)	(86)	(5)	(33)	(6)	(150)
New financing and advances originated	1,786	6,868	394	3,730	1,731	14,509
Net remeasurement due to changes in credit risk	(132,358)	(124,044)	(314)	(96,053)	81	(352,688)
Financing and advances derecognised (other than write-off)	(314)	(2,463)	(23)	(1,932)	(954)	(5,686)
Modifications to contractual cash flows of financing and advances	(436)	(91)	(2)	(49)	(27)	(605)
Changes in models / risk parameters	29	(1,904)	(1)	(1,538)	(297)	(3,711)
Amount written off	-	(124)	-	-	-	(124)
At 31 December 2023	33,250	46,769	1,175	81,139	15,746	178,079

8. FINANCING AND ADVANCES (continued)

Movements in loss allowance for financing and advances by class which reflect the ECL model on impairment are as follows (continued):

	<------------------ Retail Financing			-------------------->		
	House Financing RM'000	**Hire Purchase RM'000**	**Credit Cards RM'000**	**Other Financing RM'000**	**Corporate Financing RM'000**	**Total RM'000**
2023						
Stage 2: Lifetime ECL not credit-impaired						
At 1 January 2023	72,841	57,464	615	163,693	82,136	376,749
Changes due to financing and advances recognised as at 1 January 2023:	(32,527)	(17,660)	(178)	(24,551)	3,204	(71,712)
- Transfer to Stage 1: 12-Month ECL	(31,093)	(18,480)	(234)	(24,917)	-	(74,724)
- Transfer to Stage 2: Lifetime ECL not credit-impaired	2,546	2,695	121	2,967	3,204	11,533
- Transfer to Stage 3: Lifetime ECL credit-impaired	(3,980)	(1,875)	(65)	(2,601)	-	(8,521)
New financing and advances originated	2,054	2,868	121	3,626	3,072	11,741
Net remeasurement due to changes in credit risk	170,074	108,659	110	57,247	9,628	345,718
Financing and advances derecognised (other than write-off)	(1,495)	(1,453)	(102)	(5,144)	(342)	(8,536)
Modifications to contractual cash flows of financing and advances	(2,106)	(175)	175	(1,515)	(5,048)	(8,669)
Changes in models / risk parameters	165	(620)	-	(6,540)	(3,211)	(10,206)
At 31 December 2023	209,006	149,083	741	186,816	89,439	635,085

Company Registration No.: 197301001433 (14328-V)

8. FINANCING AND ADVANCES (continued)

Movements in loss allowance for financing and advances by class which reflect the ECL model on impairment are as follows (continued):

	<---------- Retail Financing			---------->		
	House Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Financing RM'000	Corporate Financing RM'000	Total RM'000
2023						
Stage 3: Lifetime ECL credit-impaired						
At 1 January 2023	8,082	18,677	481	22,932	-	50,172
Changes due to financing and advances recognised as at 1 January 2023:	704	(145)	(93)	383	6	855
- Transfer to Stage 1: 12-Month ECL	(1,013)	(836)	(82)	(1,316)	-	(3,247)
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(2,283)	(1,270)	(81)	(935)	-	(4,569)
- Transfer to Stage 3: Lifetime ECL credit-impaired	4,000	1,961	70	2,634	6	8,671
New financing and advances originated *	619	672	35	207	-	1,533
Net remeasurement due to changes in credit risk	13,945	20,260	651	16,157	126	51,139
Financing and advances derecognised (other than write-off)	(166)	(3,282)	(65)	(884)	-	(4,397)
Modifications to contractual cash flows of financing and advances	5,594	1,784	647	1,972	-	9,997
Changes in models / risk parameters	36	(433)	-	(23)	-	(420)
Amount written off	(6,824)	(11,656)	(816)	(16,555)	-	(35,851)
At 31 December 2023	21,990	25,877	840	24,189	132	73,028
Total ECL as at 31 December 2023	264,246	221,729	2,756	292,144	105,317	886,192

* New financing and advances originated during the year which are not credit-impaired at origination but subsequently the credit risk has deteriorated.

8. FINANCING AND ADVANCES (continued)

Impact of movements in gross carrying amount of financing and advances on allowance for impairment on financing and advances

The following explains the key changes in the allowance for impairment of financing and advances as well as how significant changes in the gross carrying amount of financing and advances during the financial year have contributed to the changes in the allowance for impairment on financing and advances of the Bank.

Overall, the total allowance for impairment on financing and advances decreased by RM171.0 million mainly due to the following:

(a) 12-month ECL (Stage 1) - lower by RM16.3 million mainly due to:
- recalibration of forward-looking macroeconomic variables used in the Bank's models; and
- financing and advances derecognised due to full settlement;

partially offset by
- financing and advances that were newly originated.

(b) Lifetime ECL Not Credit-Impaired (Stage 2) - lower by RM158.6 million mainly due to:
- reversal of management overlay provided to cater for potential deterioration of credit risk for financing and advances;
- financing and advances that migrated from Stage 2 to Stage 1;
- recalibration of forward-looking macroeconomic variables used in the Bank's models; and
- financing and advances derecognised due to full settlement.

(c) Lifetime ECL Credit-Impaired (Stage 3) - higher by RM3.9 million mainly due to:
- financing and advances that migrated to Stage 3 due to deterioration in credit quality;

partially offset by
- financing and advances that were written off; and
- financing and advances derecognised due to full settlement.

9. OTHER ASSETS

	2024 RM'000	2023 RM'000
Deferred handling fees *	86,598	65,524
Other receivables, deposits and prepayments	142,122	132,857
Employee benefits (Note 10)	613	203
Foreclosed properties #	35,167	32,234
	264,500	230,818
# Stated net of accumulated allowance for impairment loss	9,732	6,596

* This represents the unamortised balance of handling fees paid to motor vehicle dealers for hire purchase financing.

10. EMPLOYEE BENEFITS

Defined Benefit Plan

The Bank contributes to a defined benefit plan known as the Public Bank Group Officers' Retirement Benefits Fund ("the Fund") for its eligible employees. Under the Fund, eligible employees are entitled to one month of the final or last drawn salary for each completed year of service with the Bank upon attainment of retirement age. Effective from 1 July 2013, the normal retirement age was raised from 55 years to 60 years in accordance with Malaysia's Minimum Retirement Age Act 2012, and an optional retirement age, from 55 years to anytime prior to 60 years was introduced. For employees who leave before the attainment of the normal retirement age or the optional retirement age, the retirement benefit will be computed based on the scale rate stipulated in the rules of the Fund.

The defined benefit plan is a tax exempt fund, fully funded by the Bank and its holding company and certain subsidiary companies of the Bank's holding company which are participating companies of the plan. Employees are not required to contribute to the plan. The funding requirements are based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions as set out below. The latest actuarial valuation for funding purposes was made as at 31 December 2023 by Actuarial Partners Consulting Sdn. Bhd. ("Actuary") with certain assumptions being updated to position as at 31 December 2024.

As at 31 December 2024, the plan is in surplus of RM52,642,000 (31 December 2023: RM17,079,000). Cash contributions were made to the plan during the financial year by the Bank and its holding company and the participating subsidiary companies of the Bank's holding company. The Actuary has projected that the cash contributions are required to be made in the coming years until the next actuarial valuation in 2026.

The assets of the Fund are held separately from the assets of the Bank and are administered by a board of trustees. There are three (3) trustees currently, one (1) of the trustees is a member of the Board of Directors of the Bank's holding company and the remaining two (2) trustees are members of senior management of the Bank's holding company.

The defined benefit plan exposes the Bank to actuarial risks such as market (investment) risk, profit rate risk and salary risk. Market risk arises from investments delivering an inadequate return; changes in profit rate would affect the finance cost as well as valuation of plan obligations; salary risk arises from higher than expected salary increase leading to higher plan obligations.

The investments of the plan comply with the requirement of the income tax ruling for tax exempt funds that 80% of the plan assets (gross) are invested in specified assets with at least 20% of plan assets (gross) in government issued securities. The strategic investment policy of the defined benefit plan can be summarised as plan asset mix based on 30% to 40% of investment properties, 20% to 25% of government securities and 40% to 50% in a combination of equities, corporate bonds, unit trusts and cash.

Compliance with investment policies is reported quarterly to the Board of Trustees.

10. EMPLOYEE BENEFITS (continued)

Defined Benefit Plan (continued)

The amounts recognised in the statement of financial position are determined as follows:

	Note	2024 RM'000	2023 RM'000
Present value of funded obligations		(17,653)	(16,693)
Fair value of plan assets		18,266	16,896
Net assets *	9	613	203

* This represents the Bank's share of the Fund's total net assets.

Movements in the present value of funded obligations are as follows:

	2024 RM'000	2023 RM'000
Obligation at 1 January	16,693	15,488
Recognised in profit or loss		
- current service cost	1,008	819
- finance cost	734	738
- allocation adjustment	(345)	(1,311)
Benefits paid - the Fund	(772)	(1,075)
Remeasurements recognised in other comprehensive income		
- effects of changes in financial assumptions	335	1,236
- effects of experience adjustments	-	798
Obligation at 31 December	17,653	16,693

Movements in the fair value of plan assets are as follows:

	2024 RM'000	2023 RM'000
Fair value at 1 January	16,896	17,544
Recognised in profit or loss		
- finance income	764	860
- allocation adjustment	(690)	(870)
Contributions made	1,428	1,047
Benefits paid - the Fund	(772)	(1,075)
Remeasurements recognised in other comprehensive income		
- remeasurements on plan assets	771	150
- allocation adjustment	(131)	(760)
Fair value at 31 December	18,266	16,896

10. EMPLOYEE BENEFITS (continued)

Defined Benefit Plan (continued)

The fair value of plan assets constitutes the following:

	2024 RM'000	2023 RM'000
Deposit placements and cash	10	-
Government securities	6,816	6,672
Unquoted corporate sukuk	3,139	3,089
Quoted equity securities [1]	11,163	10,987
Unit trust funds [2]	627	576
Properties [3]	10,997	10,982
Plan assets (gross)	32,752	32,306
Other liabilities (net)	(158)	(155)
Borrowings	(14,328)	(15,255)
	18,266	16,896

[1] Quoted equity securities* analysed by sector are as follows:

	2024 RM'000	2023 RM'000
Financial institutions	7,713	7,408
Insurance company	2,747	2,671
Property companies	703	908
	11,163	10,987

* This represents the Bank's share of the Fund's total quoted equity securities.

The fair value of total quoted equity securities of the Fund in financial institutions includes ordinary shares of the holding company of the Bank, Public Bank Bhd ('PBB"), with a fair value of RM659,294,000 (2023 - RM620,256,000). Meanwhile, quoted equity securities in the insurance company are held in a 44.15% owned subsidiary of PBB, namely LPI Capital Bhd, with a fair value of RM235,695,000 (2023 - RM224,435,000), respectively.

10. EMPLOYEE BENEFITS (continued)

Defined Benefit Plan (continued)

[2] Unit trust funds analysed by type of fund are as follows:

	2024 RM'000	2023 RM'000
Equity funds	627	576

[3] Properties* analysed by type of property are as follows:

	2024 RM'000	2023 RM'000
Terraced shop offices	10,258	10,237
Stratified office lots	406	410
Commercial buildings	314	315
Residential buildings	19	20
	10,997	10,982

* All the properties held as plan assets by the Fund are occupied by the Bank's holding company, Public Bank Berhad and its related companies which including the Bank. Certain floors in the commercial buildings and terraced shop offices are tenanted by external parties of which they contributed about 1.7% (2023: 1.7%) of the total rental income from properties.

10. EMPLOYEE BENEFITS (continued)

Defined Benefit Plan (continued)

The amounts recognised under personnel expenses in the statement of profit or loss are as follows:

	2024 RM'000	2023 RM'000
Current service cost	1,008	819
Finance cost	734	738
Finance income	(764)	(860)
Allocation adjustment	345	(441)
Amount included under 'personnel expenses - pension costs' (Note 32(b))	1,323	256

Remeasurements recognised in other comprehensive income are as follows:

	2024 RM'000	2023 RM'000
Present value of funded obligations:		
- effects of changes in financial assumptions	(335)	(1,236)
- effects of experience adjustments	-	(798)
Fair value of plan assets:		
- remeasurements on plan assets	771	150
- allocation adjustment	(131)	(760)
Amount recognised in equity (Note 26)	305	(2,644)

Actual return on plan assets is as follows:

	2024 RM'000	2023 RM'000
Finance income on plan assets	764	860
Remeasurements on plan assets	771	150
Allocation adjustment	(821)	(1,630)
Actual return on plan assets	714	(620)

10. EMPLOYEE BENEFITS (continued)

Defined Benefit Plan (continued)

(i) Actuarial Assumptions

Principal actuarial assumptions used at the reporting date (expressed as weighted averages) are as follows:

	2024	**2023**
Discount rate	4.40%	4.60%
Expected rate of salary increases	6.00%	6.00%

The discount rate used in the actuarial assumptions is based on a blend of yields of long term high quality corporate bonds. The expected rate of salary increases takes into account the increases in salaries from factors such as inflation, productivity and promotions.

As at 31 December 2024, the weighted average duration of the defined benefit obligation was 10.0 years.

(ii) Sensitivity Analysis

The effect of changes in the principal actuarial assumptions on the present value of funded obligations are as follows:

	2024 Sensitivity		**2023 Sensitivity**	
	+1%	**-1%**	**+1%**	**-1%**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(Decrease) / Increase in present value of funded obligations:				
- Discount rate	(1,588)	1,830	(1,522)	1,779
- Expected salary	1,944	(1,716)	1,712	(1,498)

The sensitivity analysis presented above may not be representative of the actual change in the present value of funded obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

11. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-profit bearing statutory deposits are maintained with Bank Negara Malaysia ("BNM") in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009. The amount of the Statutory Reserve Requirement ("SRR") is determined based on a set percentage of total eligible liabilities.

12. DEFERRED TAX

	2024 RM'000	2023 RM'000
At 1 January	112,223	148,606
Recognised in profit or loss (net) (Note 35)		
- relating to origination and reversal of temporary differences	(7,340)	(3,479)
- over provision of net deferred tax assets	(1,475)	(69)
Recognised in equity (net) (Note 26)	(16,965)	(32,835)
At 31 December	86,443	112,223

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

	2024 RM’000	2023 RM’000
Deferred tax assets, net	86,443	112,223
Deferred tax liabilities, net	-	-
	86,443	112,223

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

	2024 RM’000	2023 RM’000
Deferred tax assets	120,242	143,025
Deferred tax liabilities	(33,799)	(30,802)
	86,443	112,223

12. DEFERRED TAX (continued)

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

Deferred tax assets	Hedging Reserves RM'000	Other Temporary Differences RM'000	Allowance for Impairment on Financing and Advances RM'000	Revaluation Reserves RM'000	Total RM'000
At 1 January 2023	-	10,632	116,214	58,423	185,269
Recognised in profit or loss (Note 35)					
- relating to origination and reversal of temporary differences	-	485	(4,592)	-	(4,107)
- over provision in prior years	-	(69)	-	-	(69)
Recognised in equity (Note 26)	-	-	-	(38,107)	(38,107)
	-	11,048	111,622	20,316	142,986
Reclassified from deferred tax liabilities	39	-	-	-	39
At 31 December 2023	39	11,048	111,622	20,316	143,025
Recognised in profit or loss (Note 35)					
- relating to origination and reversal of temporary differences	-	5,937	(13,508)	-	(7,571)
- over provision in prior years	-	(25)	(217)	-	(242)
Recognised in equity (Note 26)	(1,961)	-	-	(14,931)	(16,892)
	(1,922)	16,960	97,897	5,385	118,320
Reclassified to deferred tax liabilities	1,922	-	-	-	1,922
At 31 December 2024	-	16,960	97,897	5,385	120,242

12. DEFERRED TAX (continued)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows (continued):

Deferred tax liabilities	Hedging Reserves RM'000	Excess of Capital Allowances Over Depreciation RM'000	Defined Benefit Plan RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2023	4,599	408	493	31,163	36,663
Recognised in profit or loss (Note 35)					
- relating to origination and reversal of temporary differences	-	(15)	190	(803)	(628)
Recognised in equity (Note 26)	(4,638)	-	(634)	-	(5,272)
	(39)	393	49	30,360	30,763
Reclassified to deferred tax assets	39	-	-	-	39
At 31 December 2023	-	393	49	30,360	30,802
Recognised in profit or loss (Note 35)					
- relating to origination and reversal of temporary differences	-	89	25	(345)	(231)
- (over) / under provision in prior years	-	(16)	-	1,249	1,233
Recognised in equity (Note 26)	-	-	73	-	73
	-	466	147	31,264	31,877
Reclassified from deferred tax assets	1,922	-	-	-	1,922
At 31 December 2024	1,922	466	147	31,264	33,799

13. COLLECTIVE INVESTMENT

Details of the collective investment are as follows:

Name of Fund	Principal Activities	Place of Incorporation	Effective Interest 2024 %	Effective Interest 2023 %
Public Islamic Wholesale Income Fund	Wholesale income fund	Malaysia	30.18	30.18

The Bank's collective investment is not material to the financial position, financial performance and cash flows of the Bank.

Had the equity method of accounting been applied, the carrying amount of collective investment would have been as follows:

	2024 RM'000	2023 RM'000
Unit trust fund, at cost	630,315	609,709
Share of post-acquisition reserves	(59)	(693)
	630,256	609,016
Represented by:		
Share of net assets	630,256	609,016
Share of results		
- Share of profit after tax from continuing operations	20,602	20,105
- Share of other comprehensive income	696	3,885
Share of total comprehensive income	21,298	23,990

The summarised financial information of the collective investment is as follows:

	2024 RM'000	2023 RM'000
Total assets	2,095,420	2,024,795
Total liabilities	6,764	6,533
Operating revenue	78,879	73,126
Profit after tax	68,276	63,410
Total comprehensive income	70,583	75,787

There are no significant restrictions on the ability of the unit trust fund to transfer funds to the Bank in the form of cash dividends.

14. INVESTMENT IN AN ASSOCIATED COMPANY

	2024 RM'000	2023 RM'000
Unquoted shares in Malaysia, at cost	67,500	67,500

Details of the associated company are as follows:

Name	Principal Activities	Place of Incorporation	Effective Interest 2024 %	Effective Interest 2023 %
AIA PUBLIC Takaful Berhad	Family takaful	Malaysia	15.00	15.00

The Bank's associated company is not material to the financial position, financial performance and cash flows of the Bank.

Had the equity method of accounting been applied, the carrying amount of investment in the associated company would have been as follows:

	2024 RM'000	2023 RM'000
Unquoted shares, at cost	67,500	67,500
Share of post-acquisition reserves	128,705	7,551
Loss on dilution of interest in the associated company	(4,191)	(4,191)
	192,014	70,860
Represented by:		
Share of net assets	192,014	70,860
Share of results		
- Share of profit after tax from continuing operations	120,581	9,478
- Share of other comprehensive income	573	1,311
Share of total comprehensive income	121,154	10,789

14. INVESTMENT IN AN ASSOCIATED COMPANY (continued)

The summarised financial information of the associated company is as follows:

	2024 RM'000	2023 RM'000
Total assets	4,820,547	4,152,756
Total liabilities	3,590,126	3,715,360
Operating revenue	1,382,211	2,497,853
Profit after tax	803,875	246,720
Total comprehensive income	807,693	253,287

There are no significant restrictions on the ability of the associated company to transfer funds to the Bank in the form of cash dividends.

15. LEASES

As a Lessee

Information about leases for which the Bank is the lessee is presented below:

(a) Right-of-use assets

	2024 RM'000	2023 RM'000
Land and Buildings		
At 1 January	21,708	19,846
Additions	-	122
Depreciation charge for the year (Note 33)	(1,615)	(1,669)
Remeasurements	175	3,409
At 31 December	20,268	21,708

(b) Lease liabilities

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

	2024 RM'000	2023 RM'000
Within one year	2,177	2,163
Between one and five years	8,706	8,652
More than five years	18,409	20,398
	29,292	31,213
Lease liabilities included in the statement of financial position	21,199	22,295

15. LEASES (continued)

As a Lessee (continued)

Information about leases for which the Bank is the lessee is presented below (continued):

(c) Amount recognised in the profit or loss

	Note	2024 RM'000	2023 RM'000
Depreciation of right-of-use assets	33	1,615	1,669
Profit expense on lease liabilities	31	899	823

(d) Amount recognised in the statement of cash flows

	2024 RM'000	2023 RM'000
Total cash outflow for leases	1,271	1,337

15. LEASES (continued)

As a Lessee (continued)

Information about leases for which the Bank is the lessee is presented below (continued):

(e) Leasing activities

Real estate leases

The Bank leases various premises from which it conducts business. Rental contracts are typically made for fixed periods of three (3) years. Most leases include an option to renew the lease for an additional period of the same duration after the end of the contract term as described in Note 15(f) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements generally do not impose any covenants other than to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Leases may only be cancelled by giving two (2) or three (3) months notice before the termination date.

The lease payments are adjusted upon renewal of the lease contract, based on the current market rentals. Rental incremental rate was capped at between 5% to 10% for most of the lease contracts.

Other leases

The Bank did not enter into any lease contracts that are short-term and/or leases of low value items.

(f) Extension options

Most leases of the Bank's premises contain extension options exercisable by the Bank and not by the lessors. The Bank assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

All the extension options in premises leases have been included in the lease liability as the Bank is reasonably certain that the leases will be extended based on its past practice.

16. PROPERTY AND EQUIPMENT

	Note	Renovations RM'000	Office Equipment, Furniture & Fittings RM'000	Computer Equipment & Software RM'000	Motor Vehicles RM'000	Total RM'000
2024						
Cost						
At 1 January 2024		2,426	6,909	4,642	10	13,987
Additions		30	668	1,105	-	1,803
Disposals		-	(11)	-	-	(11)
Write-offs		-	(27)	-	-	(27)
Transfer from holding company		-	2	-	-	2
At 31 December 2024		2,456	7,541	5,747	10	15,754
Accumulated depreciation						
At 1 January 2024		1,922	4,910	3,960	9	10,801
Depreciation charge for the year	33	203	424	349	1	977
Disposals		-	(11)	-	-	(11)
Write-offs		-	(27)	-	-	(27)
Transfer from holding company		-	1	-	-	1
At 31 December 2024		2,125	5,297	4,309	10	11,741
Carrying amounts						
At 31 December 2024		331	2,244	1,438	-	4,013

16. PROPERTY AND EQUIPMENT (continued)

	Note	Renovations RM'000	Office Equipment, Furniture & Fittings RM'000	Computer Equipment & Software RM'000	Motor Vehicles RM'000	Total RM'000
2023						
Cost						
At 1 January 2023		2,424	6,831	4,173	10	13,438
Additions		2	100	487	-	589
Disposals		-	(22)	(18)	-	(40)
At 31 December 2023		2,426	6,909	4,642	10	13,987
Accumulated depreciation						
At 1 January 2023		1,721	4,548	3,669	8	9,946
Depreciation charge for the year	33	201	384	309	1	895
Disposals		-	(22)	(18)	-	(40)
At 31 December 2023		1,922	4,910	3,960	9	10,801
Carrying amounts						
At 31 December 2023		504	1,999	682	1	3,186

17. DEPOSITS FROM CUSTOMERS

The deposits presented by type of deposit and contract are as follows:

	2024 RM'000	2023 RM'000
At amortised cost		
Savings deposits		
- Qard	9,890,439	9,556,033
- Commodity Murabahah	68,618	-
	9,959,057	9,556,033
Demand deposits		
- Qard	9,117,306	8,538,785
- Commodity Murabahah	64,004	-
	9,181,310	8,538,785
Term deposits		
- Term deposits		
- Commodity Murabahah	57,927,493	50,412,429
- Special term deposit accounts		
- Commodity Murabahah	10,729,911	13,818,017
	87,797,771	82,325,264

Certain deposits from customers are insured by Perbadanan Insurans Deposit Malaysia ("PIDM"), up to a maximum limit of RM250,000 per depositor per PIDM member bank. The deposit insurance covers all Ringgit Malaysia and foreign currency deposits held under savings deposits, demand deposits and Commodity Murabahah term deposits. This guarantee excludes special term deposit accounts.

Included in deposits from customers are deposits of RM491,142,000 (2023 - RM454,052,000) held as collateral for financing and advances.

17. DEPOSITS FROM CUSTOMERS (continued)

The maturity structure of term deposits are as follows:

	2024 RM'000	2023 RM'000
Due within six months	50,580,502	49,418,551
More than six months to one year	18,026,642	13,575,070
More than one year to three years	49,042	1,236,312
More than three years to five years	1,218	513
	68,657,404	64,230,446

The deposits are sourced from the following type of customers:

	2024 RM'000	2023 RM'000
Federal and state governments	4,252,805	6,993,662
Local government and statutory authorities	2,516,349	1,866,677
Business enterprises	17,853,538	15,042,626
Individuals	38,784,110	36,719,481
Foreign customers	1,028,105	870,362
Others	23,362,864	20,832,456
	87,797,771	82,325,264

18. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2024 RM'000	2023 RM'000
At amortised cost		
Non-Mudharabah Fund		
Licensed banks ^	2,446,519	1,986,969
Licensed Islamic banks	100,000	83,900
Licensed investment banks	114,924	86,409
Bank Negara Malaysia *	66,483	64,016
Other financial institutions	304,793	65,949
	3,032,719	2,287,243

^ Included in Non-Mudharabah Fund of licensed banks is an amount placed by the Bank's holding company of RM2,446,519,000 (2023 - RM1,980,840,000).

* Included RM58,054,000 (2023 - RM57,190,000) received under a government financing scheme for the purpose of SME financing at a below market and concession rate with a six-year period of repayment which is due in June 2026. The fair value gain arising from the placement of funds with the Bank is applied to address the financial and accounting impact incurred from financing at concession rates to SMEs and for COVID-19 related relief measures.

19. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represents the Bank's bills and acceptances outstanding in the market. These financial liabilities are stated at amortised cost.

20. RECOURSE OBLIGATIONS ON FINANCING SOLD TO CAGAMAS

This represents the proceeds received from house financing sold directly to Cagamas Berhad with recourse to the Bank. Under this agreement, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy-back any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

21. SUKUK MURABAHAH

	Note	2024 RM'000	2023 RM'000
At amortised cost			
Senior Sukuk Murabahah	(a)	1,000,000	1,000,000
Subordinated Sukuk Murabahah	(b)	1,000,000	1,000,000
		2,000,000	2,000,000

Movements in Sukuk Murabahah issued are as follows:

	2024 RM'000	2023 RM'000
At 1 January	2,000,000	2,000,000
Issuance		
- Subordinated Sukuk Murabahah	500,000	-
Redemption		
- Subordinated Sukuk Murabahah	(500,000)	-
At 31 December	2,000,000	2,000,000

The Bank obtained approval from BNM and the Securities Commission on 24 March 2014 and 21 April 2014 respectively, for the establishment of an Islamic medium term note programme under the Shariah principle of Murabahah to facilitate the issuance of Senior Sukuk Murabahah and/or Subordinated Sukuk Murabahah of up to RM5.0 billion in nominal value.

The tenure of the Sukuk Murabahah Programme is up to thirty (30) years from the date of first issuance of Sukuk Murabahah under the Sukuk Murabahah Programme. Sukuk issued under the Sukuk Murabahah Programme are as follows:

(a) Senior Sukuk Murabahah

	2024 RM'000	2023 RM'000
At amortised cost		
Issued under the RM5.0 billion Sukuk Murabahah Programme:		
RM1,000 million due in 2027	1,000,000	1,000,000
	1,000,000	1,000,000

21. SUKUK MURABAHAH (continued)

(a) Senior Sukuk Murabahah (continued)

Each issuance of the Senior Sukuk Murabahah shall have a tenure of more than one (1) year provided that the Senior Sukuk Murabahah shall mature on or prior to the expiry of the Sukuk Murabahah Programme. Each issuance will bear profit at a rate to be determined prior to the issuance, payable semi-annually in arrears.

On 19 December 2022, the Bank issued RM1,000 million in nominal value of Senior Sukuk Murabahah under the Sukuk Murabahah Programme with a tenure of five (5) years, and bear profit rate at 4.50% per annum.

The Senior Sukuk Murabahah constitute direct unsecured liabilities of the Bank, and rank at least pari passu with all other present and future unsecured liabilities of the Bank, except for those liabilities preferred by law.

(b) Subordinated Sukuk Murabahah

	2024 RM'000	2023 RM'000
At amortised cost		
Third tranche:		
RM500 million 3.75% Subordinated Sukuk Murabahah due in 2029, callable in 2024	-	500,000
Fourth tranche:		
RM500 million 4.40% Subordinated Sukuk Murabahah due in 2032, callable in 2027	500,000	500,000
Fifth tranche:		
RM500 million 3.90% Subordinated Sukuk Murabahah due in 2034, callable in 2029	500,000	-
	1,000,000	1,000,000

The tenure of each issuance of Subordinated Sukuk Murabahah, and subject to the call option, shall have at least five (5) years from the issue date, provided that the Subordinated Sukuk Murabahah mature on or prior to the expiry of the Sukuk Murabahah Programme. Each issuance will bear profit at a rate to be determined prior to the issuance, payable semi-annually in arrears.

The Bank may, subject to the prior consent of BNM, redeem these Subordinated Sukuk Murabahah in whole or in part, on the first call date or at any subsequent profit payment date.

21. SUKUK MURABAHAH (continued)

(b) Subordinated Sukuk Murabahah (continued)

The Subordinated Sukuk Murabahah are Basel III-compliant and qualified as Tier II capital for the computation of the regulatory capital of the Bank in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components).

The Bank has issued the following tranches of Subordinated Sukuk Murabahah:

(a) On 31 October 2019, the Bank issued the third tranche of RM500 million in nominal value of Subordinated Sukuk Murabahah due in 2029 callable in 2024. The Subordinated Sukuk Murabahah bear profit at the rate of 3.75% per annum. The Subordinated Sukuk Murabahah were fully redeemed on 30 October 2024.

(b) On 28 July 2022, the Bank issued the fourth tranche of RM500 million in nominal value of Subordinated Sukuk Murabahah due in 2032 callable in 2027. The Subordinated Sukuk Murabahah bear profit at the rate of 4.40% per annum.

(c) On 23 October 2024, the Bank issued the fifth tranche of RM500 million in nominal value of Subordinated Sukuk Murabahah due in 2034 callable in 2029. The Subordinated Sukuk Murabahah bear profit at the rate of 3.90% per annum.

The above Subordinated Sukuk Murabahah constitute unsecured liabilities/obligations of the Bank and are subordinated in right of payment upon the occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Bank.

22. OTHER LIABILITIES

	Note	2024 RM'000	2023 RM'000
Income payable		723,320	725,566
Other payables and accruals	(a)	118,633	93,059
Accrued restoration costs	(b)	1,094	1,094
Allowance for impairment on financing commitments and financial guarantees	(c)	11,632	11,305
		854,679	831,024

(a) Other payables and accruals

Included in other payables and accruals are undistributed charity funds.

The movements in sources and uses of charity funds are as follows:

	2024 RM'000	2023 RM'000
Sources of charity funds		
Undistributed charity funds as at 1 January	18,618	329
Non-Islamic / prohibited income	3,000	23,957
Gharamah / penalty charges	475	62
Total sources of funds during the year	22,093	24,348
Uses of charity funds		
Contribution to non-profit organisations	2,268	5,730
Total uses of funds during the year	2,268	5,730
Undistributed charity funds as at 31 December	19,825	18,618

(b) Accrued restoration costs

Costs estimated to dismantle and remove the asset or to restore the leased asset or the site on which it is located at the end of the lease term.

22. OTHER LIABILITIES (continued)

(c) Allowance for impairment on financing commitments and financial guarantees

Movements in allowance for impairment on financing commitments and financial guarantees are as follows:

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not Credit-Impaired (Stage 2) RM'000	Lifetime ECL Credit-Impaired (Stage 3) RM'000	Total RM'000
At 1 January 2024	6,511	4,390	404	11,305
Changes due to financing commitments and financial guarantees recognised as at 1 January 2024:	1,455	(1,399)	(56)	-
- Transfer to Stage 1: 12-Month ECL	1,661	(1,621)	(40)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(205)	323	(118)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(1)	(101)	102	-
New financing commitments and financial guarantees originated	822	433	29	1,284
Net remeasurement due to changes in credit risk	(2,086)	1,008	(2)	(1,080)
Financing commitments and financial guarantees derecognised	(209)	(133)	(4)	(346)
Modifications to contractual cash flows of financing commitments and financial guarantees	(12)	(43)	52	(3)
Changes in models / risk parameters	430	42	-	472
At 31 December 2024	6,911	4,298	423	11,632

22. OTHER LIABILITIES (continued)

(c) Allowance for impairment on financing commitments and financial guarantees (continued)

Movements in allowance for impairment on financing commitments and financial guarantees are as follows (continued):

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not Credit-Impaired (Stage 2) RM'000	Lifetime ECL Credit-Impaired (Stage 3) RM'000	Total RM'000
At 1 January 2023	7,152	5,254	172	12,578
Changes due to financing commitments and financial guarantees recognised as at 1 January 2023:	1,701	(1,748)	47	-
- Transfer to Stage 1: 12-Month ECL	2,023	(2,006)	(17)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(321)	369	(48)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(1)	(111)	112	-
New financing commitments and financial guarantees originated	803	992	10	1,805
Net remeasurement due to changes in credit risk	(2,608)	73	92	(2,443)
Financing commitments and financial guarantees derecognised	(273)	(133)	(3)	(409)
Modifications to contractual cash flows of financing commitments and financial guarantees	(30)	125	85	180
Changes in models / risk parameters	(234)	(173)	1	(406)
At 31 December 2023	6,511	4,390	404	11,305

23. PROVISION FOR ZAKAT AND TAXATION

	2024 RM'000	2023 RM'000
Zakat	2,800	-
Tax expense	20,352	-
	23,152	-

24. SHARE CAPITAL

	2024 '000	2023 '000
Number of ordinary shares:		
At 1 January / 31 December	243,217	243,217

	2024 RM'000	2023 RM'000
Issued and fully paid ordinary shares:		
At 1 January / 31 December	3,032,717	3,032,717

25. REGULATORY RESERVE

The regulatory reserve is maintained by the Bank as an additional credit risk absorbent in excess of the requirements of accounting standards. The reserve is maintained in line with the requirements of Policy Document on Financial Reporting for Islamic Banking Institutions issued by Bank Negara Malaysia, which is to maintain in aggregate, loss allowance for non credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

26. OTHER RESERVES

	Revaluation Reserves RM'000	Hedging Reserves RM'000	Defined Benefit Reserves RM'000	Total RM'000
At 1 January 2024	(64,335)	(121)	4,818	(59,638)
Net change in revaluation of financial investments at fair value through other comprehensive income				
- Net unrealised gain	66,474	-	-	66,474
- Net gain on disposal reclassified to profit or loss	(4,260)	-	-	(4,260)
	62,214	-	-	62,214
Net change in cash flow hedges:				
- Net unrealised gain	-	8,171	-	8,171
Gain on remeasurements of defined benefit plan (Note 10)	-	-	305	305
Deferred tax (Note 12)	(14,931)	(1,961)	(73)	(16,965)
Other comprehensive income	47,283	6,210	232	53,725
At 31 December 2024	(17,052)	6,089	5,050	(5,913)

26. OTHER RESERVES (continued)

	Revaluation Reserves RM'000	Hedging Reserves RM'000	Defined Benefit Reserves RM'000	Total RM'000
At 1 January 2023	(185,007)	14,567	6,828	(163,612)
Net change in revaluation of financial investments at fair value through other comprehensive income				
- Net unrealised gain	162,436	-	-	162,436
- Net gain on disposal reclassified to profit or loss	(3,657)	-	-	(3,657)
	158,779	-	-	158,779
Net change in cash flow hedges:				
- Net unrealised loss	-	(19,326)	-	(19,326)
Loss on remeasurements of defined benefit plan (Note 10)	-	-	(2,644)	(2,644)
Deferred tax (Note 12)	(38,107)	4,638	634	(32,835)
Other comprehensive income / (loss)	120,672	(14,688)	(2,010)	103,974
At 31 December 2023	(64,335)	(121)	4,818	(59,638)

26. OTHER RESERVES (continued)

Revaluation Reserves
The revaluation reserves are in respect of unrealised fair value gains and losses on financial investments at fair value through other comprehensive income.

Hedging Reserves
The hedging reserves are in respect of the effective portion of unrealised fair value gains and losses on cash flow hedging instruments.

Defined Benefit Reserves
The defined benefit reserves are in respect of remeasurements of the net defined benefit assets/liabilities.

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

	2024 RM'000	2023 RM'000
Income derived from investment of:		
(i) Term deposits	2,995,566	2,708,119
(ii) Other deposits	907,652	863,184
	3,903,218	3,571,303

(i) Income derived from investment of term deposits:

	2024 RM'000	2023 RM'000
Finance income and Hibah		
Financing and advances	2,461,566	2,190,966
Financial investments at fair value through other comprehensive income	300,712	272,960
Financial investments at amortised cost	133,157	141,077
Balances with banks	1,454	3,693
	2,896,889	2,608,696
Financial assets at fair value through profit or loss	18,407	22,795
Total finance income and Hibah	2,915,296	2,631,491
Other operating income		
Fee and commission income:		
- Commissions	32,004	33,454
- Service charges and fees	13,989	12,978
- Other fee income	5,030	5,681
Net gains and losses on financial instruments:		
- Net gain arising from sale of financial investments at fair value through other comprehensive income	3,002	2,552
- Net (loss) / gain representing ineffective portions of hedging derivatives	(36)	68
- Others	342	341
Gross distribution income from collective investment	14,564	14,070
Other income	11,375	7,484
Total other operating income	80,270	76,628
	2,995,566	2,708,119
Of which:		
Financing income earned on impaired financing	7,804	5,988

27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)

(ii) Income derived from investment of other deposits:

	2024 RM'000	2023 RM'000
Finance income and Hibah		
Financing and advances	745,851	698,347
Financial investments at fair value through other comprehensive income	91,115	87,003
Financial investments at amortised cost	40,346	44,967
Balances with banks	440	1,177
	877,752	831,494
Financial assets at fair value through profit or loss	5,577	7,266
Total finance income and Hibah	883,329	838,760
Other operating income		
Fee and commission income:		
- Commissions	9,697	10,663
- Service charges and fees	4,239	4,137
- Other fee income	1,524	1,811
Net gains and losses on financial instruments:		
- Net gain arising from sale of financial investments at fair value through other comprehensive income	910	813
- Net (loss) / gain representing ineffective portions of hedging derivatives	(11)	21
- Others	104	109
Gross distribution income from collective investment	4,413	4,485
Other income	3,447	2,385
Total other operating income	24,323	24,424
	907,652	863,184
Of which:		
Financing income earned on impaired financing	2,364	1,909

28. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	2024 RM'000	2023 RM'000
Finance income and Hibah		
Financing and advances	285,015	250,427
Financial investments at fair value through other comprehensive income	34,818	31,199
Financial investments at amortised cost	15,418	16,125
Balances with banks	168	422
	335,419	298,173
Financial assets at fair value through profit or loss	2,131	2,605
Total finance income and Hibah	337,550	300,778
Other operating income		
Fee and commission income:		
- Commissions	3,706	3,824
- Service charges and fees	1,620	1,483
- Other fee income	582	649
Net gains and losses on financial instruments:		
- Net gain arising from sale of financial investments at fair value through other comprehensive income	348	292
- Net (loss) / gain representing ineffective portions of hedging derivatives	(4)	8
- Others	39	39
Gross distribution income from collective investment	1,686	1,608
Other income	1,317	856
Total other operating income	9,294	8,759
	346,844	309,537
Of which:		
Financing income earned on impaired financing	904	684

29. (WRITEBACK OF ALLOWANCE) / ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	2024 RM'000	2023 RM'000
Expected credit losses ("ECL") (written back) / made on:		
- Financing and advances	(96,739)	39,719
- Financing commitments and financial guarantees	327	(1,273)
	(96,412)	38,446
Impaired financing written off	6	2
Impaired financing recovered	(20,355)	(20,476)
	(116,761)	17,972

Details of the management overlay are explained in Note 2(iii)(a)(iii).

The breakdown of ECL made / (written back) are as follows:

	2024 RM'000	2023 RM'000
Base ECL	21,076	7,981
Management overlay	(117,488)	30,465
Total ECL (written back) / made	(96,412)	38,446

30. ALLOWANCE FOR IMPAIRMENT ON OTHER ASSETS

	2024 RM'000	2023 RM'000
Expected credit losses made / (written back) on:		
- Financial investments at fair value through other comprehensive income		
- Debt instruments (Note 6)	81	121
- Financial investments at amortised cost		
- Debt instruments (Note 7)	(2)	(44)
Allowance for impairment on foreclosed properties	3,202	1,265
	3,281	1,342

31. INCOME ATTRIBUTABLE TO DEPOSITORS AND OTHERS

	2024 RM'000	2023 RM'000
Deposits from customers		
- Non-Mudharabah fund	2,391,843	2,184,997
Deposits from banks and other financial institutions		
- Non-Mudharabah fund	156,676	175,439
Financing sold to Cagamas	35,044	34,638
Sukuk Murabahah	86,488	85,750
Lease liabilities (Note 15(c))	899	823
	2,670,950	2,481,647

32. PERSONNEL EXPENSES

	2024 RM'000	2023 RM'000
Salaries, allowances and bonuses (Note (a))	37,223	29,362
Pension costs (Note (b))	5,673	3,671
Others	2,475	2,979
	45,371	36,012

Included in personnel expenses are the following:

	2024 RM'000	2023 RM'000
(a) Salaries, allowances and bonuses		
- Directors' remuneration (Note 34) #	2,658	2,149

Included in total directors' remuneration is the Shariah Committee remuneration paid to the following Director:

	2024 RM'000	2023 RM'000
Dr. Shafaai bin Musa	128	125

	2024 RM'000	2023 RM'000
(b) Pension costs		
- defined contribution plan	4,350	3,415
- defined benefit plan (Note 10)	1,323	256
	5,673	3,671

33. OTHER OVERHEADS AND EXPENDITURES

	2024 RM'000	2023 RM'000
Establishment costs		
- Depreciation	2,592	2,564
- Insurance	1,124	1,302
- Water and electricity	378	365
- General repairs and maintenance	863	883
- Information technology expenses	4,259	3,668
- Others	2,829	2,800
	12,045	11,582
Marketing expenses		
- Advertisement and publicity	1,348	1,109
- Others	4,165	3,249
	5,513	4,358
Administration and general expenses		
- Communication expenses	19,746	16,426
- Legal and professional fees	8,661	8,999
- Others	37,192	34,386
	65,599	59,811
Cost of resource sharing charged by Public Bank Berhad *	578,928	536,096
Recovery of expenses	(22,938)	(19,042)
	639,147	592,805

* The type of resource sharing rendered by Public Bank Berhad to the Bank in Malaysia are as follows:

	2024 RM'000	2023 RM'000
Credit related	238,946	230,652
Non-credit branch support	219,109	200,878
Other administration function	120,873	104,566
	578,928	536,096

33. OTHER OVERHEADS AND EXPENDITURES (continued)

Included in other overheads and expenditures are the following:

	2024 RM'000	2023 RM'000
Auditors' remuneration		
- audit	533	506
- regulatory related services *	69	144
Depreciation of right-of-use assets (Note 15(a) and (c))	1,615	1,669
Depreciation of property and equipment (Note 16)	977	895

* Regulatory related services include limited review and audit of liquidity coverage ratio.

34. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION

	2024 RM'000	2023 RM'000
Chief Executive Officer of the Bank		
- Salary and other remuneration	905	862
- Bonuses	718	603
- Benefits-in-kind	7	10
	1,630	1,475
Directors of the Bank (Note 32)		
Executive Director:		
- Fees	112	101
- Other remuneration	64	72
	176	173
Non-Executive Directors:		
- Fees	681	485
- Other remuneration	1,673	1,366
	2,354	1,851
Shariah Committee members		
- Allowance	478	426
- Other remuneration	111	85
	589	511
	4,749	4,010

34. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (continued)

The total remuneration of the Directors of the Bank are as follows:

2024	Fees RM'000	Other Remuneration RM'000	Total RM'000
Executive Director:			
Tan Sri Dato' Sri Dr. Tay Ah Lek	112	64	176
Non-Executive Directors:			
Dato' Haji Kamil Khalid bin Dato' Mushir Ariff	150	363	513
Datin Dr. Rusnah binti Muhamad	112	349	461
Mr Lam Song Shen	112	341	453
Dr. Shafaai bin Musa	112	236	348
Datuk Mohd Anwar bin Yahya	112	240	352
Mr Tan Keat Lin [1]	83	144	227
	681	1,673	2,354
	793	1,737	2,530

[1] This represents the remuneration paid to this director since his appointment on 27 March 2024.

2023	Fees RM'000	Other Remuneration RM'000	Total RM'000
Executive Director:			
Tan Sri Dato' Sri Dr. Tay Ah Lek	101	72	173
Non-Executive Directors:			
Dato' Haji Kamil Khalid bin Dato' Mushir Ariff	139	363	502
Datin Dr. Rusnah binti Muhamad	101	335	436
Mr Lam Song Shen	101	331	432
Dr. Shafaai bin Musa	101	241	342
Datuk Mohd Anwar bin Yahya [2]	43	96	139
	485	1,366	1,851
	586	1,438	2,024

[2] This represents the remuneration paid to this director since his appointment on 1 August 2023.

34. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (continued)

The total remuneration of the Shariah committee members of the Bank are as follows:

2024	Allowance RM'000	Other Remuneration RM'000	Total RM'000
Dr. Shafaai bin Musa	106	22	128
Engku Ahmad Fadzil bin Engku Ali	93	22	115
Dr. Syed Musa bin Syed Jaafar Alhabshi	93	22	115
Dr. Marhanum binti Che Mohd Salleh	93	22	115
Dr. Yasmin Hanani binti Mohd. Safian [3]	70	17	87
Mr Wan Abdul Rahim Kamil bin Wan Mohamed Ali [4]	23	6	29
	478	111	589

[3] This represents the remuneration paid to this Shariah committee member since her appointment on 1 April 2024.

[4] This represents the remuneration paid to this Shariah committee member until his retirement on 31 March 2024.

2023	Allowance RM'000	Other Remuneration RM'000	Total RM'000
Dr. Shafaai bin Musa	106	19	125
Engku Ahmad Fadzil bin Engku Ali	93	19	112
Mr Wan Abdul Rahim Kamil bin Wan Mohamed Ali	93	19	112
Dr. Syed Musa bin Syed Jaafar Alhabshi	93	19	112
Dr. Marhanum binti Che Mohd Salleh [5]	16	4	20
Dr. Ab Mumin bin Ab Ghani [6]	25	5	30
	426	85	511

[5] This represents the remuneration paid to this Shariah committee member since her appointment on 1 November 2023.

[6] This represents the remuneration paid to this Shariah committee member until his retirement on 7 April 2023.

35. ZAKAT AND TAXATION

	2024 RM'000	2023 RM'000
Zakat	5,021	2,359
Malaysian income tax		
- in respect of current year profit	229,880	181,300
- over provision in prior years	(1,805)	(2,024)
	228,075	179,276
Deferred tax expense (Note 12)		
- Relating to origination and reversal of temporary differences arising from:		
- excess / (shortfall) of capital allowances over depreciation	89	(15)
- defined benefit plan	25	190
- other temporary differences	(6,282)	(1,288)
- allowance for impairment on financing and advances	13,508	4,592
	7,340	3,479
- under provision in prior years	1,475	69
	8,815	3,548
Tax expense	236,890	182,824
	241,911	185,183

The Malaysian income tax is calculated at the statutory tax rate of 24% (2023: 24%) on the estimated chargeable profit for the financial year. The computation of deferred tax assets and deferred tax liabilities is also based on the statutory tax rate of 24%.

A reconciliation of income tax expense applicable to profit before zakat and taxation at the statutory tax rate to income tax expense at the effective income tax rate of the Bank is as follows:

	2024 %	2024 RM'000	2023 %	2023 RM'000
Profit before zakat and taxation		1,008,074		751,062
Income tax using Malaysian tax rate	24.0	241,938	24.0	180,255
Income not subject to tax	(0.5)	(4,959)	(0.6)	(4,839)
Expenses not deductible for tax purposes	-	241	1.2	9,363
	23.5	237,220	24.6	184,779
Over provision in prior years	-	(330)	-	(1,955)
Tax expense for the year	23.5	236,890	24.6	182,824

36. EARNINGS PER SHARE

a) Basic Earnings Per Share ("EPS")

The calculation of the basic earnings per share is based on the net profit attributable to the equity holder of the Bank for the year divided by the weighted average number of ordinary shares in issue during the year:

	2024	**2023**
Net profit attributable to the equity holder of the Bank (RM'000)	766,163	565,879
Weighted average number of ordinary shares in issue ('000)	243,217	243,217
Basic EPS (sen)	315.0	232.7

b) Diluted EPS

The Bank has no dilution in its earnings per ordinary share in the current and previous financial year as there are no dilutive potential ordinary shares.

37. DIVIDENDS

No dividend has been paid nor declared during the current and previous financial year.

38. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or if one other party controls both. The related parties of the Bank are:

(i) Holding and Related Companies

The holding as well as the ultimate holding company of the Bank is Public Bank Berhad, a licensed bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. Related companies are those companies within the Public Bank Group, collective investments held by Public Bank Group and the Bank and also associated company in which the Bank has significant influence but not control. The details of the related companies are as follows:

Related Companies	**Principal Activities**
Local Related Companies	
Public Investment Bank Berhad	Investment banking
Public Invest Nominees (Tempatan) Sdn. Bhd.	Nominee services
Public Invest Nominees (Asing) Sdn. Bhd.	Nominee services
Public Consolidated Holdings Sdn. Bhd.	Investment holding
Public Mutual Berhad	Sale and management of unit trust funds and private retirement schemes
Public Holdings Sdn. Bhd.	Property holding
Public Nominees (Tempatan) Sdn. Bhd.	Nominee services
Public Nominees (Asing) Sdn. Bhd.	Nominee services
Public Bank (L) Ltd.	Labuan banking
PB Trust (L) Ltd.	In members' voluntary liquidation
PB Venture Capital Sdn. Bhd.	Investment holding
Public Leasing & Factoring Sdn. Bhd.	Leasing and factoring
PB International Factors Sdn. Bhd.	Investment holding
PB Trustee Services Berhad	Trustee services
LPI Capital Bhd	Investment holding
Lonpac Insurance Bhd	Underwriting of general insurance
Overseas Related Companies	
Cambodian Public Bank Plc	Banking
Campu Securities Plc	Securities dealing and underwriting
Campu Lonpac Insurance Plc	Underwriting of general insurance

38. RELATED PARTY TRANSACTIONS (continued)

(i) Holding and Related Companies (continued)

Related Companies	**Principal Activities**
Overseas Related Companies (continued)	
Public Financial Holdings Limited	Investment and property holding
Public Bank (Hong Kong) Limited	Banking
Public Finance Limited	Deposit-taking and finance
Public Financial Limited	Investment holding
Public Securities Limited	Dormant
Public Securities (Nominees) Limited	Dormant
Public Financial Securities Limited	Securities brokerage
Public Bank (Nominees) Limited	Nominee services
Public Futures Limited	Dormant
Winton (B.V.I.) Limited	Investment holding
Winton Financial Limited	Provision of financing
Winton Motors, Limited	Trading of taxi cabs and taxi licences, and leasing of taxis
Public Bank Vietnam Limited	Banking
Public Bank Securities Vietnam Company Limited (formerly known as RHB Securities Vietnam Company Limited)	Securities brokerage and investment banking
Public Bank Lao Limited	Banking
Collective Investments	
Public Institutional Bond Fund	Bond fund
Public Wholesale Income Fund	Wholesale income fund
Public Islamic Wholesale Income Fund	Wholesale income fund
Associated Company	
AIA PUBLIC Takaful Berhad	Family takaful

(ii) Key Management Personnel and the Close Members of His/Her Family

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel of the Bank include Executive Director and Non-Executive Directors of the Bank, chief executive officer and certain key members of senior management of the Bank.

(iii) Public Bank Group Officers' Retirement Benefits Fund

Details of the retirement benefits fund are shown in Note 10.

38. RELATED PARTY TRANSACTIONS (continued)

All related party transactions are conducted on normal commercial terms which are no more favourable than those generally available to the public.

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

	Key Management Personnel *		Holding Company		Other Related Parties		Collective Investment	
	2024 RM'000	**2023 RM'000**	**2024 RM'000**	**2023 RM'000**	**2024 RM'000**	**2023 RM'000**	**2024 RM'000**	**2023 RM'000**
Income earned:								
Financing income on financing and advances	42	41	-	-	-	-	-	-
Profit income on profit rate swaps	-	-	2,320	867	-	-	-	-
Distribution income	-	-	-	-	-	-	20,663	20,163
Commission income	-	-	-	-	22,488	25,878	-	-
Fee income	-	-	-	-	3,490	3,405	-	-
	42	41	2,320	867	25,978	29,283	20,663	20,163
Expenditure incurred:								
Profit expense attributable to depositors	41	60	94,336	112,649	12,316	29,249	49,726	47,413
Profit expense on Sukuk Murabahah issued	-	-	-	-	57	-	-	-
Cost of resource sharing paid / payable	-	-	578,928	536,096	-	-	-	-
Rental of premises ^	-	-	820	820	659	657	-	-
Professional fees	-	-	-	-	550	550	-	-
	41	60	674,084	649,565	13,582	30,456	49,726	47,413

* Included transactions with close members of the key management personnel's family.

^ This amount represents actual rental of premises incurred by the Bank.

The table above includes the following transactions of the Bank with its Directors (including close members of their families):

(i) profit expense on deposits of RM41,000 (2023 - RM60,000); and

(ii) financing income on financing and advances is nil (2023 - nil).

38. RELATED PARTY TRANSACTIONS (continued)

(b) The significant outstanding balances of the Bank with its related parties are as follows:

	Key Management Personnel *		Holding Company		Other Related Parties		Collective Investment	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Amount due from related parties								
Interbank investing	-	-	470,939	219,451	-	-	-	-
Derivative financial assets	-	-	19,924	24,596	-	-	-	-
Financing and advances	1,147	1,262	-	-	-	-	-	-
Distribution receivable	-	-	-	-	-	-	1,764	1,706
Income receivable	-	-	393	397	-	-	-	-
Rental deposits	-	-	205	205	165	165	-	-
	1,147	1,262	491,461	244,649	165	165	1,764	1,706
Amount due to related parties								
Demand deposits	27	3	-	-	128,476	93,150	50	50
Term deposits	1,120	2,043	2,443,108	1,967,833	204,990	602,177	1,339,873	1,235,627
Interbank acceptance	-	-	3,411	13,007	10,558	-	-	-
Derivative financial liabilities	-	-	12,026	24,817	-	-	-	-
Income payable	-	-	-	-	1,212	10,008	6,694	10,925
Sukuk Murabahah issued	-	-	-	-	15,000	-	-	-
	1,147	2,046	2,458,545	2,005,657	360,236	705,335	1,346,617	1,246,602
Commitments and contingencies								
Commitments	258	231	-	-	-	-	-	-

* Included transactions with close members of the key management personnel's family.

The table above includes the following outstanding balances of the Bank with its Directors (including close members of their families):

(i) demand deposits and term deposits of RM1,115,000 (2023 - RM1,991,000); and

(ii) financing and advances is nil (2023 - nil).

38. RELATED PARTY TRANSACTIONS (continued)

(c) The financing and advances granted to the Directors and other key management personnel of the Bank are on similar terms and conditions generally available to other employees within the Bank.

None of the financing and advances granted to the Directors and other key management personnel of the Bank (2023 - None) are impaired.

(d) Key Management Personnel Compensation

The remuneration of key management personnel during the year are as follows:

	2024 RM'000	**2023 RM'000**
Employee benefits:		
- Fees	793	586
- Salary and other allowances	5,599	5,248
- Benefits-in-kind	11	12
Post-employment benefits		
- Defined contribution plan	447	441
- Annual service cost	151	85
	7,001	6,372

Included in the total key management personnel compensation are:

Directors' remuneration including benefits-in-kind		
- Directors of the Bank (Note 34) *	2,658	2,149

* Included in total directors' remuneration is the Shariah Committee remuneration paid to the following Director:

	2024 RM'000	**2023 RM'000**
Dr. Shafaai bin Musa	128	125

39. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	2024 RM'000	2023 RM'000
Outstanding credit exposures with connected parties	1,033,498	1,101,687
of which:		
Total credit exposures which are impaired or in default	242	-
Total credit exposures	84,245,729	77,949,867
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	1.23%	1.41%
- as a proportion of total capital	10.81%	12.41%

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with Para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties for Islamic Banks.

Based on these guidelines, a connected party refers to any of the following:

(i) Directors of the Bank and their close relatives;
(ii) Controlling shareholder and his close relatives;
(iii) Influential shareholder and his close relatives;
(iv) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;
(v) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;
(vi) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (v) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
(vii) Any person for whom the persons listed in (i) to (v) above is a guarantor; and
(viii) Subsidiary of or an entity controlled by the Bank and its connected parties.

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

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and creditworthiness. Due care has been taken to ensure that the creditworthiness of the connected party is not less than that normally required of other persons.

40. FINANCIAL RISK MANAGEMENT

Overview

The Bank's business activities involve the use of financial instruments, including derivatives entered into for hedging purposes. These activities expose the Bank to a variety of financial risks, mainly credit risk, market risk, liquidity risk and funding risk.

The Bank's financial risk management is underpinned by the Bank's risk appetite and is subject to the Board of Directors' oversight, through the Risk Management Committee ("RMC"), a Board Committee, which oversees the establishment of enterprise-wide risk management policies and processes. The RMC is assisted by Public Bank Berhad ("PBB")'s specific risk oversight committees and working group which are the Assets & Liabilities Management Committee ("ALCO"), the Credit Risk Management Committee ("CRMC"), the Operational Risk Management Committee ("ORMC") and the Internal Capital Adequacy Assessment Process ("ICAAP") Working Group.

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. As the Bank's primary business is in Islamic banking, the Bank's exposure to credit risk is primarily from its financing to retail consumers, small and medium enterprises ("SMEs") and corporate customers. Trading activities and investing the surplus funds of the Bank, such as trading or holding of debt securities, deposit placements, settlement of transactions, also expose the Bank to credit risk and counterparty credit risk ("CCR").

Risk Governance

The CRMC supports the RMC in credit risk management oversight. The CRMC reviews the Bank's credit risk frameworks and policies, credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance level.

Risk Management Approach

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

Within the Risk Management Division ("RMD"), the Credit Risk Management Department has functional responsibility for credit risk management which includes formulating and reviewing the Bank's credit risk policies, guidelines and procedures. Other independent risk management and control units are responsible for managing the credit portfolios and ensuring the credit risk policies are implemented and complied with.

40. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Risk Management Approach (continued)

The management of credit risk starts with experienced key personnel appointed to the Credit Committee of PBB ("Credit Committee"). The Credit Committee approves major credit decisions, guidelines and procedures to manage, control and monitor credit risk. Financing applications of significant amounts and/or higher risk exposure are approved at Head Office or by the Credit Committee while experienced senior credit officers at branches are given authority to approve financing with lower risk exposure. The Board of Directors has the authority to reject or modify the terms and conditions of financing which have been approved by the Credit Committee. The credit approving authorities are assigned discretionary powers based on their seniority and track record.

(a) Financing to Retail Consumers and SMEs

The credit granting to retail consumers and SMEs is individually underwritten, which amongst others, includes the assessment of the historical repayment track record and the current repayment capacity of the customer as well as the business condition and prospect. The credit assessment is assisted by the internal credit risk rating scoresheet. The credit approving authorities have the responsibility to ensure that credit risk is properly assessed and all crucial credit information of the customer is included in the customer's financing application.

(b) Financing to Corporate and Institutional Customers

The credit granting to corporate and institutional customers is individually underwritten and risk-rated through the use of an internal or external credit risk rating scoresheet. Credit officers identify and assess the credit risk of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support such as standby letters of credit or bank guarantees.

(c) Credit Risk from Trading and Investment Activities

The management of the credit risk arising from the Bank's trading or investing its surplus funds is primarily via the setting of issuers' credit limits which are specifically approved by the relevant approving authorities. In addition, the investment in debt securities are subject to the minimum investment grade, minimum acceptable return and the maximum tenures and these investment parameters are subject to regular review. The holdings of Collateralised Debt Obligations ("CDO") or Collateralised Loan Obligations ("CLO") require the specific approval of the Board of Directors. As at the reporting date, the Bank does not have any direct or indirect exposure to asset-backed securities, CDO or CLO and does not participate in any securitisation deals.

40. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Risk Management Approach (continued)

(d) Counterparty Credit Risk on Derivative Financial Instruments

The Bank's derivative financial instruments is Islamic Profit Rate Swap ("IPRS") which was entered into for hedging purposes. The CCR on this derivative financial instruments is the risk that the Bank's counterparty in IPRS defaults prior to maturity date of the contract and that the Bank, at the relevant time, has a claim on the counterparty.

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

The CCR arising from all derivative financial instruments is managed via the establishment of credit exposure limits and daily settlement limits for each counterparty. Where possible, Over-the-Counter ("OTC") derivative financial instruments, especially IPRS is transacted under master agreements, Islamic Derivatives Master Agreement ("IDMA") and Credit Support Annex ("CSA") agreements. IDMA 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 excess over the threshold levels.

All outstanding financial derivative positions are marked-to-market on a daily basis. Treasury Control & Processing Department monitors counterparties' positions and promptly follows up with the requirements to post collateral upon any excess over the threshold levels.

Proposition of counterparty limits to financial institutions by the business units are independently assessed and evaluated by RMD before approval is granted by the relevant approving party. The Independent Credit Review ("ICR") Team within RMD provides independent evaluation and views on retails business financing and corporate financing of selected financing size and/or type. Periodical review/assessment of business sectors and industries in which the Bank’s customers are significantly exposed to are also carried out by the ICR Team besides providing assistance in the formulation of credit policies and guidelines undertaken by the business units.

40. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Risk Management Approach (continued)

Post approval reviews are performed regularly to complement risk identification as well as to evaluate the quality of credit appraisals and the competency of credit personnel. Various credit risk analytics are performed periodically to identify key risk characteristics and to risk profile the credit portfolio. In addition, comprehensive assessment on emerging risk is conducted to assess the impact of the risk on the Bank's portfolio as well as establishing appropriate measures to mitigate the risk. Internal risk management reports are presented to the Credit Committee, CRMC and RMC, containing information on asset quality trends across major credit portfolios, results of the credit profiling conducted, emerging risk assessment, significant credit exposures to connected parties and credit concentration by economic sectors and by large single customers. Such information allows senior management, Credit Committee, CRMC and RMC to identify adverse credit trends, take corrective actions and formulate business strategies.

There have been no changes to the process for managing credit risk and the methods used to measure credit risk.

(i) Credit Risk Exposures and Credit Concentration Risk

The following tables present the Bank’s maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amount. For financial guarantees, the maximum exposure to credit risk is the full 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.

Credit concentration risk arises from excessive exposures to any single exposure or group of exposure or sector that will potentially result in losses which are large enough to undermine the health of the Bank. To manage this large exposures and to avoid any undue credit concentration risk, the Bank has emplaced internal exposure limits expressed as a percentage of the Bank's capital.

By Industry Analysis

The analysis of credit concentration risk presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparties are engaged (for non-individual counterparties) or the economic purpose of the credit exposure (for individuals). The exposures to credit risk are presented without taking into account any collateral held or other credit enhancements.

40. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Industry Analysis (continued)

31 December 2024	Government and Central Banks RM'000	Financial Services RM'000	Transport and Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Financing RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	219	558,912	-	-	-	-	-	-	559,131
Financial assets at fair value through profit or loss									
- Money market instruments	-	993,555	-	-	-	-	-	-	993,555
Derivative financial assets	-	19,924	-	-	-	-	-	-	19,924
Financial investments at fair value through other comprehensive income									
- Government securities and treasury bills	13,484,611	-	-	-	-	-	-	-	13,484,611
Financial investments at amortised cost (Gross)									
- Government securities and treasury bills	4,169,385	-	-	-	-	-	-	-	4,169,385
- Non-money market instruments	-	1,195,361	-	-	-	-	-	-	1,195,361
Gross financing and advances									
- Retail financing									
- house financing	-	-	-	-	-	37,812,960	-	-	37,812,960
- hire purchase	240	1,484	76,298	105,316	72,258	-	14,302,197	-	14,557,793
- credit cards	-	-	-	-	-	-	-	156,095	156,095
- other financing	-	38,476	1,183,005	5,055,653	4,458,112	1,270,449	18,889	7,370,280	19,394,864
- Corporate financing	2,017,514	2,751,820	1,084,929	1,446,206	1,109,231	4,566	-	-	8,414,266
Statutory deposits with Bank Negara Malaysia	1,860,700	-	-	-	-	-	-	-	1,860,700
Total	21,532,669	5,559,532	2,344,232	6,607,175	5,639,601	39,087,975	14,321,086	7,526,375	102,618,645
Commitments and contingencies									
Contingent liabilities	1,840	1,064	1,423	967	2,157	-	-	159,214	166,665
Commitments	660	16,905	334,328	1,638,306	1,357,076	4,092,466	6,956	1,831,484	9,278,181
	2,500	17,969	335,751	1,639,273	1,359,233	4,092,466	6,956	1,990,698	9,444,846
Total Credit Exposures	21,535,169	5,577,501	2,679,983	8,246,448	6,998,834	43,180,441	14,328,042	9,517,073	112,063,491

40. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Industry Analysis (continued)

31 December 2023	Government and Central Banks RM'000	Financial Services RM'000	Transport and Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Financing RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	250	247,377	-	-	-	-	-	-	247,627
Financial assets at fair value through profit or loss									
- Money market instruments	-	1,893,292	-	-	-	-	-	-	1,893,292
Derivative financial assets	-	24,596	-	-	-	-	-	-	24,596
Financial investments at fair value through other comprehensive income									
- Government securities and treasury bills	12,949,519	-	-	-	-	-	-	-	12,949,519
Financial investments at amortised cost (Gross)									
- Government securities and treasury bills	4,271,900	-	-	-	-	-	-	-	4,271,900
- Non-money market instruments	-	1,103,390	-	-	-	-	-	-	1,103,390
Gross financing and advances									
- Retail financing									
- house financing	-	-	-	-	-	34,981,035	-	-	34,981,035
- hire purchase	311	1,587	74,559	99,510	70,792	-	11,549,890	-	11,796,649
- credit cards	-	-	-	-	-	-	-	113,250	113,250
- other financing	-	69,153	1,123,639	4,911,605	4,513,274	1,288,261	16,737	7,222,400	19,145,069
- Corporate financing	2,017,522	2,376,511	912,157	832,781	1,471,964	-	-	-	7,610,935
Statutory deposits with Bank Negara Malaysia	1,710,590	-	-	-	-	-	-	-	1,710,590
Total	20,950,092	5,715,906	2,110,355	5,843,896	6,056,030	36,269,296	11,566,627	7,335,650	95,847,852
Commitments and contingencies									
Contingent liabilities	1,840	1,144	1,402	967	3,850	-	-	110,464	119,667
Commitments	660	6,181	436,239	1,755,336	1,664,616	4,493,212	6,780	1,767,068	10,130,092
	2,500	7,325	437,641	1,756,303	1,668,466	4,493,212	6,780	1,877,532	10,249,759
Total Credit Exposures	20,952,592	5,723,231	2,547,996	7,600,199	7,724,496	40,762,508	11,573,407	9,213,182	106,097,611

40. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Geographical Analysis

All credit exposures are located in Malaysia except for the following which are located in other countries.

	2024 RM'000	2023 RM'000
On-Balance Sheet Exposures		
Cash and balances with banks	5,118	1,186
Gross financing and advances		
- Corporate financing	-	13,054
	5,118	14,240
Commitments and Contingencies		
Commitments	-	14,632

(ii) Credit Quality

The table below represents an analysis of the credit quality of financial assets based on the following internally classified grades:

- “Good Grade” refers to exposures that are neither past due nor credit-impaired and debt instruments with rating of AAA to AA- / P-1 by a recognised credit rating agency or government guaranteed.

- “Satisfactory Grade” refers to exposures that are past due 1 to 30 days after the contractual due date that are neither credit-impaired nor have shown significant increase in credit risk and debt instruments with rating of A+ to BBB / P-2 by a recognised credit rating agency.

- “Sub-standard Grade” refers to exposures that are past due 31 days or more but not credit-impaired as well as customers with indication of significant increase in credit risk and debt instruments with rating of BB to CCC / P-3 by a recognised credit rating agency.

- “Credit-impaired Grade” refers to exposures that have been assessed as credit-impaired.

In the absence of ratings for the debt instruments, the issuer's rating will be applied.

40. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Risk Management Approach (continued)

(ii) Credit Quality (continued)

	2024			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Debt Instruments				
Good	19,842,912	-	-	19,842,912
Satisfactory	-	-	-	-
Sub-standard	-	-	-	-
Credit-impaired	-	-	-	-
Gross carrying amount	19,842,912	-	-	19,842,912
Gross Financing and Advances				
Good	71,414,088	-	-	71,414,088
Satisfactory	4,398,982	-	-	4,398,982
Sub-standard	-	4,239,746	-	4,239,746
Credit-impaired	-	-	283,162	283,162
Gross carrying amount	75,813,070	4,239,746	283,162	80,335,978
Financing Commitments and Financial Guarantees				
Good	4,367,596	-	-	4,367,596
Satisfactory	18,374	-	-	18,374
Sub-standard	-	163,018	-	163,018
Credit-impaired	-	-	7,214	7,214
Gross exposure	4,385,970	163,018	7,214	4,556,202

40. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Risk Management Approach (continued)

(ii) Credit Quality (continued)

	2023			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Debt Instruments				
Good	20,218,101	-	-	20,218,101
Satisfactory	-	-	-	-
Sub-standard	-	-	-	-
Credit-impaired	-	-	-	-
Gross carrying amount	20,218,101	-	-	20,218,101
Gross Financing and Advances				
Good	63,910,219	-	-	63,910,219
Satisfactory	4,381,985	-	-	4,381,985
Sub-standard	-	5,103,332	-	5,103,332
Credit-impaired	-	-	251,402	251,402
Gross carrying amount	68,292,204	5,103,332	251,402	73,646,938
Financing Commitments and Financial Guarantees				
Good	4,386,670	-	-	4,386,670
Satisfactory	23,328	-	-	23,328
Sub-standard	-	203,220	-	203,220
Credit-impaired	-	-	5,064	5,064
Gross exposure	4,409,998	203,220	5,064	4,618,282

40. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Risk Management Approach (continued)

(ii) Credit Quality (continued)

Past Due But Not Credit-impaired

Past due but not credit-impaired financing and advances are financing where the customer has failed to make a principal or profit payment when contractually due, and includes financing which are due one or more days after the contractual due date but less than ninety (90) days.

An aging analysis of financing and advances which are past due but not credit-impaired is as follows:

	2024 RM'000	**2023 RM'000**
1 to 30 Days	4,658,441	4,664,370
31 to 59 Days	918,641	990,969
60 to 89 Days	755,592	807,443
	6,332,674	6,462,782

40. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Risk Management Approach (continued)

(iii) Collateral

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

- for residential mortgages - charges over residential properties
- for commercial property financing - charges over the properties being financed
- for motor vehicle financing - ownership claims over the vehicles financed
- for other financing - charges over business assets such as premises, inventories, trade receivables or deposits

The Bank also accepts non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, assignment of contract payments, which are subject to internal guidelines.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for gross financing and advances for the Bank as at 31 December 2024 is at 88.8% (2023 - 90.1%). The financial effect of collateral held for other remaining financial assets is not significant.

Repossessed Collateral

Assets obtained by taking possession of collateral held as security against financing and advances, and held as at the end of the financial year are as follows:

	2024 RM'000	**2023 RM'000**
Residential properties	25,237	22,284
Non-residential properties	9,930	9,950
	35,167	32,234

Repossessed collateral are sold as soon as practicable. Repossessed collateral are recognised in other assets on the statement of financial position. The Bank does not occupy repossessed properties for its business use.

40. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Risk Management Approach (continued)

(iv) Credit Quality of Financial Investments

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit ratings agencies:

Financial Assets at Fair Value through Profit or Loss

	31 December 2024 Money Market Instruments			31 December 2023 Money Market Instruments		
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000
AAA to AA-	-	993,555	993,555	-	1,893,292	1,893,292

40. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Risk Management Approach (continued)

(iv) Credit Quality of Financial Investments (continued)

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit ratings agencies (continued):

Financial Investments at Amortised Cost (Gross)

	<------------------- 31 December 2024 --------------------> Non-money Market Instruments Debt Securities			<------------------- 31 December 2023 --------------------> Non-money Market Instruments Debt Securities		
	International Ratings RM'000	**Domestic Ratings RM'000**	**Total RM'000**	**International Ratings RM'000**	**Domestic Ratings RM'000**	**Total RM'000**
AAA to AA-	-	1,195,361	1,195,361	-	1,103,390	1,103,390

The ratings shown for money market instruments (e.g. negotiable Islamic debt certificates) are based on the ratings assigned to the respective financial institutions issuing the financial instruments. The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance.

As at the reporting date, there were no financial investments which were past due (2023 - Nil).

40. FINANCIAL RISK MANAGEMENT (continued)

Market Risk

Market risk is the risk that movements in market variables, including rate of return, foreign exchange rates, credit spreads, commodity prices and equity prices, will reduce the earnings or capital of the Bank.

The market risk exposure of the Bank is identified into two types:

(i) Traded Market Risk
Primarily the rate of return risk and credit spread risk, exists in the Bank's trading book positions held for the purpose of benefiting from short-term price movements. These trading book positions are mainly originated by the treasury operations.

(ii) Non-Traded Market Risk
Rate of return risk, foreign exchange risk and equity prices risk arising mainly from the retail and commercial banking assets and liabilities, as well as financial investments designated as at fair value through other comprehensive income and at amortised cost.

The Bank's core market risk is Rate of Return Risk ("RoR") being the risk to the Bank's earnings and economic value of equity ("EVE") arising from adverse movements in the rate of return over time arising from activities such as deposits taking, financing and investment.

The Bank does not have any material exposure to foreign exchange risk as at the reporting date as the Bank's activities are mainly denominated in Ringgit Malaysia.

Risk Governance

The ALCO supports the RMC in market risk management oversight. The ALCO reviews the Bank's market risk frameworks and policies, aligns market risk management with risk appetite and implements actions to ensure that the market risk remains within established risk tolerance level.

40. FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

(i) Traded Market Risk

Risk Management Approach

The Bank's traded market risk frameworks comprise market risk policies and practices, market risk limits and valuation methodologies. The Bank’s traded market risk for fixed income instruments is measured by the present value of 1 basis point change ("PV01") and controlled by daily and cumulative cut-loss limits. The Treasury Middle Office ("TMO") conducts daily operational checking on the treasury operations. Any operational lapses and non-compliance with the internal policies and limits will be reported to the ALCO. In addition, TMO also conducts independent verification on the daily mark-to-market valuation of fixed income instruments.

The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by RMD. Changes to operational market risk limits are approved by the ALCO. The trading book positions and limits are reported to the ALCO regularly. The Bank's exposures in trading financial derivative are set out in Note 5 to the financial statements.

During the financial year, the Bank's traded market risk exposures on fixed income instruments as measured by PV01, averaged at RM11,000 (2023 - RM13,000).

(ii) Non-Traded Market Risk

(a) Rate of Return Risk

The sources of RoR are as follows:

(i) Repricing Risk - Risk caused by timing differences in the rate of return changes and cash flows that occur in the repricing and maturity of the Bank's fixed and floating rate assets, liabilities and off-balance sheet instruments.

(ii) Yield Curve Risk - Risk when unanticipated changes in the yield curve has adverse effects on the Bank's earnings and EVE.

(iii) Basis Risk - Risk arising from the imperfect correlation between changes in the rate of return earned and paid on different instruments with otherwise similar repricing characteristics. This will affect the Bank's net profit margin, i.e. earnings and also future cash flows, which in turn affect economic value of the Bank.

(iv) Optionality Risk - Risk of early repayments of financing and early withdrawal of deposits due to changes in the rate of return which will potentially affect future earnings.

40. FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Rate of Return Risk (continued)

Risk Management Approach

The Bank emphasises the importance of RoR in the banking book as most of the balance sheet items of the Bank generate profit income and profit expense that are correlated to rate of return. Hence, the primary objective in managing the RoR is to manage the volatility in the Bank's net profit income ("NPI") and EVE due to the changing levels of rate of return, whilst balancing the cost of hedging the risk. This is achieved in various manners such as the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in the rate of return of sensitive assets and liabilities and entering into derivative financial instruments which have the opposite effects. The use of derivative financial instruments to hedge the rate of return risk is set out in Note 5 to the financial statements.

The Bank's RoR in the banking book is governed by Rate of Return Risk Management Policy to ensure that all RoR is managed within its risk appetite. All limits and policies are approved by the Bank's Board of Directors or RMC and are regularly reviewed to ensure that the limits and policies remain applicable and is able to surface potential rate of return risk.

The Bank uses a range of approaches to measure RoR, whereby the impact on NPI and EVE is considered at all times, as follows:

(i) Repricing Gap Reports
Distribution of rate of return sensitive assets, liabilities and off-balance sheet positions into time bands according to their remaining maturity or next repricing maturity. One of the challenges of this mismatch repricing analysis is the underlying assumptions of the embedded optionality of financing prepayments, early deposits withdrawal and effective duration of liabilities which are contractually repayable on demand such as current and savings accounts.

This is measured on a monthly basis for the Bank.

40. FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Rate of Return Risk (continued)

Risk Management Approach (continued)

The Bank uses a range of approaches to measure RoR, whereby the impact on NPI and EVE is considered at all times, as follows (continued):

(ii) Sensitivity Analysis
Impact to NPI - This is the projected Bank's NPI sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Bank's rate of return sensitivity gap as at the reporting date after taking into consideration the behavioural pattern of certain indeterminate maturity of deposits such as demand and savings deposits to reflect the actual sensitivity behavioural of these deposits. Where the current rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing rate of return.

Impact to EVE - This measure takes a comprehensive view of the potential long-term effects of a 100 basis point parallel movement in rate of return on the economic value of the Bank's Balance Sheet. It requires all future cash flows associated with the Bank's assets, liabilities and off-balance sheet positions to be discounted at relevant market rates to determine the overall net present value of the Bank.

This is measured on a monthly basis for the Bank.

(iii) Simulation Scenarios
As and when the need arises, analysis is performed on the sensitivity of projected NPI and EVE under varying rate of return and balance sheet scenarios. The analysis also incorporates business assumptions obtained from various lines of business and behavioural assumptions established based on statistical methods for the Bank. The impact on earnings is measured against the approved Earning-at-Risk (EaR) and EVE limits where new business and hedging strategies are carried out to mitigate any increasing rate of return risk.

(iv) Stress Testing
The vulnerability of the Bank's earnings and EVE under various levels of stress using a variety of economic parameters. This semi-annual practice is also to determine the adequacy of capital in meeting the adverse impact of extreme rate of return movements on the Bank's statement of financial position which can provide an early warning of the potential losses and to facilitate proactive management of the rate of return risk.

40. FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Rate of Return Risk (continued)

(i) Profit Rate Gap Analysis

The following tables indicate the effective rate of return at the reporting date and the Bank's sensitivity to the rate of return by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of financing and advances.

	<---------------------------------- Non-trading book				------------------------------------>				Effective
2024	**Up to 1 month RM'000**	**> 1 - 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**	**rate of return %**
ASSETS									
Cash and balances with banks	56,795	-	-	-	-	502,336	-	559,131	3.00
Financial assets at fair value through profit or loss	-	-	-	-	-	-	993,555	993,555	3.69
Financial investments at fair value through other comprehensive income	-	-	3,018,960	9,958,119	507,532	-	-	13,484,611	3.45
Financial investments at amortised cost	-	50,616	438,105	4,432,220	442,893	-	-	5,363,834	3.73
Financing and advances									
- not credit-impaired	60,618,779	1,071,172	2,946,598	9,823,585	5,592,682	-	-	80,052,816	4.53
- credit-impaired *	-	-	-	-	-	(432,019)	-	(432,019)	-
Other asset balances	-	-	-	-	-	2,953,663	-	2,953,663	-
TOTAL ASSETS	60,675,574	1,121,788	6,403,663	24,213,924	6,543,107	3,023,980	993,555	102,975,591	

40. FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Rate of Return Risk (continued)

(i) Profit Rate Gap Analysis (continued)

2024	**<---- Non-trading book**					**---->**			**Effective**
	Up to 1 month RM'000	**> 1 - 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**	**rate of return %**
LIABILITIES AND EQUITY									
Deposits from customers	27,330,438	18,842,289	33,300,291	50,260	-	8,274,493	-	87,797,771	3.26
Deposits from banks and other financial institutions	501,158	596,717	775,080	1,074,143	-	85,621	-	3,032,719	4.08
Bills and acceptances payable	-	-	-	-	-	883	-	883	-
Recourse obligations on financing sold to Cagamas	-	-	-	1,000,000	-	-	-	1,000,000	4.03
Sukuk Murabahah	-	-	-	2,000,000	-	-	-	2,000,000	4.33
Other liability balances	-	-	-	-	-	911,056	-	911,056	-
Total Liabilities	27,831,596	19,439,006	34,075,371	4,124,403	-	9,272,053	-	94,742,429	
Equity attributable to equity holder of the Bank	-	-	-	-	-	8,233,162	-	8,233,162	-
TOTAL LIABILITIES AND EQUITY	27,831,596	19,439,006	34,075,371	4,124,403	-	17,505,215	-	102,975,591	
On-balance sheet profit sensitivity gap	32,843,978	(18,317,218)	(27,671,708)	20,089,521	6,543,107	(14,481,235)	993,555	-	
Off-balance sheet profit sensitivity gap (profit rate swaps)	1,300,000	2,700,000	(1,200,000)	(2,600,000)	(200,000)	-	-	-	
TOTAL PROFIT SENSITIVITY GAP	34,143,978	(15,617,218)	(28,871,708)	17,489,521	6,343,107	(14,481,235)	993,555	-	

40. FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Rate of Return Risk (continued)

(i) Profit Rate Gap Analysis (continued)

2023	<------ Non-trading book ------> Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective rate of return %
ASSETS									
Cash and balances with banks	-	-	-	-	-	247,627	-	247,627	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,893,292	1,893,292	3.61
Financial investments at fair value through other comprehensive income	-	-	4,708,160	7,711,653	529,706	-	-	12,949,519	3.42
Financial investments at amortised cost	-	-	2,068,096	2,842,287	463,993	-	-	5,374,376	3.41
Financing and advances									
- not credit-impaired	56,492,198	1,144,061	1,706,609	9,007,775	5,044,893	-	-	73,395,536	4.53
- credit-impaired *	-	-	-		-	(634,790)	-	(634,790)	-
Other asset balances	-	-	-	-	-	2,780,743	-	2,780,743	-
TOTAL ASSETS	56,492,198	1,144,061	8,482,865	19,561,715	6,038,592	2,393,580	1,893,292	96,006,303	

40. FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Rate of Return Risk (continued)

(i) Profit Rate Gap Analysis (continued)

2023	<---- Non-trading book ---- Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000 ---->	Trading book RM'000	Total RM'000	Effective rate of return %
LIABILITIES AND EQUITY									
Deposits from customers	27,168,581	18,128,724	27,195,969	1,236,825	-	8,595,165	-	82,325,264	3.32
Deposits from banks and other financial institutions	240,488	198,739	-	1,773,804	-	74,212	-	2,287,243	4.13
Bills and acceptances payable	-	-	-	-	-	2,386	-	2,386	-
Recourse obligations on financing sold to Cagamas	-	-	1,100,000	-	-	-	-	1,100,000	3.17
Sukuk Murabahah	-	-	500,000	1,500,000	-	-	-	2,000,000	4.29
Other liability balances	-	-	-	-	-	878,136	-	878,136	-
Total Liabilities	27,409,069	18,327,463	28,795,969	4,510,629	-	9,549,899	-	88,593,029	
Equity attributable to equity holder of the Bank	-	-	-	-	-	7,413,274	-	7,413,274	-
TOTAL LIABILITIES AND EQUITY	27,409,069	18,327,463	28,795,969	4,510,629	-	16,963,173	-	96,006,303	
On-balance sheet profit sensitivity gap	29,083,129	(17,183,402)	(20,313,104)	15,051,086	6,038,592	(14,569,593)	1,893,292	-	
Off-balance sheet profit sensitivity gap (profit rate swaps)	1,300,000	2,100,000	-	(3,200,000)	(200,000)	-	-	-	
TOTAL PROFIT SENSITIVITY GAP	30,383,129	(15,083,402)	(20,313,104)	11,851,086	5,838,592	(14,569,593)	1,893,292	-	

* This is arrived at after deducting expected credit losses from the outstanding credit-impaired financing and advances.

40. FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Rate of Return Risk (continued)

(ii) Rate of Return Risk Sensitivity Analysis

The table below show the sensitivity of the Bank's profit after tax and reserves to a 100 basis point ("bps") parallel rate movements.

	Impact on profit after tax RM'000	Impact on revaluation reserves RM'000
Increase/(Decrease)		
2024		
+ 100 bps	115,798	(321,092)
- 100 bps	(127,202)	332,023
2023		
+ 100 bps	107,147	(283,572)
- 100 bps	(124,395)	293,840

Impact on profit after tax represent the projected sensitivity to a 100 basis point parallel rate movement across all maturities applied on the rate of return sensitivity gap, taking into consideration the behavioural pattern of certain indeterminate maturity of deposits such as demand and savings deposits to reflect the actual sensitivity behavioural of these deposits. Where the current rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing rate of return.

Impact on reserves is assessed by applying 100 basis point parallel rate movements to derive the impact on mark-to market of instruments held in the FVOCI portfolio.

40. FINANCIAL RISK MANAGEMENT (continued)

Liquidity and Funding Risk

Liquidity and funding risk is the risk of insufficient financial resources to meet obligations due and/or inefficient funding structure resulting in high funding cost.

Risk Governance

The ALCO supports the RMC in liquidity and funding risk management oversight. The ALCO reviews the Bank's liquidity risk policies and guidelines, and implements necessary actions to ensure that the liquidity and funding risk is well managed and within the established liquidity risk appetite and thresholds.

Risk Management Approach

The Bank's liquidity and funding risk management is guided by the Group's Liquidity and Funding Risk Management Policy. The policy sets out the processes involved in identifying, assessing, measuring, controlling, mitigating and monitoring of the liquidity and funding risk. The policy also addresses the regulatory requirements on Basel III Liquidity standards, including the BNM’s Basel III Liquidity Coverage Ratio and Basel III Net Stable Funding Ratio. Monitoring tools and liquidity/funding risk limits are established to manage liquidity and funding exposures within the Bank, including maturity mismatch, concentration of funding, and significant foreign currencies position. Liquidity and funding positions are reported to the ALCO and RMC on a monthly basis.

The day-to-day funding management is undertaken by the treasury operations and this includes the maintenance of a portfolio of high quality liquid assets that can be easily liquidated as protection against any unforeseen interruption to cash flows and the replenishment of funds as they matured or are financed to the customers.

The Bank’s liquidity and funding positions consist of a well-diversified funding mix with core deposit base and funding from wholesale markets. The Bank’s core deposit base comprises demand and time deposits which have traditionally in aggregate provided stable sources of funding. The Bank’s strong reputation in financial and capital strength, wide branches network and sound infrastructure are core attributes to preserve depositors’ confidence and ensure stable liquidity. The Bank accesses the wholesale markets through the issuance of debt securities, certificate of deposits and the taking of Islamic money market deposits to meet short-term obligations and to maintain its presence in the local money markets.

40. FINANCIAL RISK MANAGEMENT (continued)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

Contingency funding plans are in place to identify and monitor early warning signals of a liquidity event. 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 event. A liquidity stress test programme is in place to ensure liquidity stress tests are systematically performed on periodic basis or ad hoc if necessary by the Bank to detect any vulnerability in Bank's cash flows under various stress scenarios. The outcome of stress test exercise will be utilised to strengthen the liquidity management within the Bank.

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity

The following tables show the maturity analysis of the carrying amounts of the Bank's assets and liabilities based on remaining contractual maturity. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Bank has significant amounts of "demand and savings deposits" of non-bank customers which are at call (included in the "Up to 1 month" time band) but which are historically a stable source of long-term funding for the Bank.

The Bank is subject to liquidity requirements to support calls under outstanding contingent liabilities and commitments as set out in Note 44 to the financial statements. The total outstanding contractual amounts of these items do not represent future cash requirements since the Bank expects many of these commitments (such as direct credit substitutes) to expire without being called or drawn upon, whereas many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

40. FINANCIAL RISK MANAGEMENT (continued)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

2024	Up to 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 6 Months RM'000	> 6 - 12 Months RM'000	> 1 - 3 Years RM'000	> 3 - 5 Years RM'000	> 5 Years RM'000	No - specific Maturity RM'000	Total RM'000
ASSETS									
Cash and balances with banks	559,131	-	-	-	-	-	-	-	559,131
Financial investments	199,738	547,872	296,561	3,457,067	6,579,428	7,810,909	950,425	-	19,842,000
Derivative financial assets	-	-	-	2,267	11,751	5,906	-	-	19,924
Financing and advances	3,054,331	1,362,102	2,188,977	2,441,210	9,855,125	10,025,210	50,693,842	-	79,620,797
Other asset balances	5,002	3	3	-	-	-	613	2,928,118	2,933,739
TOTAL ASSETS	3,818,202	1,909,977	2,485,541	5,900,544	16,446,304	17,842,025	51,644,880	2,928,118	102,975,591
LIABILITIES									
Deposits from customers	35,604,931	18,842,289	15,273,648	18,026,643	49,042	1,218	-	-	87,797,771
Deposits from banks and other financial institutions	523,451	597,184	699	775,597	867,063	266,328	2,397	-	3,032,719
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	1,000,000	-	-	1,000,000
Sukuk Murabahah	-	-	-	-	1,500,000	500,000	-	-	2,000,000
Derivative financial liabilities	-	-	-	3,013	8,482	-	531	-	12,026
Lease liabilities	181	363	544	1,089	4,353	4,353	10,316	-	21,199
Other liability balances	284,768	198,601	168,666	187,479	988	12	-	38,200	878,714
TOTAL LIABILITIES	36,413,331	19,638,437	15,443,557	18,993,821	2,429,928	1,771,911	13,244	38,200	94,742,429
NET LIQUIDITY GAP	(32,595,129)	(17,728,460)	(12,958,016)	(13,093,277)	14,016,376	16,070,114	51,631,636	2,889,918	8,233,162

40. FINANCIAL RISK MANAGEMENT (continued)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

2023	Up to 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 6 Months RM'000	> 6 - 12 Months RM'000	> 1 - 3 Years RM'000	> 3 - 5 Years RM'000	> 5 Years RM'000	No - specific Maturity RM'000	Total RM'000
ASSETS									
Cash and balances with banks	247,627	-	-	-	-	-	-	-	247,627
Financial investments	1,099,056	794,236	1,736,156	5,040,100	4,866,976	5,686,964	993,699	-	20,217,187
Derivative financial assets	-	-	-	-	22,818	1,721	57	-	24,596
Financing and advances	2,789,977	829,285	1,073,194	2,479,881	10,131,095	8,402,655	47,054,659	-	72,760,746
Other asset balances	5,082	6	2	-	-	-	204	2,750,853	2,756,147
TOTAL ASSETS	4,141,742	1,623,527	2,809,352	7,519,981	15,020,889	14,091,340	48,048,619	2,750,853	96,006,303
LIABILITIES									
Deposits from customers	35,763,746	18,128,724	13,620,899	13,575,070	1,236,312	513	-	-	82,325,264
Deposits from banks and other financial institutions	255,664	199,116	566	1,133	800,912	1,028,959	893	-	2,287,243
Recourse obligations on financing sold to Cagamas	-	-	-	1,100,000	-	-	-	-	1,100,000
Sukuk Murabahah	-	-	-	500,000	-	1,500,000	-	-	2,000,000
Derivative financial liabilities	-	-	-	-	16,594	8,223	-	-	24,817
Lease liabilities	180	360	541	1,082	4,326	4,326	11,480	-	22,295
Other liability balances	293,662	203,500	158,521	149,794	13,992	6	-	13,935	833,410
TOTAL LIABILITIES	36,313,252	18,531,700	13,780,527	15,327,079	2,072,136	2,542,027	12,373	13,935	88,593,029
NET LIQUIDITY GAP	(32,171,510)	(16,908,173)	(10,971,175)	(7,807,098)	12,948,753	11,549,313	48,036,246	2,736,918	7,413,274

40. FINANCIAL RISK MANAGEMENT (continued)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(b) Maturity analysis of financial liabilities on an undiscounted basis

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturity. The financial liabilities disclosed in the tables below will not agree to the carrying amounts reported in the statement of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and profit payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

The profit payments of Sukuk Murabahah are computed up to the first optional redemption date.

2024	Up to 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 6 Months RM'000	> 6 - 12 Months RM'000	> 1 - 3 Years RM'000	> 3 - 5 Years RM'000	> 5 Years RM'000	No - specific Maturity RM'000	Total RM'000
Deposits from customers	35,800,115	19,216,942	15,646,663	18,657,155	49,799	1,262	-	-	89,371,936
Deposits from banks and other financial institutions	525,945	600,467	701	801,297	970,021	301,283	2,397	-	3,202,111
Recourse obligations on financing sold to Cagamas	-	-	19,984	20,316	80,600	1,080,710	-	-	1,201,610
Derivative financial liabilities	1,400	1,020	1,997	3,100	6,288	(101)	(253)	-	13,451
Sukuk Murabahah	11,090	-	32,162	43,248	1,673,000	539,053	-	-	2,298,553
Lease liabilities	181	363	544	1,089	4,353	4,353	18,409	-	29,292
Other liability balances	86,467	6,770	242	79	485	-	-	38,200	132,243
Total Liabilities	36,425,198	19,825,562	15,702,293	19,526,284	2,784,546	1,926,560	20,553	38,200	96,249,196
Direct credit substitutes	3,932	905	6,896	16,858	6,176	60	-	-	34,827
Transaction-related contingent items	26,344	4,180	4,308	12,108	29,735	18,360	32,118	-	127,153
Short term self-liquidating trade-related contingencies	2,959	1,726	-	-	-	-	-	-	4,685
Other commitments, such as formal standby facilities and credit lines	228,841	287,040	405,500	1,202,517	1,051,273	291,869	636,999	4,624,161	8,728,200
Unutilised credit card lines	-	-	-	-	-	-	-	549,981	549,981
Total Commitments and Contingencies	262,076	293,851	416,704	1,231,483	1,087,184	310,289	669,117	5,174,142	9,444,846

40. FINANCIAL RISK MANAGEMENT (continued)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(b) Maturity analysis of financial liabilities on an undiscounted basis (continued)

2023	Up to 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 6 Months RM'000	> 6 - 12 Months RM'000	> 1 - 3 Years RM'000	> 3 - 5 Years RM'000	> 5 Years RM'000	No - specific Maturity RM'000	Total RM'000
Deposits from customers	35,991,204	18,514,510	13,978,437	14,102,260	1,262,997	538	-	-	83,849,946
Deposits from banks and other financial institutions	255,794	200,379	568	1,137	860,181	1,210,600	893	-	2,529,552
Recourse obligations on financing sold to Cagamas	-	-	17,387	1,117,579	-	-	-	-	1,134,966
Derivative financial liabilities	1,268	951	2,239	6,454	13,855	667	-	-	25,434
Sukuk Murabahah	11,090	-	31,911	542,984	134,000	1,567,000	-	-	2,286,985
Lease liabilities	180	360	541	1,082	4,326	4,326	20,398	-	31,213
Other liability balances	88,392	4,891	179	89	358	-	-	13,935	107,844
Total Liabilities	36,347,928	18,721,091	14,031,262	15,771,585	2,275,717	2,783,131	21,291	13,935	89,965,940
Direct credit substitutes	4,994	980	6,843	16,306	4,717	225	-	-	34,065
Transaction-related contingent items	24,443	3,199	4,307	13,873	32,298	4,116	427	-	82,663
Short term self-liquidating trade-related contingencies	2,235	704	-	-	-	-	-	-	2,939
Other commitments, such as formal standby facilities and credit lines	264,484	361,494	408,027	1,166,327	1,215,609	466,994	619,095	5,218,984	9,721,014
Unutilised credit card lines	-	-	-	-	-	-	-	409,078	409,078
Total Commitments and Contingencies	296,156	366,377	419,177	1,196,506	1,252,624	471,335	619,522	5,628,062	10,249,759

40. FINANCIAL RISK MANAGEMENT (continued)

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Risk Governance

The Bank's operational risk management is guided by the Group's Operational Risk Management Policy which is designed to ensure that operational risks are consistently identified, assessed, mitigated/controlled, monitored and reported within the Bank.

The Board, through the RMC, maintains overall responsibility for risk oversight within the Bank. The ORMC assists the RMC in operational risk management oversight. The ORMC is responsible for assessing the effectiveness of risk management policies and processes in relation to operational risk. The Operational Risk Management Working Group ("ORMWG") is established to support and assist the ORMC in its ongoing review of the operational risk management policies and procedures and ensuring effective implementation of the policies and procedures within the business and support units.

The various business and support units are responsible for the day-to-day management of operational risks within their lines of business and functions and ensure that their business activities are carried out within the established operational risk management policies, guidelines, procedures and limits.

To ensure effective management of operational risk, independent risk management and compliance functions provide support to the business and support units and conduct compliance checks on their implementation of risk management policies and tools to identify, assess, control and monitor operational risk.

The internal audit function provides independent assurance on the adequacy and effectiveness of operational risk management policies, processes and systems.

Risk Management Approach

The day-to-day management of operational risk exposures is through a system of risk management and internal controls to ensure that operational policies, guidelines and procedures are being adhered to at all levels throughout the Bank. As events and business conditions evolve, the Bank continues to strengthen and refine its operational risk management processes to ensure that the current and potential operational risk exposures are properly understood and managed.

40. FINANCIAL RISK MANAGEMENT (continued)

Operational Risk (continued)

Risk Management Approach (continued)

(a) Strategy and Processes

The Bank has put in place a disciplined evaluation process for the offering of new product and electronic banking ("e-banking") services. The Bank's evaluation process is governed by the Group's Policy and Internal Guideline on Risk Management Practices for New Products and the Group's Policy and Internal Guideline on the Provision of Electronic Banking Services. Each new product or e-banking service introduced as well as variations to existing products or e-banking services are subject to a rigorous risk review and sign-off process where risks are identified and assessed by divisions independent of the risk taking unit that proposes the products or e-banking services. This is further augmented by the Group's Policy on Product Transparency and Disclosure which emphasises the importance of safeguarding customers' confidentiality and promoting their awareness and understanding of the products and services, and informed decision making.

The Bank continues to direct bank-wide efforts to maintain its legal and regulatory compliance culture in all jurisdictions that the Bank operates. The Bank seeks to meet the standards and expectations of regulatory authorities through a number of initiatives and activities to ensure compliance with statutory and regulatory requirements as well as internal policies and guidelines.

Comprehensive risk assessments are conducted on major operational risk issues/emerging risk events arising from changes in business and operating environment to facilitate pro-active development of appropriate risk response to emerging operational risk events which would affect the achievement of the Bank's business objectives. Periodic reviews and enhancements to operational risk limits and assessment of the control effectiveness are also conducted in response to changes in internal and external factors so that the Bank's operational risk exposures are managed within its risk appetite.

The Bank has put in place the crisis management plan, disaster recovery and business continuity plans which are regularly tested and updated that enable the Bank to respond and continue to operate critical business functions across a broad spectrum of interruptions to the business, arising from internal or external events. Where appropriate, the Bank mitigates risk of high impact loss events by takaful coverage.

The Bank protects information security through continuous assessment of the security features on all computer platforms and network infrastructure, and implementation of appropriate security controls to protect against the misuse or compromise of information assets. In response to the rapid evolvement of cyber threats, the Bank maintains continued focus and investment in its control environment through working closely with the relevant consultants, organisations and regulators to understand and address threats originating outside the Bank. In addition, the Bank continues to undertake initiatives to maintain 100% system availability and robust system performance in the Bank's computer systems, peripherals and network infrastructure to ensure uninterrupted transmission.

40. FINANCIAL RISK MANAGEMENT (continued)

Operational Risk (continued)

Risk Management Approach (continued)

(a) Strategy and Processes (continued)

The Bank manages its outsourcing arrangements through the Group's Policy and Internal Guideline on Outsourcing Arrangements which stipulate the requirements and the operating procedures to be observed in managing activities that are outsourced to third party service providers. This is to ensure that the risks associated with outsourcing arrangements are managed effectively.

(b) Tools and Methods for Risk Mitigation

To monitor and mitigate operational risk, the Bank uses various tools and methods including:

(i) Risk and control self-assessment - To assess the state of risk management and internal controls for continuous enhancements;

(ii) Key risk indicators - To collect statistical data on an ongoing basis to facilitate early detection of operational risk issues and control deficiencies;

(iii) Operational risk incident reporting and data collection - To analyse the causes of operational risk incidents and trends of operational risk data which are useful in assessing the Bank's operational risk exposures and in strengthening the internal control environment; and

(iv) Scenario Analysis – To identify and assess extreme but plausible operational risk events which can provide better understanding of the risks under extreme conditions and assess the need for additional risk management controls or mitigation solutions.

(c) Reporting

Reporting is one of the important processes in operational risk management. The Bank’s operational risk management processes are aimed to ensure that operational risk exposures are properly identified, escalated and managed on a timely manner.

Operational risk exposures for the key business and control units are reported through monthly operational risk management reports which provide analyses and action plans for each significant business operation. The key operational risk areas included in the operational risk management reports are premises controls and safety, losses due to fraud or control lapses, IT risk management, business continuity management, outsourcing arrangements, compliance review results as well as litigation against the Bank. The operational risk management reports are tabled to the ORMWG, the ORMC and the RMC for deliberations.

40. FINANCIAL RISK MANAGEMENT (continued)

Shariah Non-Compliance Risk

Shariah non-compliance ("SNC") risk is the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Bank may suffer arising from failure to comply with the rulings of the Shariah Advisory Council ("SAC") of Bank Negara Malaysia ("BNM"), standards on Shariah matters issued by BNM pursuant to Section 29(1) of the Islamic Financial Services Act 2013 ("IFSA"), or decisions or advice of the Shariah Committee of the Bank.

The Bank is governed under the IFSA which requires it to ensure that its operations, business, affairs and activities are managed in strict compliance with Shariah and in accordance with the advice and ruling issued by the BNM SAC. The Bank's Shariah Governance Policy ("SGP") which is developed in accordance with BNM SGP 2019, provides a comprehensive guidance to the Board, Shariah Committee, and Senior Management in discharging its duties in matters relating to Shariah and outlines the key Shariah functions.

The Board is responsible in providing overall oversight on Shariah governance, structure and compliance of the Bank's operations. The Shariah Committee is responsible to provide advice to ensure the Bank's operations, business, affairs and activities are Shariah compliant. This includes advising the Board and Senior Management on Shariah matters, endorsing Shariah policies, products and relevant documents of Islamic banking operations, deliberating and affirming the status of a potential Shariah Non-Compliance event confirmed by the Potential Shariah Non-Compliance Committee reported by control functions as well as endorsing rectification plans to address the actual Shariah Non-Compliance events prior to the approval by the Board.

The management of Shariah Non-Compliance risk in the Bank encompasses the three lines of defence approach as follows:

- First Line of Defence

  The Chief Executive Officer and Senior Management with the support of Business and Support units are responsible for the day-to-day management of the Bank to ensure it complies with Shariah requirements. The Shariah Division, which consists of the Shariah Advisory, Research & Secretariat functions which perform research on Shariah issues, provide day-to-day advice on Shariah matters, disseminate Shariah Committee's decisions and advices as well as providing administrative and secretarial functions to support the Shariah Committee.

40. FINANCIAL RISK MANAGEMENT (continued)

Shariah Non-Compliance Risk (continued)

The management of Shariah Non-Compliance risk in the Bank encompasses the three lines of defence approach as follows (continued):

- Second Line of Defence

  The Shariah Risk Management function being the second line of defence is responsible for the identification, measurement, monitoring and mitigation of SNC risks in the operations and business activities of the Bank. Shariah Risk Management Policy are in place to manage SNC risk as part of the enterprise risk management including new and emerging risks.

  The Shariah Review and Compliance function is responsible for assessing, monitoring and reporting on the Bank's compliance with Shariah requirements. This is discharged through performing periodic reviews on the state of compliance with Shariah requirements in the operations and business activities of the Bank. Any identified non-compliances are escalated to both Shariah Committee and the Bank's Risk Management Committee on Compliance Function.

- Third Line of Defence

  The Shariah Audit function is responsible to perform periodic internal audits to independently assess the quality and effectiveness of the Bank's internal controls, risk management systems, governance processes as well as the overall compliance of the Bank's operations and business activities with Shariah requirements. Any incidences of Shariah non-compliance are reported to both Shariah Committee and the Bank's Audit Committee.

40. FINANCIAL RISK MANAGEMENT (continued)

Shariah Non-Compliance Risk (continued)

There were four (4) SNC incidents involving the following nature of events for the financial year ended 31 December 2024 (2023:7):

(i) Non-renewal of Cash Line Facility-i ("CLF-i") resulting in breach of selling price;

(ii) Utilisation of Bankers Guarantee-i ("BG-i") for SNC activities (Insurance Coverage);

(iii) Cross selling/bundling of conventional business insurance (PB WealthElite Xtra) with Islamic financing (Musharakah Mutanaqisah Home Equity Financing-i Redraw); and

(iv) Use of incomplete/under construction properties as assets for underlying transactions for Bai' Bithaman Ajil ("BBA") House Financing-i ("HF-i") and Term Financing-i ("TF-i").

The total SNC income for purification amounted to RM3,000,000 (2023: RM26,000) whereby SNC income amounting to RM5,000 was incurred from a newly discovered actual SNC event in 2024. The remaining RM2,995,000 were resulting from the findings on residual accounts affected pertaining to actual SNC events occurring in previous years.

During the financial year 2024, rectification plan has been on-going to rectify the SNC incident in relation to incomplete/under construction properties as underlying assets for BBA HF-i and BBA TF-i. The accumulated profit relating to the affected accounts has been derecognised from the financial statements until the appropriate actions have been taken to rectify this SNC incident.

Further, a total of RM475,000 (2023: RM62,000) was identified as Gharamah and are not recognised as income.

Remedial measures to rectify the SNC events including the method of purification of SNC Income were endorsed by the Shariah Committee and approved by the Board of Directors. Subsequently, the incidents have been reported in accordance with the reporting requirement prescribed by the regulator.

41. FAIR VALUE MEASUREMENTS

(a) Determination of fair value and the fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities, price quotations from Bond Pricing Agency Malaysia and broker quotes on Bloomberg/Reuters.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The valuation techniques used incorporate assumptions regarding discount rates, profit rate yield curves, estimates of future cash flows and other factors, as applicable. Changes in these assumptions could materially affect the fair values derived. The Bank generally uses widely recognised valuation techniques with market observable inputs, if available, for the determination of fair value, which require minimal management judgment and estimation, due to the low complexity of the financial instruments held.

The Bank classifies financial instruments which are measured at fair value according to the following hierarchy, reflecting the significance of inputs used in making the fair value measurements:

Level 1 - Quoted market prices: quoted prices (unadjusted) in active markets for identical instruments;

Level 2 - Fair values based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and

Level 3 - Fair values derived using unobservable inputs: inputs used are not based on observable market data and the unobservable inputs may have a significant impact on the valuation of the financial instruments.

The Bank's control framework in respect of the measurement of Level 3 fair values enables that the fair values are determined and validated by a function independent of the business unit undertaking the risks. Finance Division establishes the accounting policies and procedures governing valuation and is responsible for ensuring compliance with all relevant accounting standards. The team within Finance Division which oversees the fair value measurements, including Level 3 fair values, reports directly to the Chief Financial Officer. Independent verification on financial instruments is performed by Treasury Middle Office.

41. FAIR VALUE MEASUREMENTS (continued)

(b) Financial instruments carried at fair value

The following tables show the Bank's financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

2024	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at fair value through profit or loss				
- Money market instruments	-	993,555	-	993,555
Financial investments at fair value through other comprehensive income				
- Government securities and treasury bills	-	13,484,611	-	13,484,611
Derivative financial assets	-	19,924	-	19,924
Total financial assets measured at fair value	-	14,498,090	-	14,498,090
Financial liabilities				
Derivative financial liabilities	-	12,026	-	12,026
Total financial liabilities measured at fair value	-	12,026	-	12,026

41. FAIR VALUE MEASUREMENTS (continued)

(b) Financial instruments carried at fair value (continued)

The following tables show the Bank's financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

2023	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at fair value through profit or loss				
- Money market instruments	-	1,893,292	-	1,893,292
Financial investments at fair value through other comprehensive income				
- Government securities and treasury bills	-	12,949,519	-	12,949,519
Derivative financial assets	-	24,596	-	24,596
Total financial assets measured at fair value	-	14,867,407	-	14,867,407
Financial liabilities				
Derivative financial liabilities	-	24,817	-	24,817
Total financial liabilities measured at fair value	-	24,817	-	24,817

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2023 - None).

41. FAIR VALUE MEASUREMENTS (continued)

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

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Bank which are not carried at fair value in the financial statements, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities :

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total Fair Value RM'000	Carrying Amount RM'000
2024					
Financial assets					
Financial investments at amortised cost					
- Government securities and treasury bills	-	4,195,509	-	4,195,509	4,168,676
- Non-money market instruments	-	1,194,141	-	1,194,141	1,195,158
Financing and advances					
- Retail financing					
- house financing	-	37,606,602	-	37,606,602	37,570,914
- hire purchase	-	14,598,778	-	14,598,778	14,405,874
- credit cards	-	153,538	-	153,538	153,538
- other financing	-	-	19,168,743	19,168,743	19,154,492
- Corporate financing	-	-	8,333,687	8,333,687	8,335,979
Financial liabilities					
Recourse obligations on financing sold to Cagamas	-	-	1,002,292	1,002,292	1,000,000
Sukuk Murabahah	-	2,028,830	-	2,028,830	2,000,000

41. FAIR VALUE MEASUREMENTS (continued)

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

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Bank which are not carried at fair value in the financial statements, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities (continued):

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total Fair Value RM'000	Carrying Amount RM'000
2023					
Financial assets					
Financial investments at amortised cost					
- Government securities and treasury bills	-	4,291,171	-	4,291,171	4,271,174
- Non-money market instruments	-	1,097,295	-	1,097,295	1,103,202
Financing and advances					
- Retail financing					
- house financing	-	34,752,288	-	34,752,288	34,716,789
- hire purchase	-	11,501,450	-	11,501,450	11,574,920
- credit cards	-	110,493	-	110,493	110,494
- other financing	-	-	18,870,437	18,870,437	18,852,925
- Corporate financing	-	-	7,496,890	7,496,890	7,505,618
Financial liabilities					
Recourse obligations on financing sold to Cagamas	-	-	1,100,000	1,100,000	1,100,000
Sukuk Murabahah	-	2,034,170	-	2,034,170	2,000,000

41. FAIR VALUE MEASUREMENTS (continued)

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

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

(i) *Financial investments at amortised cost* – The fair values of financial investments at amortised cost are estimated based on quoted bid prices.

(ii) *Financing and advances* – The fair values of fixed rate financing with remaining maturity of less than one year and variable rate financing are estimated to approximate their carrying amounts. For fixed rate financing with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing market rates of financing of similar credit risks and maturity.

The fair values of credit-impaired financing are represented by their carrying amounts, net of any expected credit losses, being the expected recoverable amount.

(iii) *Recourse obligations on financing sold to Cagamas* – The fair values of recourse obligations on financing sold to Cagamas with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of recourse obligations on financing sold to Cagamas with remaining maturity of more than one year are estimated using discounted cash flows based on prevailing Cagamas rates with similar remaining period to maturity.

(iv) *Sukuk Murabahah* – The fair values of Sukuk Murabahah issued are estimated based on quoted ask prices.

42. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derivatives included in the amount not set-off in the statement of financial position relate to transactions where:

(i) the counterparty has an offsetting exposure with the Bank and a master netting or similar arrangements is in place with a right to set-off only in the event of default, insolvency or bankruptcy; and

(ii) cash that is received from or pledged with counterparties.

42. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

	Gross Amount Recognised as Financial Assets/ Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position: Value of the Financial Instruments RM'000	Amount Not Set-off in the Statement of Financial Position: Cash Collateral Received / Pledged RM'000	Net Amount RM'000
2024						
Financial assets						
Derivative financial assets						
- Profit rate related contracts						
- Profit rate swaps	19,924	-	19,924	-	-	19,924
Financial liabilities						
Derivative financial liabilities						
- Profit rate related contracts						
- Profit rate swaps	12,026	-	12,026	-	-	12,026

42. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (continued):

	Gross Amount Recognised as Financial Assets/ Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position: Value of the Financial Instruments RM'000	Amount Not Set-off in the Statement of Financial Position: Cash Collateral Received / Pledged RM'000	Net Amount RM'000
2023						
Financial assets						
Derivative financial assets						
- Profit rate related contracts						
- Profit rate swaps	24,596	-	24,596	-	-	24,596
Financial liabilities						
Derivative financial liabilities						
- Profit rate related contracts						
- Profit rate swaps	24,817	-	24,817	-	-	24,817

43. CAPITAL AND OTHER COMMITMENTS

	2024 RM'000	2023 RM'000
Authorised and contracted for:		
- Computer equipment and software	10	75
	10	75

44. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Bank's assets.

The notional amounts of the commitments and contingencies of the Bank are as follows:

	2024 RM'000	2023 RM'000
Contingent liabilities		
Direct credit substitutes	34,827	34,065
Transaction-related contingent items	127,153	82,663
Short term self-liquidating trade-related contingencies	4,685	2,939
	166,665	119,667
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
- exceeding one year	6,239,218	7,018,268
- not exceeding one year	2,488,982	2,702,746
Unutilised credit card lines	549,981	409,078
	9,278,181	10,130,092
Derivative financial instruments		
Foreign exchange related contracts:		
- up to one year	-	32
Profit rate related contracts:		
- up to one year	1,200,000	-
- more than one year to five years	2,600,000	3,200,000
- more than five years	200,000	200,000
	4,000,000	3,400,032
	13,444,846	13,649,791

Disclosure of the credit equivalent amount and risk-weighted asset of the commitments and contingencies above, as required by BNM's Capital Adequacy Framework for Islamic Banks (CAFIB-Basel II) - Disclosure Requirements (Pillar 3), is presented in a separate Pillar 3 disclosures document.

45. CAPITAL ADEQUACY

The capital adequacy ratios of the Bank are as follows:

	2024	2023
Before deducting dividend *		
Common Equity Tier I ("CET I") capital ratio	13.419%	13.232%
Tier I capital ratio	13.419%	13.232%
Total capital ratio	16.312%	16.245%
After deducting dividend *		
CET I capital ratio	13.419%	13.232%
Tier I capital ratio	13.419%	13.232%
Total capital ratio	16.312%	16.245%

* No dividends have been declared subsequent to the financial year end.

The total risk-weighted assets of the Bank are computed based on the following approaches:
(i) Standardised Approach for Credit Risk;
(ii) Standardised Approach for Market Risk; and
(iii) Basic Indicator Approach for Operational Risk.

Regulatory capital requirements

The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Frameworks for Islamic Banks on Capital Components and Risk-Weighted Assets. The minimum regulatory capital adequacy ratios before including capital conservation buffer ("CCB") and countercyclical capital buffer ("CCyB") for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

Banking institutions are also required to maintain a CCB of 2.5% and a CCyB above the minimum regulatory capital adequacy ratios. A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Bank has exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The Bank has applied CCyB on its private sector credit exposures outside Malaysia in line with the respective jurisdictions' requirement to maintain their CCyB. The CCyB is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

45. CAPITAL ADEQUACY (continued)

(a) Components of CET I, Tier I and Tier II capital of the Bank are as follows:

	2024 RM'000	2023 RM'000
CET I capital / Tier I capital		
Share capital	3,032,717	3,032,717
Other reserves	(12,002)	(59,517)
Retained profits	4,998,912	4,440,195
Less: Deferred tax assets, net	(86,443)	(112,223)
Less: Defined benefit pension fund assets	(613)	(203)
Less: Investment in an associated company deducted from CET I capital	(67,500)	(67,500)
Total CET I capital / Tier I capital	7,865,071	7,233,469
Tier II capital		
Stage 1 and Stage 2 expected credit loss allowances[1]	652,708	647,294
Qualifying regulatory reserve [2]	42,833	-
Subordinated Sukuk Murabahah	1,000,000	1,000,000
Total Tier II capital	1,695,541	1,647,294
Total capital	9,560,612	8,880,763

[1] Excludes expected credit loss allowances restricted from Tier II capital of the Bank of nil (2023 - RM179,902,000).

[2] Excludes regulatory reserve not qualified from Tier II capital of the Bank of RM164,613,000 (2023: nil).

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

	2024 RM'000	2023 RM'000
Credit risk	55,643,313	51,783,538
Market risk	62,020	79,037
Operational risk	2,905,605	2,803,809
	58,610,938	54,666,384

Detailed information on the risk exposures above, as prescribed under BNM's Capital Adequacy Framework for Islamic Banks (CAFIB-Basel II) - Disclosure Requirements (Pillar 3), is presented in a separate Pillar 3 disclosures document.

46. CAPITAL MANAGEMENT

The Bank actively manages its capital to support underlying risks in its business activities and to enable future business growth. The Bank's capital management strategy is to continue to maximise shareholder's value via an efficient capital structure, whilst ensuring that it complies with regulatory capital requirements. The allocation of capital resources represents part of the Bank's strategic planning review and is subject to the approval of the Board of Directors.

The Bank's capital is managed in line with the objectives of its holding company, Public Bank Group's Capital Management Framework. The key objectives under the framework include meeting regulatory capital requirements, optimising return to shareholders, maintaining adequate levels and optimum mix of capital, maintaining strong external credit ratings and allocation of capital across business units and subsidiary companies. In order to meet these objectives, the Bank actively manages its capital structure and makes adjustments to address changes in the economic environment, regulatory requirements and risk characteristics inherent in its business operations. These initiatives include issuances of capital securities, adjustments to the amount of dividends distributed to shareholder and focus on growth in non-finance income and other less capital-intensive business activities. The Bank's Internal Capital Adequacy Assessment Process ("ICAAP") assesses the Bank's internal capital requirements beyond the minimum regulatory requirements to ensure its capital commensurates with the Bank's risk profile, the complexity of the business activities undertaken and its risk appetite.

The Bank's regulatory capital are determined under BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-weighted Assets) and the Bank's capital ratios have complied with the minimum requirements set under this guideline. Information on the Bank's capital adequacy ratios, regulatory minimum capital requirements and the components of total capital are disclosed in Note 45.

47. SEGMENT INFORMATION

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

The Bank's operating and reportable segments are business units engaged in providing different products or services. These businesses are managed and assessed separately as each requires a differentiated strategy focused on the specific products and services provided for the economic, competitive and regulatory environment in which it operates. For each operating segment, the Management Committee (the chief operating decision-maker) reviews the internal management reports monthly in order to assess their performance.

The Bank's business is organised into the following key operating segments:

(i) Hire Purchase

Hire purchase operations focus on the provision of passenger vehicle financing to all levels of customers.

(ii) Retail Operations

Retail operations focus on providing products and services to individual customers and small and medium enterprises. The products and services offered to customers include credit facilities (mortgages, trade and personal financing), credit cards, remittance services and deposit collection.

(iii) Corporate Banking

The corporate banking operations cater to the funding needs of large corporate customers which are primarily public listed companies and their related corporations.

(iv) Treasury and Capital Market Operations

The treasury and capital market operations involve in proprietary trading in treasury related products and services such as money market operations and securities trading.

(v) Head Office and Funding Center

Head office manages the investment of funds from shareholder's funds and capital securities, provides support services to the business segments within the Bank as well as serves as a funding center.

There are no changes in the operating segments during the year.

47. SEGMENT INFORMATION (continued)

Measurement and Evaluation of Segment Performance

The Management Committee evaluates operating segments' performance on the basis of revenue, profit, cost-to-income ratio, financing and deposit growth and asset quality. Expenses directly associated with each operating segment are included in determining their respective profit. Transactions between operating segments are based on mutually agreed allocation bases. Funds are allocated between segments and inter-segment funding cost transfers are reflected in net finance income.

Major Customers

There is no single customer which contributes revenue amount greater than 10% of the Bank's revenues for the current financial year (2023 - None).

47. SEGMENT INFORMATION (continued)

2024	Hire Purchase RM'000	Retail Operations RM'000	Corporate Banking RM'000	Treasury and Capital Market Operations RM'000	Head Office and Funding Center RM'000	Inter-segment Elimination RM'000	Total RM'000
	<------ Operating Segments				------>		
External revenue	686,299	2,543,977	336,381	278,456	404,851	-	4,249,964
Revenue from other segments	3,102	532,097	1,067	380,511	243,119	(1,159,896)	-
	689,401	3,076,074	337,448	658,967	647,970	(1,159,896)	4,249,964
Net finance income / (expense)	227,411	967,890	54,797	(19,020)	234,147	-	1,465,225
Other operating income	2,136	84,941	860	4,207	21,743	-	113,887
Net income / (loss)	229,547	1,052,831	55,657	(14,813)	255,890	-	1,579,112
Other operating expenses	(60,507)	(485,549)	(2,213)	(10,277)	(125,972)	-	(684,518)
of which:							
Depreciation	-	*(927)*	-	-	*(1,665)*	-	*(2,592)*
Writeback of allowance for impairment on financing and advances	54,763	35,633	26,365	-	-	-	116,761
Allowance for impairment on other assets	-	(3,202)	-	(61)	(18)	-	(3,281)
Profit / (Loss) by segments	223,803	599,713	79,809	(25,151)	129,900	-	1,008,074
Cost-to-income ratio	26.4%	46.1%	4.0%	-69.4%	49.2%	-	43.3%
Gross financing and advances	14,560,190	57,361,522	8,414,266	-	-	-	80,335,978
Financing growth	23.4%	5.8%	10.6%	-	-	-	9.1%
Impaired financing and advances	36,270	246,705	187	-	-	-	283,162
Impaired financing ratio	0.25%	0.43%	-	-	-	-	0.35%
Deposits from customers	-	77,060,031	4,926	10,732,814	-	-	87,797,771
Deposit growth	-	12.5%	-21.9%	-22.3%	-	-	6.6%
Addition to non-current assets	-	1,709	-	13	81	-	1,803
Segment assets	14,494,869	78,478,758	8,336,079	11,809,798	12,115,810	(22,538,568)	102,696,746
Reconciliation of segment assets to total assets:							
Investment in an associated company							67,500
Unallocated assets							211,345
Total assets							102,975,591

47. SEGMENT INFORMATION (continued)

2023	Hire Purchase RM'000	Retail Operations RM'000	Corporate Banking RM'000	Treasury and Capital Market Operations RM'000	Head Office and Funding Center RM'000	Inter-segment Elimination RM'000	Total RM'000
	<------ Operating Segments				------>		
External revenue	547,764	2,337,186	279,983	270,297	445,546	-	3,880,776
Revenue from other segments	2,145	382,265	833	370,123	252,238	(1,007,604)	-
	549,909	2,719,451	280,816	640,420	697,784	(1,007,604)	3,880,776
Net finance income / (expense)	173,497	829,092	52,354	(68,953)	303,392	-	1,289,382
Other operating income	1,321	79,452	2,597	5,068	21,373	-	109,811
Net income / (loss)	174,818	908,544	54,951	(63,885)	324,765	-	1,399,193
Other operating expenses	(55,778)	(444,613)	(3,712)	(7,780)	(116,934)	-	(628,817)
of which:							
Depreciation	-	*(769)*	-	-	*(1,795)*	-	*(2,564)*
Writeback of allowance / (Allowance) for impairment on financing and advances	5,849	(18,835)	(4,986)	-	-	-	(17,972)
(Allowance) / Writeback of allowance for impairment on other assets	-	(1,265)	-	4	(81)	-	(1,342)
Profit / (Loss) by segments	124,889	443,831	46,253	(71,661)	207,750	-	751,062
Cost-to-income ratio	31.9%	48.9%	6.8%	-12.2%	36.0%	-	44.9%
Gross financing and advances	11,798,104	54,237,899	7,610,935	-	-	-	73,646,938
Financing growth	12.3%	7.2%	40.0%	-	-	-	10.7%
Impaired financing and advances	41,027	210,242	133	-	-	-	251,402
Impaired financing ratio	0.35%	0.39%	-	-	-	-	0.34%
Deposits from customers	-	68,497,930	6,304	13,821,030	-	-	82,325,264
Deposit growth	-	15.2%	-45.1%	-16.9%	-	-	8.2%
Addition to non-current assets	-	505	-	-	206	-	711
Segment assets	11,641,900	69,659,424	7,505,877	16,003,443	11,943,334	(21,054,344)	95,699,634
Reconciliation of segment assets to total assets:							
Investment in an associated company							67,500
Unallocated assets							239,169
Total assets							96,006,303

48. RATING STATEMENT

As at 31 December 2024, the Bank was accorded the following ratings:

Agency	Date assigned	Ratings
RAM Rating Services Berhad	19 June 2024 (Reaffirmed)	Long-Term Rating : AAA
	19 June 2024 (Reaffirmed)	Short-Term Rating : P1
	19 June 2024 (Reaffirmed)	Outlook : Stable
	19 June 2024 (Reaffirmed)	RM5.0 billion Sukuk Murabahah Programme : - Senior Sukuk Murabahah : AAA/Stable - Subordinated Sukuk Murabahah : AA1/Stable

49. SHARIAH COMMITTEE

The Bank's Shariah Committee ("SC") was established in line with the requirements of Islamic Financial Services Act 2013 ("IFSA 2013") and the Shariah Governance Policy Document ("SGPD") issued by Bank Negara Malaysia ("BNM") which came into effect on 1 April 2020. The SC is responsible for the overall Shariah governance and Shariah-compliance of the Bank.

The SC members were appointed by the Board of Directors (subject to the approval by Bank Negara Malaysia) to perform oversight and advisory roles on Shariah matters to ensure that the Bank's business and activities are in compliance with the Shariah principles.

The roles and responsibilities of the SC, as guided by Para 10.2 of BNM SGPD are as follows:

(a) Perform an oversight role on Shariah matters related to the Bank’s business operations and activities including oversight requirements;

(b) Advise the Board of Directors and the Management on Shariah related matters in order for the Bank to comply with Shariah rules and principles at all time. The SC members are responsible and accountable for all Shariah decisions, opinions and views provided by them;

(c) Endorse Shariah related policies and guidelines;

(d) Approve products and services to ensure compliance with Shariah rules and principles include:
   (i) validating the terms and conditions contained in the forms, contracts, agreements or legal documents used in executing the transactions; and

   (ii) validating the product manual, marketing advertisements, sales illustrations and brochures used to describe the product and services.

(e) Assess work carried out by Shariah Risk Management, Shariah Review and Compliance, and Shariah Audit (Shariah Control Function) which forms part of the SC duties in providing compliance assessment in Shariah and assurance information in the annual report of the Bank.

(f) Advise related parties such as the Bank’s parent company, subsidiaries, clients, legal counsels, auditors or consultants on Shariah matters for advice upon request.

49. SHARIAH COMMITTEE (continued)

(g) Advise the Bank to consult the SAC of BNM and Securities Commission on Shariah matters that cannot be resolved.

(h) Provide written Shariah opinions in circumstances where the Bank makes reference to the SAC for further deliberation, or where the Bank submits application to BNM for new product approval.

Notwithstanding the above, the SC is also responsible to perform any specific duties and responsibilities outlined in any policy documents or standards issued by the relevant authority at all times.

50. SIGNIFICANT EVENTS

There were no significant events during the financial year.

51. SUBSEQUENT EVENTS

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