

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

STATEMENT BY DIRECTORS AND AUDITED FINANCIAL STATEMENTS
31 DECEMBER 2025

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

PUBLIC ISLAMIC BANK BERHAD
Company Registration No.: 197301001433 (14328-V)
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PUBLIC ISLAMIC BANK BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

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 2025.

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	978,831
Zakat	(2,700)
Taxation	(229,057)
Profit for the year	<u><u>747,074</u></u>

DIVIDENDS

No dividend has been paid or declared by the Bank since the financial year ended 31 December 2024.

The Directors do not propose any dividend for the financial year ended 31 December 2025.

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 of debt securities, as disclosed in Note 21 to the financial statements.

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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

In accordance with Clause 99 of the Bank's Constitution, Tan Sri Dato' Sri (Dr) Tay Ah Lek and Datuk Mohd Anwar bin Yahya 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 31.12.2025
	Balance at 1.1.2025	Acquired	Disposed	
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

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DIRECTORS' INTERESTS (continued)

Shares Held in its related company, LPI Capital Berhad

	Number of Ordinary Shares			Balance at 31.12.2025
	Balance at 1.1.2025	Acquired	Disposed	
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

Shares Held in its related company, Public Financial Holdings Limited

	Number of Ordinary Shares			Balance at 31.12.2025
	Balance at 1.1.2025	Acquired	Disposed	
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 for the Directors of the Bank are as follows:

	RM'000
Directors' fees	821
Directors' other emoluments	1,735
	<u>2,556</u>

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 RM460,000,000 (2024: 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 RM11,180,000 (2024: RM11,380,000).

BUSINESS REVIEW 2025

The global economy experienced moderate growth in 2025, with advanced economies stabilising as well as emerging markets and developing economies, particularly in Asia, sustaining global output. Resilient labour market, easing inflationary pressure, a more accommodative monetary stance in major advanced economies as well as supportive fiscal policy mitigated the impact of the United States of America (“US”) tariffs on global trade flows and heightened supply chain uncertainties.

Malaysia’s economy was supported by strong domestic demand, moderate inflation, a favourable labour market and sustained direct investment. Steady external trade and robust tourism activity also fuelled growth momentum. The Malaysian banking system remained resilient, backed by ample liquidity and healthy capital buffers.

The domestic Islamic banking industry continued to grow in 2025. Islamic financing and deposits registered growth of 7.7% and 6.2% respectively in 2025. Household sector financing for residential property purchases continued to strengthen, supported by the Government’s initiatives.

Public Islamic Bank (“the Bank”) offers a broad range of Shariah compliant products and services, focusing on consumer and retail commercial financing segments. As at the end of 2025, the Bank recorded a 8.3% increase in total financing. The expansion was primarily driven by higher financing for purchase of passenger vehicles and residential properties, which posted growth of 21.7% and 6.7% respectively.

In 2025, the Bank launched the ‘Halal Engage Program’, a comprehensive initiative designed to empower small and medium enterprises (“SMEs”) within Malaysia’s halal industry. The program offers financial backing and business support for halal-compliant businesses. The Bank also provided financing support in its social finance initiative (“i-TEKAD”) with the aim of assisting low-income micro entrepreneur.

Underpinned by prudent credit management, the Bank continued to maintain resilient asset quality, with gross impaired financing ratio at 0.30% as at the end of 2025, remaining significantly below the Islamic banking industry’s gross impaired financing ratio of 1.36%.

In terms of funding, the Bank recorded a 3.8% increase in total deposits as at the end of 2025, driven by continued expansion in term, demand and savings deposits of 4.4%, 2.3% and 0.5% respectively. The Bank’s liquidity position remained healthy, with its gross financing to fund and equity ratio of 82.5% as at the end of 2025 as well as its average liquidity coverage ratio of 149.6% during the year.

In term of capitalisation, the Bank’s Common Equity Tier I, Tier I and total capital ratios stood at 13.549%, 13.549% and 16.331% respectively as at the end of 2025, exceeding the minimum regulatory requirements.

BUSINESS REVIEW 2025 (continued)

The Bank remains firmly committed to advancing its environmental, social and governance (“ESG”) agenda, encompassing a wide array of initiatives to foster a greener and lower-carbon economy. The Bank offers attractive financing packages for the purchase of low emission vehicles and solar panels. These initiatives are also supportive of Bank Negara Malaysia’s (“BNM”) Value-Based Intermediation (“VBI”) directives.

Consistent with the Bank’s ESG commitment and responsible financing initiatives, the Bank continues to improve its information and communication technology infrastructure to enhance operational efficiency and resilience. The Bank embraces modern technologies and prioritises the enhancement of customer experience coupled with its unwavering commitment to security and reliability.

By leveraging on Public Bank’s strong branding and wide-reaching branches and infrastructure network, coupled with four (4) PIBB branches, the Bank effectively promotes Islamic financial products to the general public.

ECONOMIC OUTLOOK AND PROSPECTS FOR 2026

Global growth in 2026 is expected to be relatively moderate. Global economic risks for 2026 remain skewed to the downside, including renewed tariff escalations, geopolitical disruptions to energy and trade flows, persistent fiscal imbalances and heightened volatility in global financial markets. The US economy is expected to improve slightly, driven by solid domestic demand and investment sentiment, while supported by an accommodative monetary policy. Growth in the Euro area and Japan are projected to moderate, weighed by elevated uncertainties and higher tariffs. China's economy is expected to be moderate amid trade restrictions and subdued external demand, coupled with heightened risks from global trade tensions, supply chain disruptions and prolonged property sector weakness. Growth across emerging market and developing economies are anticipated to soften due to moderations in China and India.

Malaysia's economy is expected to maintain a resilient growth trajectory, anchored by strong domestic demand, stable labour market, a diversified economic structure and sound policy management against heightened global uncertainties. Investments in strategic sectors under the New Industrial Masterplan 2030, 13th Malaysia Plan and National Energy Transition Roadmap as well as targeted assistance programs will further support growth. Visit Malaysia 2026 is set to provide a boost to the services sector, particularly in retail, transportation and hospitality-related activities. The manufacturing and trade sector will also remain supportive of growth.

Domestic financial conditions in Malaysia remain conducive for financial intermediation, underpinned by ample liquidity and healthy capital buffers. Banks will remain proactive in monitoring asset quality and maintaining resilient credit quality. Banks in Malaysia will also continue to focus on enhancing operational and cost efficiencies as well as digital innovation.

BUSINESS OUTLOOK FOR 2026

Malaysia's business environment remains conducive, supported by a resilient economy and Government policies that strengthen business fundamentals and encourage domestic investment activities. However, economic headwinds are anticipated to weigh on sentiment.

Malaysia is expected to remain as a leading global player in Islamic banking, supported by continued growth in demand for Shariah-compliant products and services.

For 2026, the Bank will remain focused on its core financing segments, namely Islamic home financing, hire purchase financing and commercial business financing. The Bank will continue to pursue growth in the SME financing market by offering competitive and customer-oriented products and services.

The Bank will remain steadfast in its focus on expanding its Islamic deposit base, particularly demand and savings deposits.

The Bank will also continue to strengthen its collaboration with AIA PUBLIC Takaful Berhad and other takaful companies to further expand the offering of bancatakaful products.

The Bank remains committed to further strengthening its role as a financial intermediary in support of national development. The Bank will further enhance its ESG-driven initiatives by introducing more 'green' products and services, supporting clients in their transition journey through financing beyond traditional banking solutions.

The Bank continues to prioritise prudence in its management of credit risk, as well as uphold strong corporate governance and risk management practices. The Bank will ensure that it remains well-capitalised and well-funded to support its business growth and safeguard the interests of its stakeholders.

In addition, the Bank remains focused on strengthening its information and communication technology infrastructure. The Bank will continue to leverage on the advancement of technology to enhance its service delivery standards and infrastructure for an enriched customer experience. The Bank will also continue to enhance scam awareness and fraud prevention efforts by delivering high-quality learning experiences and leveraging interactive engagement platforms.

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AUDITORS

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

Auditors' remuneration of the Bank is RM617,000 (2024 : RM602,000).

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 : 25 February 2026

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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 176 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 2025 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 : 25 February 2026

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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 176, 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 25 February 2026

YIK SOOK LING
MIA No.: CA 11419

BEFORE ME:

Commissioner for Oaths
Kuala Lumpur, Malaysia

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SHARIAH COMMITTEE'S REPORT

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

To the shareholders, depositors and customers of the Bank:

We hereby provide the disclosure of the Shariah Committee's report for the financial year ended 31 December 2025, 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 have reviewed the information provided to us, pertaining to the application of Shariah principles and the contracts relating to the transactions and products offered by the Bank during the financial year ended 31 December 2025. The Shariah Committee is responsible to form an independent opinion on the state of Shariah compliance of the Bank with respect to its overall activities are performed in accordance to the Shariah rules and principles, Shariah standards issued by BNM as well as consistent with past decisions made by the Shariah Committee.

The Management of the Bank is responsible for ensuring that the conduct of its business is in accordance with Shariah rules and principles, while conforming to the Shariah standards and regulations from BNM.

The tasks undertaken by the Shariah control functions (i.e. Shariah Risk Management, Shariah Review & Compliance, and Shariah Audit) are reviewed periodically by the Shariah Committee. The evaluation shall be performed through the review and deliberation of the reports from the Shariah control functions provided for endorsement and approval by the Shariah Committee, of which shall be documented accurately and appropriately in the minutes of meeting.

The financial year ended 31 December 2025 (2024:4) involves occurrences of six (6) Shariah Non-Compliance ("SNC") incidents relating to the following nature of events:

- (i) Inaccurate and double charging of Late Payment Charges ("LPC") for Bai' Inah ("BAE") Personal Financing-i ("PF-i");
- (ii) Inaccurate calculation of rebate (Ibra') for BAE PF-i;
- (iii) Delay in performing the underlying commodity trading for profit payments for Term Deposit-i ("TD-i");
- (iv) Cross-selling and bundling of conventional insurance with Islamic financing facility;
- (v) Inaccurate charging of LPC for AI-Ijarah Thumma Al-Bai' ("AITAB") Hire Purchase-i ("HP-i") accounts; and
- (vi) Non-execution of security documentation for BAE Term Financing-i ("TF-i").

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We were informed that there was no SNC income for purification for financial year ended 31 December 2025 (2024: RM3,000,000).

During the financial year 2025, the rectification plans were completed for the SNC incident in relation to incomplete/under construction properties as underlying assets for Bai' Bithaman Ajil ("BBA") House Financing-i ("HF-i") and Term Financing-i ("TF-i"). The accumulated profit relating to the affected accounts has been derecognised from the financial statements and reconciliation of the accumulated SNC income for purification is in-progress.

Further, a total of RM1,000 (2024: RM475,000) were identified as Gharamah from written off accounts, that are not recognised as income.

We confirm the management had sufficiently identified the root causes of the SNC incidents and had taken appropriate corrective and preventive measures to mitigate the likelihood of future recurrences.

The actual SNC incidents with its corresponding rectification plans, including the method of purification of SNC income were deliberated by the Potential SNC Committee ("PSNCC") prior to tabling to the Shariah Committee for endorsement, and subsequent approval by the Board of Directors, of which have been duly reported in a timely manner in accordance with the reporting standards prescribed by BNM.

The Shariah Committee hereby provides its assurance that the Bank is in compliance with Shariah rules and principles as well as the Shariah standards of BNM, of which is supported through facilitating the review and deliberation on the information, justifications and supporting documents provided to us as to provide reasonable assurance on the state of Shariah compliance.

The following opinion shall be to the best of knowledge of the Shariah Committee:

- 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 2025 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, and the respective States' Islamic Religious Councils.

We, on behalf of representing the members of the Shariah Committee of the Bank, hereby confirm that the operations of the Bank for the financial year ended 31 December 2025 conforms with Shariah rules and principles as well as the Shariah standards of BNM, or otherwise have been disclosed accordingly.

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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 : 25 February 2026

PUBLIC ISLAMIC BANK BERHAD
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**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 2025 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 176.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2025, 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") as applicable to audits of financial statements of public interest entities, 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
PUBLIC ISLAMIC BANK BERHAD (cont'd.)
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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.)
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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 judgment 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.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
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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

Ahmad Qadri Bin Jahubar Sathik
No. 03254/05/2026 J
Chartered Accountant

Kuala Lumpur, Malaysia

Dated : 25 February 2026

PUBLIC ISLAMIC BANK BERHAD
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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	Note	2025 RM'000	2024 RM'000
ASSETS			
Cash and balances with banks	3	835,684	559,131
Financial assets at fair value through profit or loss	4	1,044,829	993,555
Derivative financial assets	5	4,188	19,924
Financial investments at fair value through other comprehensive income	6	11,711,224	13,484,611
Financial investments at amortised cost	7	6,023,200	5,363,834
Financing and advances	8	86,297,257	79,620,797
Other assets	9	303,594	264,500
Statutory deposits with Bank Negara Malaysia	11	943,400	1,860,700
Deferred tax assets	12	63,827	86,443
Collective investment	13	651,486	630,315
Investment in an associated company	14	67,500	67,500
Right-of-use assets	15(a)	25,572	20,268
Property and equipment	16	3,549	4,013
TOTAL ASSETS		107,975,310	102,975,591
LIABILITIES			
Deposits from customers	17	91,101,586	87,797,771
Deposits from banks and other financial institutions	18	2,990,347	3,032,719
Bills and acceptances payable	19	928	883
Recourse obligations on financing sold to Cagamas	20	1,000,000	1,000,000
Derivative financial liabilities	5	10,526	12,026
Sukuk Murabahah	21	2,999,400	2,000,000
Lease liabilities	15(b)	26,920	21,199
Other liabilities	22	790,611	854,679
Provision for zakat and taxation	23	30,001	23,152
TOTAL LIABILITIES		98,950,319	94,742,429

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	Note	2025 RM'000	2024 RM'000
EQUITY			
Share capital	24	3,032,717	3,032,717
Regulatory reserve	25	315,398	207,446
Other reserves	26	38,842	(5,913)
Retained profits		5,638,034	4,998,912
TOTAL EQUITY		<u>9,024,991</u>	<u>8,233,162</u>
TOTAL LIABILITIES AND EQUITY		<u>107,975,310</u>	<u>102,975,591</u>
COMMITMENTS AND CONTINGENCIES	44	<u>15,070,410</u>	<u>13,444,846</u>
Net assets per share attributable to ordinary equity holder of the Bank (RM)		<u>37.11</u>	<u>33.85</u>

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 2025

	Note	2025 RM'000	2024 RM'000
Income derived from investment of depositors' funds and others	27	4,105,477	3,903,218
Income derived from investment of shareholder's funds	28	383,555	346,844
(Allowance) / Writeback of allowance for impairment on financing and advances	29	(4,374)	116,761
Allowance for impairment on other assets	30	(1,600)	(3,281)
Total distributable income		<u>4,483,058</u>	<u>4,363,542</u>
Income attributable to depositors and others	31	(2,771,213)	(2,670,950)
Total net income		<u>1,711,845</u>	<u>1,692,592</u>
Personnel expenses	32	(50,885)	(45,371)
Other overheads and expenditures	33	(682,129)	(639,147)
Profit before zakat and taxation		<u>978,831</u>	<u>1,008,074</u>
Zakat	35	(2,700)	(5,021)
Taxation	35	(229,057)	(236,890)
Profit for the year		<u><u>747,074</u></u>	<u><u>766,163</u></u>
Earnings per share			
- basic / diluted (sen)	36	<u><u>307.2</u></u>	<u><u>315.0</u></u>

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 2025

	Note	2025 RM'000	2024 RM'000
Profit for the year		747,074	766,163
Other comprehensive income / (loss):			
<u>Items that will not be reclassified subsequently to profit or loss:</u>			
Defined benefit reserves:			
- Gain on remeasurements of defined benefit plan	10, 26	461	305
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Revaluation reserves:			
- Net change in revaluation of financial investments at fair value through other comprehensive income	26	72,739	62,214
Hedging reserves:			
- Net change in cash flow hedges	26	(14,311)	8,171
		58,428	70,385
Income tax relating to components of other comprehensive income / (loss) :			
- Defined benefit reserves	12, 26	(111)	(73)
- Revaluation reserves	12, 26	(17,457)	(14,931)
- Hedging reserves	12, 26	3,434	(1,961)
	12, 26	(14,134)	(16,965)
Other comprehensive income for the year, net of tax		44,755	53,725
Total comprehensive income for the year		791,829	819,888

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 2025

	Note	<----- Non-distributable ----->			Distributable	Total Equity RM'000
		Share Capital RM'000	<u>Reserves</u> Regulatory Reserve RM'000	Other Reserves RM'000	<u>Reserve</u> Retained Profits RM'000	
At 1 January 2025		3,032,717	207,446	(5,913)	4,998,912	8,233,162
Profit for the year		-	-	-	747,074	747,074
Other comprehensive income for the year		-	-	44,755	-	44,755
Total comprehensive income for the year		-	-	44,755	747,074	791,829
Transactions with owner / other equity movements:						
Transfer to regulatory reserve	25	-	107,952	-	(107,952)	-
		-	107,952	-	(107,952)	-
At 31 December 2025		3,032,717	315,398	38,842	5,638,034	9,024,991
		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 2025

	Note	<----- Non-distributable ----->			Distributable	Total Equity RM'000
		Share Capital RM'000	<u>Reserves</u> Regulatory Reserve RM'000	Other Reserves RM'000	<u>Reserve</u> Retained Profits 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)
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 RM'000	2024 RM'000
Cash flows from operating activities			
Profit before zakat and taxation		978,831	1,008,074
<u>Adjustments for:</u>			
Depreciation of right-of-use assets	15(a), 33	1,510	1,615
Depreciation of property and equipment	16, 33	1,092	977
Net gain on disposal of foreclosed properties		(461)	(95)
Net gain on disposal of property and equipment		(4)	-
Allowance / (Writeback of allowance) for impairment on financing and advances	29	29,541	(96,412)
Net gain arising from sale of financial investments at fair value through other comprehensive income		(31,692)	(4,260)
Unrealised (gain) / loss on revaluation of financial assets at fair value through profit or loss		(26)	29
(Gain) / Loss representing ineffective portions of hedging derivatives		(74)	51
Distributions from collective investment		(21,035)	(20,663)
Property and equipment written off		1	-
Allowance for impairment on other assets	30	1,600	3,281
Amortisation of cost on Sukuk Murabahah issued	21	22	-
Operating profit before working capital changes		959,305	892,597
 (Increase) / Decrease in operating assets:			
Financial assets at fair value through profit or loss		(51,248)	899,708
Financing and advances		(6,706,479)	(6,770,223)
Other assets		(42,438)	(30,387)
Statutory deposits with Bank Negara Malaysia		917,300	(150,110)

PUBLIC ISLAMIC BANK BERHAD
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 RM'000	2024 RM'000
Cash flows from operating activities (continued)			
Increase / (Decrease) in operating liabilities:			
Deposits from customers		3,303,815	5,472,507
Deposits from banks and other financial institutions		(42,372)	745,476
Bills and acceptances payable		45	(1,503)
Recourse obligations on financing sold to Cagamas		-	(100,000)
Other liabilities		(64,957)	23,328
Cash (used in) / generated from operations		(1,727,029)	981,393
Income tax expense and zakat paid		(216,426)	(209,531)
Net cash (used in) / generated from operating activities		(1,943,455)	771,862
Cash flows from investing activities			
Purchase of property and equipment	16	(629)	(1,804)
Proceeds from disposal of property and equipment		4	-
Proceeds from disposal of foreclosed properties		3,696	871
Net sale / (purchase) of financial investments at fair value through other comprehensive income		1,878,131	(468,698)
Net (purchase) / sale of financial investments at amortised cost		(659,479)	10,544
Distributions received from collective investment		21,171	20,606
Investment in collective investment		(21,171)	(20,606)
Net cash generated from / (used in) investing activities		1,221,723	(459,087)
Cash flows from financing activities			
Repayment of lease liabilities	15(d)	(1,093)	(1,271)
Net proceeds from issuance of Sukuk Murabahah	21	999,378	500,000
Redemption of Sukuk Murabahah	21	-	(500,000)
Net cash generated from / (used in) financing activities		998,285	(1,271)

PUBLIC ISLAMIC BANK BERHAD
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(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 RM'000	2024 RM'000
Net increase in cash and cash equivalents		276,553	311,504
Cash and cash equivalents at beginning of year		559,131	247,627
Cash and cash equivalents at end of year		835,684	559,131
Note:			
Cash and balances with banks	3	835,684	559,131
Less: Balances with banks with original maturity more than three months		-	-
Cash and cash equivalents at end of year		835,684	559,131
Non-cash investing activities	15(a)	-	-

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025

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 25 February 2026.

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 that were Early Adopted by the Bank

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

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"

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 that were Early Adopted by the Bank (continued)

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

The adoption of the above Amendments to MFRS Accounting Standards did not 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)

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

The following Amendments to MFRS Accounting Standards and MFRS Accounting Standard 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 MFRS 9 Financial Instruments and MFRS 7 Financial Instruments: Disclosures - Contracts Referencing Nature-dependent Electricity

Effective for annual periods commencing on or after 1 January 2027

- MFRS 18 Presentation and Disclosure in Financial Statements
- Amendments to MFRS 19 Subsidiaries without Public Accountability: Disclosures
- Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates - Translation to a Hyperinflationary Presentation Currency

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

The adoption of the above Amendments to MFRS Accounting Standards and MFRS Accounting Standard 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 MFRS 9 Financial Instruments and MFRS 7 Financial Instruments: Disclosures - Contracts Referencing Nature-dependent Electricity - 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;
- permit an entity to apply hedge accounting in MFRS 9 when these contracts are used as hedging instruments; and
- introduce 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

The following Amendments to MFRS Accounting Standards and MFRS Accounting Standard 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 Standard 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 (continued):

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. The Bank is currently identifying the changes required.

Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates - Translation to a Hyperinflationary Presentation Currency - These amendments address how entities should translate financial statements from a non-hyperinflationary currency into a hyperinflationary presentation currency. This aims to improve consistency and clarity in financial reporting under such conditions.

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:

	2025
Gross domestic product %	4.0 - 4.5
Consumer price index %	1.5
Housing price index	238.3 *
Unemployment rate %	3

* 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 climate-related risks 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 climate-related risks and economic uncertainty due to geopolitical tensions, rising inflation, rapidly increasing profit rates, alongside other factors, which may have potential ramifications to the economy. The potential deterioration in credit profile has yet to be fully reflected in modelling data, 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 are 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 and Commodity Murabahah 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)

FVTPL

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 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, credit card, and deposit products are based on the contract of Murabahah and Tawarruq.

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

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.

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):

(vi) 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.

(vii) 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, credit card, 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

	2025 RM'000	2024 RM'000
Cash and bank balances	435,684	559,131
Money market deposit placements:		
- maturing after one month	400,000	-
	<u>835,684</u>	<u>559,131</u>

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

	2025 RM'000	2024 RM'000
At fair value		
Money market instruments:		
Negotiable Islamic Debt Certificates	1,044,829	993,555
	<u>1,044,829</u>	<u>993,555</u>

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.

	2025			2024		
	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	5	-	-	-	-	-
Hedging derivatives:						
Cash flow hedge						
Profit rate related contracts						
- Profit rate swaps	3,638,000	4,188	10,526	4,000,000	19,924	12,026
Total	3,638,005	4,188	10,526	4,000,000	19,924	12,026

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 2025, 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
2025					
Profit rate swaps					
- Pay fixed	100,000	1,300,000	2,238,000	-	3,638,000
- Receive fixed	-	-	-	-	-
	<u>100,000</u>	<u>1,300,000</u>	<u>2,238,000</u>	<u>-</u>	<u>3,638,000</u>
2024					
Profit rate swaps					
- Pay fixed	-	1,200,000	2,600,000	200,000	4,000,000
- Receive fixed	-	-	-	-	-
	<u>-</u>	<u>1,200,000</u>	<u>2,600,000</u>	<u>200,000</u>	<u>4,000,000</u>

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 gain of RM74,000 (2024 - loss of RM51,000) was recognised by the Bank.

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

	2025	2024
	RM'000	RM'000
At fair value		
Government securities and treasury bills:		
Malaysian Government Investment Issues	11,711,224	13,484,611
	<u>11,711,224</u>	<u>13,484,611</u>

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 2025	2,298	-	-	2,298
Net allowance written back during the year (Note 30)	(314)	-	-	(314)
New financial investments purchased	771	-	-	771
Allowance made	76	-	-	76
Amount derecognised	(1,161)	-	-	(1,161)
At 31 December 2025	<u>1,984</u>	<u>-</u>	<u>-</u>	<u>1,984</u>
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	<u>2,298</u>	<u>-</u>	<u>-</u>	<u>2,298</u>

7. FINANCIAL INVESTMENTS AT AMORTISED COST

	2025	2024
	RM'000	RM'000
At amortised cost		
Government securities and treasury bills:		
Malaysian Government Investment Issues	4,470,516	4,169,385
Non-money market instruments:		
Debt securities		
- Cagamas sukuk	1,291,049	1,195,361
- Unquoted corporate sukuk	262,660	-
	<u>1,553,709</u>	<u>1,195,361</u>
Allowance for impairment	(1,025)	(912)
	<u><u>6,023,200</u></u>	<u><u>5,363,834</u></u>

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 2025	912	-	-	912
Net allowance made during the year (Note 30)	113	-	-	113
New financial investments purchased	269	-	-	269
Allowance written back	(74)	-	-	(74)
Amount derecognised	(82)	-	-	(82)
At 31 December 2025	<u>1,025</u>	<u>-</u>	<u>-</u>	<u>1,025</u>
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	<u>912</u>	<u>-</u>	<u>-</u>	<u>912</u>

8. FINANCING AND ADVANCES

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

2025	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	1,085,138	-	696,249	-	-	-	1,781,387
Term financing							
- House financing	4,037,701	-	-	36,346,947	-	-	40,384,648
- Syndicated financing	-	-	-	-	239,049	351,141	590,190
- Hire purchase receivables	-	17,717,844	-	-	-	-	17,717,844
- Other term financing	878,049	-	3,605,939	15,981,432	2,802,958	2,257,594	25,525,972
Credit card receivables	-	-	-	-	-	191,843	191,843
Bills receivables	-	-	-	-	2,271	-	2,271
Trust receipts	-	-	-	-	545	-	545
Claims on customers under acceptance credits	-	-	-	-	261,583	-	261,583
Revolving credits	178,940	-	171,693	-	-	-	350,633
Staff financing	-	18,920	-	144,672	-	-	163,592
Gross financing and advances	6,179,828	17,736,764	4,473,881	52,473,051	3,306,406	2,800,578	86,970,508
Less : Allowance for impairment on financing and advances							
- Expected credit losses							(673,251)
- Stage 1 : 12-Month ECL							(132,203)
- Stage 2 : Lifetime ECL not credit-impaired							(470,958)
- Stage 3 : Lifetime ECL credit-impaired							(70,090)
Net financing and advances							<u>86,297,257</u>

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):

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							<u>79,620,797</u>

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:

	2025	2024
	RM'000	RM'000
Retail financing *		
- House financing	40,384,648	37,812,960
- Hire purchase	17,717,844	14,557,793
- Credit cards	191,843	156,095
- Other financing ^	20,331,172	19,394,864
	<u>78,625,507</u>	<u>71,921,712</u>
Corporate financing	8,345,001	8,414,266
Gross financing and advances	<u><u>86,970,508</u></u>	<u><u>80,335,978</u></u>

* *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:

	2025	2024
	RM'000	RM'000
Maturity within one year	3,084,408	4,488,082
More than one year to three years	3,360,625	2,864,961
More than three years to five years	6,192,837	3,789,444
More than five years	74,332,638	69,193,491
Gross financing and advances	<u><u>86,970,508</u></u>	<u><u>80,335,978</u></u>

8. FINANCING AND ADVANCES (continued)

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

	2025	2024
	RM'000	RM'000
Domestic non-bank financial institutions		
- Others	2,921,027	2,791,780
Domestic business enterprises		
- Small and medium enterprises	10,839,903	10,371,264
- Others	4,901,967	4,216,714
Government and statutory bodies	1,017,796	2,017,754
Individuals	66,488,742	60,324,552
Other domestic entities	2,197	3,030
Foreign entities	798,876	610,884
Gross financing and advances	<u>86,970,508</u>	<u>80,335,978</u>

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

	2025	2024
	RM'000	RM'000
Fixed rate		
- House financing	114,686	133,439
- Hire purchase receivables	17,717,700	14,557,571
- Other fixed rate financing	4,332,329	4,702,018
Variable rate		
- Base rate / base financing rate plus	58,428,800	55,153,609
- Cost plus	6,376,993	5,789,341
Gross financing and advances	<u>86,970,508</u>	<u>80,335,978</u>

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

	2025	2024
	RM'000	RM'000
Purchase of transport vehicles	17,736,764	14,576,682
Purchase of properties	55,709,704	52,538,827
(of which: - residential	<u>41,157,645</u>	<u>38,583,333</u>
- non-residential)	<u>14,552,059</u>	<u>13,955,494</u>
Purchase of fixed assets (excluding properties)	16,545	11,760
Personal use	2,732,192	2,595,508
Credit card	191,843	156,095
Purchase of consumer durables	463	467
Construction	1,239,329	877,210
Working capital	9,191,860	9,088,161
Other purpose	151,808	491,268
Gross financing and advances	<u>86,970,508</u>	<u>80,335,978</u>

8. FINANCING AND ADVANCES (continued)

Gross financing and advances analysed by sector are as follows:

	2025	2024
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	336,201	429,350
Mining and quarrying	40,767	44,480
Manufacturing	2,213,787	1,810,751
Electricity, gas and water	2,163	3,988
Construction	2,187,227	2,326,921
Wholesale & retail trade and restaurants & hotels	4,959,788	4,318,606
Transport, storage and communication	1,684,867	1,585,458
Finance, insurance and business services	3,641,285	3,210,874
Real estate	3,254,791	3,312,680
Community, social and personal services	1,362,014	2,357,434
Households	67,287,618	60,935,436
Gross financing and advances	<u>86,970,508</u>	<u>80,335,978</u>

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

	2025	2024
	RM'000	RM'000
At 1 January	283,162	251,402
Impaired during the year	467,698	607,776
Reclassified as non-credit impaired	(328,076)	(429,819)
Recoveries	(87,585)	(65,089)
Amount written off	(70,257)	(74,197)
Financing converted to foreclosed properties	(1,367)	(6,911)
At 31 December	<u>263,575</u>	<u>283,162</u>
Gross impaired financing as a percentage of gross financing and advances	<u>0.30%</u>	<u>0.35%</u>

8. FINANCING AND ADVANCES (continued)

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

	2025	2024
	RM'000	RM'000
Purchase of transport vehicles	43,771	36,270
Purchase of properties	189,091	208,970
(of which: - residential	155,235	154,453
- non-residential)	33,856	54,517
Personal use	20,297	22,175
Credit card	963	614
Working capital	9,438	15,120
Other purpose	15	13
Impaired financing and advances	263,575	283,162

Impaired financing and advances analysed by sector are as follows:

	2025	2024
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	16	11
Mining and quarrying	-	4,481
Manufacturing	1,785	1,942
Electricity, gas and water	1	-
Construction	5,575	11,037
Wholesale & retail trade and restaurants & hotels	6,743	12,352
Transport, storage and communication	1,671	1,818
Finance, insurance and business services	8,413	12,250
Real estate	554	3,690
Community, social and personal services	25	240
Households	238,792	235,341
Impaired financing and advances	263,575	283,162

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 RM70,257,000 (2024 - RM74,197,000).

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 RM580,681,000 (2024 - RM561,839,000).

Gross carrying amount of previously modified financing and advances for which loss allowance has changed to 12-Month ECL measurement during the year is RM273,151,000 (2024 - RM361,711,000) 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 RM13,726,000 (2024 - RM10,169,000) 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 ----->				Corporate Financing RM'000	Total RM'000
	House Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Financing RM'000		
2025						
Stage 1: 12-Month ECL						
At 1 January 2025	48,925	23,798	1,330	77,492	10,281	161,826
Changes due to financing and advances recognised as at 1 January 2025:	16,635	7,025	419	14,908	445	39,432
- Transfer to Stage 1: 12-Month ECL	16,926	7,889	493	16,717	451	42,476
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(271)	(813)	(68)	(1,772)	(6)	(2,930)
- Transfer to Stage 3: Lifetime ECL credit-impaired	(20)	(51)	(6)	(37)	-	(114)
New financing and advances originated	1,440	5,482	168	7,819	5,953	20,862
Net remeasurement due to changes in credit risk	(43,476)	(3,284)	232	(22,480)	(7,431)	(76,439)
Financing and advances derecognised (other than write-off)	(330)	(1,234)	(44)	(2,237)	(1,787)	(5,632)
Modifications to contractual cash flows of financing and advances	(44)	-	(1)	(78)	(1)	(124)
Changes in models / risk parameters	(3,196)	(801)	(990)	(2,081)	(583)	(7,651)
Amount written off	-	(71)	-	-	-	(71)
At 31 December 2025	19,954	30,915	1,114	73,343	6,877	132,203

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 ----->				Corporate Financing RM'000	Total RM'000
	House Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Financing RM'000		
2025						
Stage 2: Lifetime ECL not credit-impaired						
At 1 January 2025	171,870	107,277	723	128,774	67,819	476,463
Changes due to financing and advances recognised as at 1 January 2025:	(11,781)	(6,595)	(311)	(8,977)	(445)	(28,109)
- Transfer to Stage 1: 12-Month ECL	(14,294)	(7,244)	(394)	(15,498)	(451)	(37,881)
- Transfer to Stage 2: Lifetime ECL not credit-impaired	4,450	1,807	143	7,605	6	14,011
- Transfer to Stage 3: Lifetime ECL credit-impaired	(1,937)	(1,158)	(60)	(1,084)	-	(4,239)
New financing and advances originated	1,107	2,311	56	3,950	31,750	39,174
Net remeasurement due to changes in credit risk	9,238	24,109	860	9,000	(34,857)	8,350
Financing and advances derecognised (other than write-off)	(1,245)	(680)	(153)	(6,871)	(485)	(9,434)
Modifications to contractual cash flows of financing and advances	3,242	(106)	47	647	(4,742)	(912)
Changes in models / risk parameters	(4,769)	(785)	(539)	(4,986)	(3,495)	(14,574)
At 31 December 2025	167,662	125,531	683	121,537	55,545	470,958

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 ----->				Corporate Financing RM'000	Total RM'000
	House Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Financing RM'000		
2025						
Stage 3: Lifetime ECL credit-impaired						
At 1 January 2025	21,251	20,844	504	34,106	187	76,892
Changes due to financing and advances recognised as at 1 January 2025:	(4,854)	(430)	(108)	(5,931)	-	(11,323)
- Transfer to Stage 1: 12-Month ECL	(2,632)	(645)	(99)	(1,219)	-	(4,595)
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(4,179)	(994)	(75)	(5,833)	-	(11,081)
- Transfer to Stage 3: Lifetime ECL credit-impaired	1,957	1,209	66	1,121	-	4,353
New financing and advances originated *	562	1,326	57	297	-	2,242
Net remeasurement due to changes in credit risk	19,096	28,559	1,427	13,483	1	62,566
Financing and advances derecognised (other than write-off)	(910)	(2,400)	(63)	(1,708)	(188)	(5,269)
Modifications to contractual cash flows of financing and advances	9,497	1,175	234	4,499	-	15,405
Changes in models / risk parameters	92	(21)	-	17	-	88
Amount written off	(24,004)	(22,770)	(1,244)	(22,239)	-	(70,257)
Amount transferred to allowance for impairment loss on foreclosed properties	-	-	-	(254)	-	(254)
At 31 December 2025	20,730	26,283	807	22,270	-	70,090
Total ECL as at 31 December 2025	208,346	182,729	2,604	217,150	62,422	673,251

* 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 ----->				Corporate Financing RM'000	Total RM'000
	House Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Financing 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 ----->				Corporate Financing RM'000	Total RM'000
	House Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Financing 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

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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 ----->				Corporate Financing RM'000	Total RM'000
	House Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Financing 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)

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 RM41.9 million mainly due to the following:

- (a) 12-month ECL (Stage 1) - lower by RM29.6 million mainly due to:
- reversal of management overlay provided to cater for potential deterioration of credit risk for financing and advances; and
 - recalibration of forward-looking macroeconomic variables used in the Bank's models;
- partially offset by
- financing and advances that were newly originated.
- (b) Lifetime ECL Not Credit-Impaired (Stage 2) - lower by RM5.5 million mainly due to:
- reversal of management overlay provided to cater for potential deterioration of credit risk for financing and advances;
 - 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 migrated from Stage 1 to Stage 2.
- (c) Lifetime ECL Credit-Impaired (Stage 3) - lower by RM6.8 million mainly due to:
- financing and advances that were written off; and
 - reversal of management overlay provided to cater for potential deterioration of credit risk for financing and advances;
- partially offset by
- financing and advances that migrated to Stage 3 due to deterioration in credit quality.

9. OTHER ASSETS

	2025	2024
	RM'000	RM'000
Deferred handling fees *	105,524	86,598
Income receivable	336	-
Other receivables, deposits and prepayments	165,324	142,122
Employee benefits (Note 10)	912	613
Foreclosed properties #	31,498	35,167
	<u>303,594</u>	<u>264,500</u>
# Stated net of accumulated allowance for impairment loss	<u>11,690</u>	<u>9,732</u>

* 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 2025.

As at 31 December 2025, the plan is in surplus of RM75,991,000 (31 December 2024: RM52,642,000). 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 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 of which the appointment of one (1) trustee is pending the approval of the authority, one (1) trustee is a member of the Board of Directors of the Bank's holding company, one (1) trustee is a member of senior management of the Bank's holding company and the remaining one (1) trustee is a member of 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	2025 RM'000	2024 RM'000
Present value of funded obligations		(19,841)	(17,653)
Fair value of plan assets		20,753	18,266
Net assets *	9	<u>912</u>	<u>613</u>

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

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

	2025 RM'000	2024 RM'000
Obligation at 1 January	17,653	16,693
Recognised in profit or loss		
- current service cost	1,077	1,008
- finance cost	780	734
- allocation adjustment	520	(345)
Benefits paid - the Fund	(735)	(772)
Remeasurements recognised in other comprehensive income		
- effects of changes in financial assumptions	546	335
Obligation at 31 December	<u>19,841</u>	<u>17,653</u>

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

	2025 RM'000	2024 RM'000
Fair value at 1 January	18,266	16,896
Recognised in profit or loss		
- finance income	828	764
- allocation adjustment	(231)	(690)
Contributions made	1,618	1,428
Benefits paid - the Fund	(735)	(772)
Remeasurements recognised in other comprehensive income		
- remeasurements on plan assets	811	771
- allocation adjustment	196	(131)
Fair value at 31 December	<u>20,753</u>	<u>18,266</u>

10. EMPLOYEE BENEFITS (continued)

Defined Benefit Plan (continued)

The fair value of the Bank's share of the Fund's plan assets constitutes the following:

	2025	2024
	RM'000	RM'000
Deposit placements and cash	6	10
Government securities	7,292	6,816
Unquoted corporate sukuk	2,640	3,139
Quoted equity securities ¹	11,923	11,163
Unit trust funds ²	702	627
Properties ³	11,704	10,997
Plan assets (gross)	<u>34,267</u>	<u>32,752</u>
Other liabilities (net)	(168)	(158)
Borrowings	<u>(13,346)</u>	<u>(14,328)</u>
	<u><u>20,753</u></u>	<u><u>18,266</u></u>

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

	2025	2024
	RM'000	RM'000
Financial institutions	7,907	7,713
Insurance company	3,363	2,747
Property companies	653	703
	<u>11,923</u>	<u>11,163</u>

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

The fair value of the Fund's quoted equity securities in financial institutions includes ordinary shares in the Bank's holding company, Public Bank Berhad ("PBB"), with a fair value of RM656,402,000 (2024 - RM659,294,000). In addition, the Fund holds quoted equity securities in an insurance company, namely LPI Capital Berhad, which is a 44.15% owned subsidiary of PBB, with a fair value of RM280,357,000 (2024 - RM235,695,000).

10. EMPLOYEE BENEFITS (continued)

Defined Benefit Plan (continued)

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

	2025 RM'000	2024 RM'000
Equity funds	702	627

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

	2025 RM'000	2024 RM'000
Terraced shop offices	10,943	10,258
Stratified office lots	414	406
Commercial buildings	326	314
Residential buildings	21	19
	<u>11,704</u>	<u>10,997</u>

* 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% (2024: 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:

	2025	2024
	RM'000	RM'000
Current service cost	1,077	1,008
Finance cost	780	734
Finance income	(828)	(764)
Allocation adjustment	751	345
Amount included under 'personnel expenses - pension costs' (Note 32(b))	<u>1,780</u>	<u>1,323</u>

Remeasurements recognised in other comprehensive income are as follows:

	2025	2024
	RM'000	RM'000
Present value of funded obligations:		
- effects of changes in financial assumptions	(546)	(335)
Fair value of plan assets:		
- remeasurements on plan assets	811	771
- allocation adjustment	196	(131)
Amount recognised in equity (Note 26)	<u>461</u>	<u>305</u>

Actual return on plan assets is as follows:

	2025	2024
	RM'000	RM'000
Finance income on plan assets	828	764
Remeasurements on plan assets	811	771
Allocation adjustment	(35)	(821)
Actual return on plan assets	<u>1,604</u>	<u>714</u>

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:

	2025	2024
Discount rate	4.10%	4.40%
Expected rate of salary increases	<u>6.00%</u>	<u>6.00%</u>

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 2025, 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:

	2025		2024	
	Sensitivity		Sensitivity	
	+1%	-1%	+1%	-1%
	RM'000	RM'000	RM'000	RM'000
(Decrease) / Increase in present value of funded obligations:				
- Discount rate	(1,559)	2,190	(1,588)	1,830
- Expected salary	2,531	(1,880)	1,944	(1,716)

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

	2025 RM'000	2024 RM'000
At 1 January	86,443	112,223
Recognised in profit or loss (net) (Note 35)		
- relating to origination and reversal of temporary differences	(8,366)	(7,340)
- over provision of net deferred tax assets	(116)	(1,475)
Recognised in equity (net) (Note 26)	(14,134)	(16,965)
At 31 December	<u>63,827</u>	<u>86,443</u>

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 shown on the statement of financial position after appropriate offsetting are as follows:

	2025 RM'000	2024 RM'000
Deferred tax assets, net	63,827	86,443
Deferred tax liabilities, net	-	-
	<u>63,827</u>	<u>86,443</u>

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

	2025 RM'000	2024 RM'000
Deferred tax assets	109,095	120,242
Deferred tax liabilities	(45,268)	(33,799)
	<u>63,827</u>	<u>86,443</u>

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 2024	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
Recognised in profit or loss (Note 35)					
- relating to origination and reversal of temporary differences	-	405	(7,536)	-	(7,131)
- over provision in prior years	-	(127)	(16)	-	(143)
Recognised in equity (Note 26)	-	-	-	(17,457)	(17,457)
	-	17,238	90,345	(12,072)	95,511
Reclassified from / to deferred tax liabilities	1,512	-	-	12,072	13,584
At 31 December 2025	1,512	17,238	90,345	-	109,095

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	Revaluation 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 2024	-	-	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
Recognised in profit or loss (Note 35)						
- relating to origination and reversal of temporary differences	-	-	1	(39)	1,273	1,235
- over provision in prior years	-	-	(27)	-	-	(27)
Recognised in equity (Note 26)	(3,434)	-	-	111	-	(3,323)
	(1,512)	-	440	219	32,537	31,684
Reclassified to / from deferred tax assets	1,512	12,072	-	-	-	13,584
At 31 December 2025	-	12,072	440	219	32,537	45,268

13. COLLECTIVE INVESTMENT

Details of the collective investment are as follows:

Name of Fund	Principal Activities	Place of Incorporation	Effective Interest	
			2025 %	2024 %
Public Islamic Wholesale Income Fund	Wholesale income fund	Malaysia	30.17	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:

	2025 RM'000	2024 RM'000
Unit trust fund, at cost	651,486	630,315
Share of post-acquisition reserves	1,700	(59)
	<u>653,186</u>	<u>630,256</u>
Represented by:		
Share of net assets	<u>653,186</u>	<u>630,256</u>
Share of results		
- Share of profit after tax from continuing operations	21,086	20,602
- Share of other comprehensive income	1,707	696
Share of total comprehensive income	<u>22,793</u>	<u>21,298</u>

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

	2025 RM'000	2024 RM'000
Total assets	2,171,351	2,095,420
Total liabilities	6,408	6,764
Operating revenue	81,070	78,879
Profit after tax	69,880	68,276
Total comprehensive income	<u>75,536</u>	<u>70,583</u>

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

	2025	2024
	RM'000	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	
			2025	2024
			%	%
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:

	2025	2024
	RM'000	RM'000
Unquoted shares, at cost	67,500	67,500
Share of post-acquisition reserves	157,294	128,705
Loss on dilution of interest in the associated company	(4,191)	(4,191)
	<u>220,603</u>	<u>192,014</u>
Represented by:		
Share of net assets	<u>220,603</u>	<u>192,014</u>
Share of results		
- Share of profit after tax from continuing operations	28,010	120,581
- Share of other comprehensive income	579	573
Share of total comprehensive income	<u>28,589</u>	<u>121,154</u>

14. INVESTMENT IN AN ASSOCIATED COMPANY (continued)

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

	2025	2024
	RM'000	RM'000
Total assets	5,586,127	4,820,547
Total liabilities	4,125,760	3,590,126
Operating revenue	1,235,684	1,382,211
Profit after tax	186,736	803,875
Total comprehensive income	<u>190,595</u>	<u>807,693</u>

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

	2025	2024
	RM'000	RM'000
<u>Land and Buildings</u>		
At 1 January	20,268	21,708
Depreciation charge for the year (Note 33)	(1,510)	(1,615)
Remeasurements	6,814	175
At 31 December	<u>25,572</u>	<u>20,268</u>

(b) Lease liabilities

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

	2025	2024
	RM'000	RM'000
Within one year	2,178	2,177
Between one and five years	8,710	8,706
More than five years	27,004	18,409
	<u>37,892</u>	<u>29,292</u>
Lease liabilities included in the statement of financial position	<u>26,920</u>	<u>21,199</u>

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	2025 RM'000	2024 RM'000
Depreciation of right-of-use assets	33	1,510	1,615
Profit expense on lease liabilities	31	1,084	899

(d) Amount recognised in the statement of cash flows

	2025 RM'000	2024 RM'000
Total cash outflow for leases	1,093	1,271

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 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.

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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
2025						
<u>Cost</u>						
At 1 January 2025		2,456	7,541	5,747	10	15,754
Additions		9	123	496	-	628
Disposals		-	(42)	(1)	-	(43)
Write-offs		-	(37)	(180)	-	(217)
Transfer from holding company		-	2	-	-	2
At 31 December 2025		2,465	7,587	6,062	10	16,124
<u>Accumulated depreciation</u>						
At 1 January 2025		2,125	5,297	4,309	10	11,741
Depreciation charge for the year	33	203	433	456	-	1,092
Disposals		-	(42)	(1)	-	(43)
Write-offs		-	(37)	(179)	-	(216)
Transfer from holding company		-	1	-	-	1
At 31 December 2025		2,328	5,652	4,585	10	12,575
<u>Carrying amounts</u>						
At 31 December 2025		137	1,935	1,477	-	3,549

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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
2024						
<u>Cost</u>						
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
<u>Accumulated depreciation</u>						
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
<u>Carrying amounts</u>						
At 31 December 2024		331	2,244	1,438	-	4,013

17. DEPOSITS FROM CUSTOMERS

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

	2025	2024
	RM'000	RM'000
<u>At amortised cost</u>		
Savings deposits		
- Qard	9,741,782	9,890,439
- Commodity Murabahah	266,881	68,618
	<u>10,008,663</u>	<u>9,959,057</u>
Demand deposits		
- Qard	8,885,978	9,117,306
- Commodity Murabahah	509,243	64,004
	<u>9,395,221</u>	<u>9,181,310</u>
Term deposits		
- Term deposits		
- Commodity Murabahah	61,480,859	57,927,493
- Special term deposit accounts		
- Commodity Murabahah	10,216,843	10,729,911
	<u>91,101,586</u>	<u>87,797,771</u>

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 RM542,131,000 (2024 - RM491,142,000) held as collateral for financing and advances.

17. DEPOSITS FROM CUSTOMERS (continued)

The maturity structure of term deposits are as follows:

	2025	2024
	RM'000	RM'000
Due within six months	55,847,839	50,580,502
More than six months to one year	15,603,029	18,026,642
More than one year to three years	245,646	49,042
More than three years to five years	1,188	1,218
	<u>71,697,702</u>	<u>68,657,404</u>

The deposits are sourced from the following type of customers:

	2025	2024
	RM'000	RM'000
Federal and state governments	4,505,792	4,252,805
Local government and statutory authorities	3,519,270	2,516,349
Business enterprises	20,807,480	17,853,538
Individuals	39,323,984	38,784,110
Foreign customers	1,094,362	1,028,105
Others	21,850,698	23,362,864
	<u>91,101,586</u>	<u>87,797,771</u>

18. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2025	2024
	RM'000	RM'000
At amortised cost		
<u>Non-Mudharabah Fund</u>		
Licensed banks ^	1,543,134	2,446,519
Licensed Islamic banks	850,000	100,000
Licensed investment banks	166,105	114,924
Bank Negara Malaysia *	67,636	66,483
Other financial institutions	363,472	304,793
	<u>2,990,347</u>	<u>3,032,719</u>

^ Included in Non-Mudharabah Fund of licensed banks is an amount placed by the Bank's holding company of RM1,543,134,000 (2024 - RM2,446,519,000).

* Included RM58,931,000 (2024 - RM58,054,000) 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	2025 RM'000	2024 RM'000
At amortised cost			
Senior Sukuk Murabahah	(a)	1,999,400	1,000,000
Subordinated Sukuk Murabahah	(b)	1,000,000	1,000,000
		<u>2,999,400</u>	<u>2,000,000</u>

Movements in Sukuk Murabahah issued are as follows:

	2025 RM'000	2024 RM'000
At 1 January	2,000,000	2,000,000
Issuance		
- Senior Sukuk Murabahah	999,378	-
- Subordinated Sukuk Murabahah	-	500,000
Redemption		
- Subordinated Sukuk Murabahah	-	(500,000)
Amortisation of transaction costs	22	-
At 31 December	<u>2,999,400</u>	<u>2,000,000</u>

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

	2025 RM'000	2024 RM'000
At amortised cost		
RM1,000 million due in 2027	1,000,000	1,000,000
RM500 million due in 2030	499,689	-
RM500 million due in 2032	499,689	-
Cumulative amortisation of transaction costs	22	-
	<u>1,999,400</u>	<u>1,000,000</u>

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.

On 30 September 2025, the Bank issued the third (3rd) tranche RM500 million and the fourth (4th) tranche RM500 million in nominal value of Senior Sukuk Murabahah under the Sukuk Murabahah Programme which are due on 30 September 2030 and 30 September 2032 respectively. The Sukuk bear profit rate ranging from 3.54% to 3.62% 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

	2025	2024
	RM'000	RM'000
At amortised cost		
<u>Fourth tranche:</u>		
RM500 million 4.40% Subordinated Sukuk Murabahah due in 2032, callable in 2027	500,000	500,000
<u>Fifth tranche:</u>		
RM500 million 3.90% Subordinated Sukuk Murabahah due in 2034, callable in 2029	500,000	500,000
	<u>1,000,000</u>	<u>1,000,000</u>

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 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.
- (b) 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	2025 RM'000	2024 RM'000
Income payable		664,413	723,320
Other payables and accruals	(a)	112,583	118,633
Accrued restoration costs	(b)	1,094	1,094
Allowance for impairment on financing commitments and financial guarantees	(c)	12,521	11,632
		<u>790,611</u>	<u>854,679</u>

(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:

	2025 RM'000	2024 RM'000
<u>Sources of charity funds</u>		
Undistributed charity funds as at 1 January	19,825	18,618
Non-Islamic / prohibited income	-	3,000
<i>Gharamah</i> / penalty charges	1	475
Total sources of funds during the year	<u>19,826</u>	<u>22,093</u>
<u>Uses of charity funds</u>		
Contribution to non-profit organisations	4,130	2,268
Total uses of funds during the year	<u>4,130</u>	<u>2,268</u>
Undistributed charity funds as at 31 December	<u>15,696</u>	<u>19,825</u>

(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	Credit- Impaired (Stage 3) RM'000	Total RM'000
At 1 January 2025	6,911	4,298	423	11,632
Changes due to financing commitments and financial guarantees recognised as at 1 January 2025:	1,019	(913)	(106)	-
- Transfer to Stage 1: 12-Month ECL	1,226	(1,192)	(34)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(206)	330	(124)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(1)	(51)	52	-
New financing commitments and financial guarantees originated	1,218	670	39	1,927
Net remeasurement due to changes in credit risk	(524)	1,159	60	695
Financing commitments and financial guarantees derecognised	(261)	(406)	(6)	(673)
Modifications to contractual cash flows of financing commitments and financial guarantees	-	(55)	(33)	(88)
Changes in models / risk parameters	(659)	(315)	2	(972)
At 31 December 2025	<u>7,704</u>	<u>4,438</u>	<u>379</u>	<u>12,521</u>

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	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	<u>6,911</u>	<u>4,298</u>	<u>423</u>	<u>11,632</u>

23. PROVISION FOR ZAKAT AND TAXATION

	2025	2024
	RM'000	RM'000
Zakat	2,700	2,800
Tax expense	27,301	20,352
	<u>30,001</u>	<u>23,152</u>

24. SHARE CAPITAL

	2025	2024
	'000	'000
Number of ordinary shares: At 1 January / 31 December	<u>243,217</u>	<u>243,217</u>

	2025	2024
	RM'000	RM'000
Issued and fully paid ordinary shares: At 1 January / 31 December	<u>3,032,717</u>	<u>3,032,717</u>

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 2025	(17,052)	6,089	5,050	(5,913)
Net change in revaluation of financial investments at fair value through other comprehensive income:				
- Net unrealised gain	104,431	-	-	104,431
- Net gain on disposal reclassified to profit or loss	(31,692)	-	-	(31,692)
	<u>72,739</u>	<u>-</u>	<u>-</u>	<u>72,739</u>
Net change in cash flow hedges:				
- Net unrealised loss	-	(14,311)	-	(14,311)
Gain on remeasurements of defined benefit plan (Note 10)	-	-	461	461
Deferred tax (Note 12)	(17,457)	3,434	(111)	(14,134)
Other comprehensive income / (loss)	<u>55,282</u>	<u>(10,877)</u>	<u>350</u>	<u>44,755</u>
At 31 December 2025	<u><u>38,230</u></u>	<u><u>(4,788)</u></u>	<u><u>5,400</u></u>	<u><u>38,842</u></u>

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26. OTHER RESERVES (continued)

	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)
	<u>62,214</u>	<u>-</u>	<u>-</u>	<u>62,214</u>
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	<u>47,283</u>	<u>6,210</u>	<u>232</u>	<u>53,725</u>
At 31 December 2024	<u>(17,052)</u>	<u>6,089</u>	<u>5,050</u>	<u>(5,913)</u>

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

	2025	2024
	RM'000	RM'000
Income derived from investment of:		
(i) Term deposits	3,161,575	2,995,566
(ii) Other deposits	943,902	907,652
	<u>4,105,477</u>	<u>3,903,218</u>
(i) Income derived from investment of term deposits:		
	2025	2024
	RM'000	RM'000
Finance income and Hibah		
Financing and advances	2,603,494	2,461,566
Financial investments at fair value through other comprehensive income	275,693	300,712
Financial investments at amortised cost	141,986	133,157
Balances with banks	7,585	1,454
	<u>3,028,758</u>	<u>2,896,889</u>
Financial assets at fair value through profit or loss	31,886	18,407
Total finance income and Hibah	<u>3,060,644</u>	<u>2,915,296</u>
Other operating income		
Fee and commission income:		
- Commissions	34,542	32,004
- Service charges and fees	13,743	13,989
- Other fee income	3,890	5,030
Net gains and losses on financial instruments:		
- Net gain arising from sale of financial investments at fair value through other comprehensive income	22,320	3,002
- Net gain / (loss) representing ineffective portions of hedging derivatives	52	(36)
- Others	259	342
Gross distribution income from collective investment	14,815	14,564
Other income	11,310	11,375
Total other operating income	<u>100,931</u>	<u>80,270</u>
	<u>3,161,575</u>	<u>2,995,566</u>
Of which:		
Financing income earned on impaired financing	<u>7,301</u>	<u>7,804</u>

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

(ii) Income derived from investment of other deposits:

	2025	2024
	RM'000	RM'000
Finance income and Hibah		
Financing and advances	777,285	745,851
Financial investments at fair value through other comprehensive income	82,309	91,115
Financial investments at amortised cost	42,390	40,346
Balances with banks	2,264	440
	<u>904,248</u>	<u>877,752</u>
Financial assets at fair value through profit or loss	9,520	5,577
Total finance income and Hibah	<u>913,768</u>	<u>883,329</u>
Other operating income		
Fee and commission income:		
- Commissions	10,313	9,697
- Service charges and fees	4,103	4,239
- Other fee income	1,161	1,524
Net gains and losses on financial instruments:		
- Net gain arising from sale of financial investments at fair value through other comprehensive income	6,664	910
- Net gain / (loss) representing ineffective portions of hedging derivatives	16	(11)
- Others	77	104
Gross distribution income from collective investment	4,423	4,413
Other income	3,377	3,447
Total other operating income	<u>30,134</u>	<u>24,323</u>
	<u>943,902</u>	<u>907,652</u>
Of which:		
Financing income earned on impaired financing	<u>2,180</u>	<u>2,364</u>

28. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	2025	2024
	RM'000	RM'000
Finance income and Hibah		
Financing and advances	315,850	285,015
Financial investments at fair value through other comprehensive income	33,447	34,818
Financial investments at amortised cost	17,225	15,418
Balances with banks	920	168
	<u>367,442</u>	<u>335,419</u>
Financial assets at fair value through profit or loss	3,868	2,131
Total finance income and Hibah	<u>371,310</u>	<u>337,550</u>
Other operating income		
Fee and commission income:		
- Commissions	4,191	3,706
- Service charges and fees	1,667	1,620
- Other fee income	472	582
Net gains and losses on financial instruments:		
- Net gain arising from sale of financial investments at fair value through other comprehensive income	2,708	348
- Net gain / (loss) representing ineffective portions of hedging derivatives	6	(4)
- Others	32	39
Gross distribution income from collective investment	1,797	1,686
Other income	1,372	1,317
Total other operating income	<u>12,245</u>	<u>9,294</u>
	<u>383,555</u>	<u>346,844</u>
Of which:		
Financing income earned on impaired financing	<u>886</u>	<u>904</u>

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

	2025	2024
	RM'000	RM'000
Expected credit losses ("ECL") made / (written back) on:		
- Financing and advances	28,652	(96,739)
- Financing commitments and financial guarantees	889	327
	<u>29,541</u>	<u>(96,412)</u>
Impaired financing written off	3	6
Impaired financing recovered	(25,170)	(20,355)
	<u>4,374</u>	<u>(116,761)</u>

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

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

	2025	2024
	RM'000	RM'000
Base ECL	116,909	21,076
Management overlay	(87,368)	(117,488)
Total ECL made / (written back)	<u>29,541</u>	<u>(96,412)</u>

30. ALLOWANCE FOR IMPAIRMENT ON OTHER ASSETS

	2025	2024
	RM'000	RM'000
Expected credit losses (written back) / made on:		
- Financial investments at fair value through other comprehensive income		
- Debt instruments (Note 6)	(314)	81
- Financial investments at amortised cost		
- Debt instruments (Note 7)	113	(2)
Allowance for impairment on foreclosed properties	1,801	3,202
	<u>1,600</u>	<u>3,281</u>

31. INCOME ATTRIBUTABLE TO DEPOSITORS AND OTHERS

	2025	2024
	RM'000	RM'000
Deposits from customers		
- Non-Mudharabah fund	2,476,110	2,391,843
Deposits from banks and other financial institutions		
- Non-Mudharabah fund	157,987	156,676
Financing sold to Cagamas	40,410	35,044
Sukuk Murabahah	95,622	86,488
Lease liabilities (Note 15(c))	1,084	899
	<u>2,771,213</u>	<u>2,670,950</u>

32. PERSONNEL EXPENSES

	2025	2024
	RM'000	RM'000
Salaries, allowances and bonuses (Note (a))	40,908	37,223
Pension costs (Note (b))	6,633	5,673
Others	3,344	2,475
	<u>50,885</u>	<u>45,371</u>

Included in personnel expenses are the following:

	2025	2024
	RM'000	RM'000
(a) Salaries, allowances and bonuses		
- Directors' remuneration (Note 34) #	<u>2,681</u>	<u>2,658</u>

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

	2025	2024
	RM'000	RM'000
Dr. Shafaai bin Musa	<u>125</u>	<u>128</u>

	2025	2024
	RM'000	RM'000
(b) Pension costs		
- defined contribution plan	4,853	4,350
- defined benefit plan (Note 10)	1,780	1,323
	<u>6,633</u>	<u>5,673</u>

33. OTHER OVERHEADS AND EXPENDITURES

	2025	2024
	RM'000	RM'000
Establishment costs		
- Depreciation	2,602	2,592
- Insurance	1,170	1,124
- Water and electricity	370	378
- General repairs and maintenance	1,124	863
- Information technology expenses	3,567	4,259
- Others	3,084	2,829
	<u>11,917</u>	<u>12,045</u>
Marketing expenses		
- Advertisement and publicity	1,492	1,348
- Others	3,357	4,165
	<u>4,849</u>	<u>5,513</u>
Administration and general expenses		
- Communication expenses	25,974	19,746
- Legal and professional fees	8,329	8,661
- Others	22,936	37,192
	<u>57,239</u>	<u>65,599</u>
Cost of resource sharing charged by Public Bank Berhad *	627,357	578,928
Recovery of expenses	(19,233)	(22,938)
	<u>682,129</u>	<u>639,147</u>

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

	2025	2024
	RM'000	RM'000
Credit related	252,465	238,946
Non-credit branch support	234,080	219,109
Other administration function	140,812	120,873
	<u>627,357</u>	<u>578,928</u>

33. OTHER OVERHEADS AND EXPENDITURES (continued)

Included in other overheads and expenditures are the following:

	2025	2024
	RM'000	RM'000
Auditors' remuneration		
- audit	546	533
- regulatory related services *	71	69
Depreciation of right-of-use assets (Note 15(a) and (c))	1,510	1,615
Depreciation of property and equipment (Note 16)	1,092	977
	<u>1,092</u>	<u>977</u>

* Regulatory related services are provided in respect of limited review services.

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

	2025	2024
	RM'000	RM'000
Chief Executive Officer of the Bank		
- Salary and other remuneration	1,050	905
- Bonuses	830	718
- Benefits-in-kind	9	7
	<u>1,889</u>	<u>1,630</u>
Directors of the Bank (Note 32)		
Executive Director:		
- Fees	111	112
- Other remuneration	64	64
	<u>175</u>	<u>176</u>
Non-Executive Directors:		
- Fees	710	681
- Other remuneration	1,671	1,673
	<u>2,381</u>	<u>2,354</u>
Shariah Committee members		
- Allowance	559	478
- Other remuneration	106	111
	<u>665</u>	<u>589</u>
	<u>5,110</u>	<u>4,749</u>

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

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

2025	Fees RM'000	Other Remuneration RM'000	Total RM'000
<u>Executive Director:</u>			
Tan Sri Dato' Sri (Dr) Tay Ah Lek	111	64	175
<u>Non-Executive Directors:</u>			
Dato' Haji Kamil Khalid bin Dato' Mushir Ariff	151	347	498
Datin Dr. Rusnah binti Muhamad	111	341	452
Mr Lam Song Shen	112	335	447
Dr. Shafaai bin Musa	112	224	336
Datuk Mohd Anwar bin Yahya	112	232	344
Mr Tan Keat Lin	112	192	304
	710	1,671	2,381
	821	1,735	2,556

2024	Fees RM'000	Other Remuneration RM'000	Total RM'000
<u>Executive Director:</u>			
Tan Sri Dato' Sri (Dr) Tay Ah Lek	112	64	176
<u>Non-Executive Directors:</u>			
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.

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:

2025	Allowance RM'000	Other Remuneration RM'000	Total RM'000
Dr. Shafaai bin Musa	106	19	125
Engku Ahmad Fadzil bin Engku Ali ²	52	2	54
Dr. Syed Musa bin Syed Jaafar Alhabshi	93	19	112
Dr. Marhanum binti Che Mohd Salleh ³	77	17	94
Dr. Yasmin Hanani binti Mohd. Safian	93	19	112
Dr. Mohamad Zaharuddin Zakaria ⁴	69	15	84
Hj. Abdul Rahman Mohd. Yusoff ⁴	69	15	84
	<u>559</u>	<u>106</u>	<u>665</u>

² This represents the remuneration paid to this Shariah committee member until his retirement on 23 July 2025.

³ This represents the remuneration paid to this Shariah committee member until her retirement on 31 October 2025.

⁴ This represents the remuneration paid to the Shariah committee members since their appointment on 1 April 2025.

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 ⁵	70	17	87
Mr Wan Abdul Rahim Kamil bin Wan Mohamed Ali ⁶	23	6	29
	<u>478</u>	<u>111</u>	<u>589</u>

⁵ This represents the remuneration paid to this Shariah committee member since her appointment on 1 April 2024.

⁶ This represents the remuneration paid to this Shariah committee member until his retirement on 31 March 2024.

35. ZAKAT AND TAXATION

	2025	2024
	RM'000	RM'000
Zakat	<u>2,700</u>	<u>5,021</u>
Malaysian income tax		
- in respect of current year profit	220,509	229,880
- under / (over) provision in prior years	<u>66</u>	<u>(1,805)</u>
	<u>220,575</u>	<u>228,075</u>
Deferred tax expense (Note 12)		
- Relating to origination and reversal of temporary differences arising from:		
- excess of capital allowances over depreciation	1	89
- defined benefit plan	(39)	25
- other temporary differences	868	(6,282)
- allowance for impairment on financing and advances	<u>7,536</u>	<u>13,508</u>
	<u>8,366</u>	<u>7,340</u>
- under provision in prior years	<u>116</u>	<u>1,475</u>
	<u>8,482</u>	<u>8,815</u>
Tax expense	<u>229,057</u>	<u>236,890</u>
	<u>231,757</u>	<u>241,911</u>

The Malaysian income tax is calculated at the statutory tax rate of 24% (2024: 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:

	2025	2024
	%	%
	RM'000	RM'000
Profit before zakat and taxation	<u>978,831</u>	<u>1,008,074</u>
Income tax using Malaysian tax rate	24.0	24.0
Income not subject to tax	(0.7)	(0.5)
Expenses not deductible for tax purposes	0.1	-
	<u>23.4</u>	<u>23.5</u>
Under / (Over) provision in prior years	-	-
Tax expense for the year	<u>23.4</u>	<u>23.5</u>

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:

	2025	2024
Net profit attributable to the equity holder of the Bank (RM'000)	<u>747,074</u>	<u>766,163</u>
Weighted average number of ordinary shares in issue ('000)	<u>243,217</u>	<u>243,217</u>
Basic EPS (sen)	<u>307.2</u>	<u>315.0</u>

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

Local Related Companies

Public Investment Bank Berhad
Public Invest Nominees (Tempatan) Sdn. Bhd.
Public Invest Nominees (Asing) Sdn. Bhd.
Public Consolidated Holdings Sdn. Bhd.
Public Mutual Berhad

Public Holdings Sdn. Bhd.
Public Nominees (Tempatan) Sdn. Bhd.
Public Nominees (Asing) Sdn. Bhd.
Public Bank (L) Ltd.
PB Venture Capital Sdn. Bhd.
Public Leasing & Factoring Sdn. Bhd.
PB International Factors Sdn. Bhd.
PB Trustee Services Berhad
LPI Capital Bhd
Lonpac Insurance Bhd

Overseas Related Companies

Cambodian Public Bank Plc
Campu Securities Plc
Campu Lonpac Insurance Plc

Principal Activities

Investment banking
Nominee services
Nominee services
Investment holding
Sale and management of unit
trust funds and private
retirement schemes
Property holding
Nominee services
Nominee services
Labuan banking
Investment holding
Leasing and factoring
Investment holding
Trustee services
Investment holding
Underwriting of general insurance

Banking
Securities dealing and underwriting
Underwriting of general insurance

38. RELATED PARTY TRANSACTIONS (continued)

(i) Holding and Related Companies (continued)

<u>Related Companies</u>	<u>Principal Activities</u>
<u>Overseas Related Companies (continued)</u>	
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	In member's voluntary winding-up
Public Securities (Nominees) Limited	In member's voluntary winding-up
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	Securities brokerage and investment banking
Public Bank Lao Limited	Banking
Lonpac Insurance Singapore Pte. Ltd.	Dormant
<u>Collective Investments</u>	
Public Institutional Bond Fund	Bond fund
Public Wholesale Income Fund	Wholesale income fund
Public Islamic Wholesale Income Fund	Wholesale income fund
<u>Associated Company</u>	
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.

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

38. RELATED PARTY TRANSACTIONS (continued)

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

	Key Management Personnel *		Holding Company		Other Related Parties		Collective Investment	
	2025	2024	2025	2024	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Income earned:								
Financing income on								
financing and advances	38	42	-	-	-	-	-	-
Profit income on profit rate swaps	-	-	3,810	2,320	-	-	-	-
Distribution income	-	-	-	-	-	-	21,035	20,663
Commission income	-	-	-	-	27,175	22,488	-	-
Fee income	-	-	-	-	3,634	3,490	-	-
	<u>38</u>	<u>42</u>	<u>3,810</u>	<u>2,320</u>	<u>30,809</u>	<u>25,978</u>	<u>21,035</u>	<u>20,663</u>
Expenditure incurred:								
Profit expense attributable to depositors	26	41	93,497	94,336	5,009	12,316	53,887	49,726
Profit expense on								
Sukuk Murabahah issued	-	-	-	-	759	57	-	-
Cost of resource sharing paid / payable	-	-	627,357	578,928	-	-	-	-
Rental of premises ^	-	-	820	820	742	659	-	-
Insurance premiums	-	-	-	-	151	-	-	-
Professional fees	-	-	-	-	550	550	-	-
	<u>26</u>	<u>41</u>	<u>721,674</u>	<u>674,084</u>	<u>7,211</u>	<u>13,582</u>	<u>53,887</u>	<u>49,726</u>

* 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 RM26,000 (2024 - RM41,000); and
- (ii) financing income on financing and advances of RM1,000 (2024 - 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	
	2025	2024	2025	2024	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Amount due from related parties								
Interbank investing	-	-	387,286	470,939	-	-	-	-
Derivative financial assets	-	-	4,188	19,924	-	-	-	-
Financing and advances	980	1,147	-	-	-	-	-	-
Distribution receivable	-	-	-	-	-	-	1,628	1,764
Income receivable	-	-	-	393	-	-	-	-
Rental deposits	-	-	205	205	165	165	-	-
	<u>980</u>	<u>1,147</u>	<u>391,679</u>	<u>491,461</u>	<u>165</u>	<u>165</u>	<u>1,628</u>	<u>1,764</u>
Amount due to related parties								
Demand deposits	23	27	-	-	104,377	128,476	51	50
Term deposits	1,563	1,120	1,417,086	2,443,108	121,810	204,990	1,529,134	1,339,873
Interbank acceptance	-	-	126,048	3,411	10,933	10,558	-	-
Derivative financial liabilities	-	-	10,526	12,026	-	-	-	-
Income payable	-	-	318	-	411	1,212	7,722	6,694
Sukuk Murabahah issued	-	-	-	-	25,000	15,000	-	-
	<u>1,586</u>	<u>1,147</u>	<u>1,553,978</u>	<u>2,458,545</u>	<u>262,531</u>	<u>360,236</u>	<u>1,536,907</u>	<u>1,346,617</u>
Commitments and contingencies								
Commitments	<u>225</u>	<u>258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

* 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 RM1,526,000 (2024 - RM1,115,000); and
- (ii) financing and advances of RM54,000 (2024 - 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 (2024 - None) are impaired.

- (d) Key Management Personnel Compensation

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

	2025	2024
	RM'000	RM'000
Employee benefits:		
- Fees	821	793
- Salary and other allowances	5,919	5,599
- Benefits-in-kind	11	11
Post-employment benefits		
- Defined contribution plan	486	447
- Annual service cost	159	151
	<u>7,396</u>	<u>7,001</u>

Included in the total key management personnel compensation are:

Directors' remuneration including benefits-in-kind		
- Directors of the Bank (Note 34) *	<u>2,681</u>	<u>2,658</u>

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

	2025	2024
	RM'000	RM'000
Dr. Shafaai bin Musa	<u>125</u>	<u>128</u>

39. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	2025 RM'000	2024 RM'000
Outstanding credit exposures with connected parties	<u>1,523,677</u>	<u>1,033,498</u>
of which:		
Total credit exposures which are impaired or in default	<u>-</u>	<u>242</u>
Total credit exposures	<u>91,750,648</u>	<u>84,245,729</u>
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	1.66%	1.23%
- as a proportion of total capital	<u>14.77%</u>	<u>10.81%</u>

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, and 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 on retails business and corporate financing selected through risk based approach. Periodical review/assessment of various industries commensurating with the Bank's assets profiles are also being carried out by the ICR Team.

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 2025	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	166	835,518	-	-	-	-	-	-	835,684
Financial assets at fair value through profit or loss									
- Money market instruments	-	1,044,829	-	-	-	-	-	-	1,044,829
Derivative financial assets	-	4,188	-	-	-	-	-	-	4,188
Financial investments at fair value through other comprehensive income									
- Government securities and treasury bills	11,711,224	-	-	-	-	-	-	-	11,711,224
Financial investments at amortised cost (Gross)									
- Government securities and treasury bills	4,470,516	-	-	-	-	-	-	-	4,470,516
- Non-money market instruments	100,759	1,291,049	101,481	60,420	-	-	-	-	1,553,709
Gross financing and advances									
- Retail financing									
- house financing	-	-	-	-	-	40,384,648	-	-	40,384,648
- hire purchase	1,130	1,592	80,124	111,123	76,330	-	17,447,545	-	17,717,844
- credit cards	-	-	-	-	-	-	-	191,843	191,843
- other financing	-	24,254	1,275,306	5,271,351	4,501,031	1,209,221	18,920	8,031,089	20,331,172
- Corporate financing	1,016,666	2,895,181	1,393,913	2,170,232	864,657	4,352	-	-	8,345,001
Statutory deposits with Bank Negara Malaysia	943,400	-	-	-	-	-	-	-	943,400
Total	18,243,861	6,096,611	2,850,824	7,613,126	5,442,018	41,598,221	17,466,465	8,222,932	107,534,058
Commitments and contingencies									
Contingent liabilities	1,840	1,691	15,893	42,024	547,910	-	-	2	609,360
Commitments	280,702	77,856	494,344	2,173,583	1,731,047	4,054,454	46	2,011,013	10,823,045
	282,542	79,547	510,237	2,215,607	2,278,957	4,054,454	46	2,011,015	11,432,405
Total Credit Exposures	18,526,403	6,176,158	3,361,061	9,828,733	7,720,975	45,652,675	17,466,511	10,233,947	118,966,463

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	2,227	12,863	43,930	105,585	-	-	220	166,665
Commitments	660	16,905	334,328	1,638,320	1,357,102	4,092,466	6,956	1,831,444	9,278,181
	2,500	19,132	347,191	1,682,250	1,462,687	4,092,466	6,956	1,831,664	9,444,846
Total Credit Exposures	21,535,169	5,578,664	2,691,423	8,289,425	7,102,288	43,180,441	14,328,042	9,358,039	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 Geographical Analysis

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

	2025	2024
	RM'000	RM'000
On-Balance Sheet Exposures		
Cash and balances with banks	<u>8,603</u>	<u>5,118</u>

(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 accorded 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 which are neither credit-impaired nor have shown significant increase in credit risk and debt instruments with rating of A+ to BBB / P-2 accorded by a recognised credit rating agency.
- “Sub-standard Grade” refers to exposures that are past due 31 days or more but not credit-impaired, or customers with indication of significant increase in credit risk and debt instruments with rating of BB to CCC / P-3 accorded 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)

	2025			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt Instruments				
Good	18,780,278	-	-	18,780,278
Satisfactory	-	-	-	-
Sub-standard	-	-	-	-
Credit-impaired	-	-	-	-
Gross carrying amount	18,780,278	-	-	18,780,278
Gross Financing and Advances				
Good	77,668,607	-	-	77,668,607
Satisfactory	4,657,685	-	-	4,657,685
Sub-standard	-	4,380,641	-	4,380,641
Credit-impaired	-	-	263,575	263,575
Gross carrying amount	82,326,292	4,380,641	263,575	86,970,508
Financing Commitments and Financial Guarantees				
Good	4,787,489	-	-	4,787,489
Satisfactory	17,377	-	-	17,377
Sub-standard	-	196,443	-	196,443
Credit-impaired	-	-	8,040	8,040
Gross exposure	4,804,866	196,443	8,040	5,009,349

40. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Risk Management Approach (continued)

(ii) Credit Quality (continued)

	2024			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	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)

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:

	2025	2024
	RM'000	RM'000
1 to 30 Days	4,715,174	4,658,441
31 to 59 Days	992,103	918,641
60 to 89 Days	749,536	755,592
	<u>6,456,813</u>	<u>6,332,674</u>

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 2025 is at 88.7% (2024 - 88.8%). 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:

	2025	2024
	RM'000	RM'000
Residential properties	23,533	25,237
Non-residential properties	7,965	9,930
	<u>31,498</u>	<u>35,167</u>

Repossessed collateral are sold as soon as practicable. Repossessed collateral acquired by the Bank 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 rating from external credit ratings agencies:

Financial Assets at Fair Value through Profit or Loss

	<----- 31 December 2025 ----->			<----- 31 December 2024 ----->		
	Money Market Instruments			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-	-	1,044,829	1,044,829	-	993,555	993,555

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 rating from external credit ratings agencies (continued):

Financial Investments at Amortised Cost (Gross)

	<----- 31 December 2025 ----->			<----- 31 December 2024 ----->		
	Non-money Market Instruments Debt Securities			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
Sovereign guaranteed	-	100,759	100,759	-	-	-
AAA to AA-	-	1,452,950	1,452,950	-	1,195,361	1,195,361
	-	1,553,709	1,553,709	-	1,195,361	1,195,361

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 (2024 - 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 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 RM19,000 (2024 - RM11,000).

(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 which will adversely affect 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.

2025	----- Non-trading book ----->						Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective rate of return %
	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					
ASSETS										
Cash and balances with banks	21,488	400,000	-	-	-	414,196	-	835,684	3.00	
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,044,829	1,044,829	3.25	
Financial investments at fair value through other comprehensive income	-	1,021,634	2,068,810	7,510,976	1,109,804	-	-	11,711,224	3.09	
Financial investments at amortised cost	-	343,578	295,165	4,890,641	493,816	-	-	6,023,200	3.71	
Financing and advances										
- not credit-impaired	64,274,577	1,364,177	2,371,875	11,958,287	6,738,017	-	-	86,706,933	4.29	
- credit-impaired *	-	-	-	-	-	(409,676)	-	(409,676)	-	
Other asset balances	-	-	-	-	-	2,063,116	-	2,063,116	-	
TOTAL ASSETS	64,296,065	3,129,389	4,735,850	24,359,904	8,341,637	2,067,636	1,044,829	107,975,310		

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)

2025	←----- Non-trading book ----->						Trading book RM'000	Total RM'000	Effective rate of return %
	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			
LIABILITIES AND EQUITY									
Deposits from customers	27,956,645	19,886,291	34,456,225	154,391	-	8,648,034	-	91,101,586	3.03
Deposits from banks and other financial institutions	1,730,937	50,038	690	1,117,872	149	90,661	-	2,990,347	3.50
Bills and acceptances payable	-	-	-	-	-	928	-	928	-
Recourse obligations on financing sold to Cagamas	-	-	-	1,000,000	-	-	-	1,000,000	4.03
Sukuk Murabahah	-	-	-	2,500,000	499,400	-	-	2,999,400	4.08
Other liability balances	-	-	-	-	-	858,058	-	858,058	-
Total Liabilities	29,687,582	19,936,329	34,456,915	4,772,263	499,549	9,597,681	-	98,950,319	
Equity attributable to equity holder of the Bank	-	-	-	-	-	9,024,991	-	9,024,991	-
TOTAL LIABILITIES AND EQUITY	29,687,582	19,936,329	34,456,915	4,772,263	499,549	18,622,672	-	107,975,310	
On-balance sheet profit sensitivity gap	34,608,483	(16,806,940)	(29,721,065)	19,587,641	7,842,088	(16,555,036)	1,044,829	-	
Off-balance sheet profit sensitivity gap (profit rate swaps)	1,338,000	2,200,000	(1,300,000)	(2,238,000)	-	-	-	-	
TOTAL PROFIT SENSITIVITY GAP	35,946,483	(14,606,940)	(31,021,065)	17,349,641	7,842,088	(16,555,036)	1,044,829	-	

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 ----->						Trading book RM'000	Total RM'000	Effective rate of return %
	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			
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 ----->						Trading book RM'000	Total RM'000	Effective rate of return %
	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			
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	-	

* 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)		
2025		
+ 100 bps	119,814	(296,913)
- 100 bps	(109,115)	308,259
2024		
+ 100 bps	115,798	(321,092)
- 100 bps	(127,202)	332,023

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 liquid assets 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)

2025	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	435,684	400,000	-	-	-	-	-	-	835,684
Financial investments	299,525	2,011,390	99,126	2,363,976	6,315,255	6,086,361	1,603,620	-	18,779,253
Derivative financial assets	57	-	922	1,515	227	1,467	-	-	4,188
Financing and advances	3,257,214	1,200,946	1,333,673	2,696,732	11,414,550	11,814,810	54,579,332	-	86,297,257
Other asset balances	4,693	342	3	-	-	-	911	2,052,979	2,058,928
TOTAL ASSETS	3,997,173	3,612,678	1,433,724	5,062,223	17,730,032	17,902,638	56,183,863	2,052,979	107,975,310
LIABILITIES									
Deposits from customers	35,677,676	20,127,622	19,446,426	15,603,029	245,646	1,187	-	-	91,101,586
Deposits from banks and other financial institutions	1,755,752	50,410	59,460	555	1,119,574	1,710	2,886	-	2,990,347
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	1,000,000	-	-	1,000,000
Sukuk Murabahah	-	-	-	-	1,500,000	1,000,000	499,400	-	2,999,400
Derivative financial liabilities	-	-	-	1,692	5,598	3,236	-	-	10,526
Lease liabilities	181	363	545	1,089	4,355	4,355	16,032	-	26,920
Other liability balances	248,214	194,915	184,122	155,650	2,770	11	-	35,858	821,540
TOTAL LIABILITIES	37,681,823	20,373,310	19,690,553	15,762,015	2,877,943	2,010,499	518,318	35,858	98,950,319
NET LIQUIDITY GAP	(33,684,650)	(16,760,632)	(18,256,829)	(10,699,792)	14,852,089	15,892,139	55,665,545	2,017,121	9,024,991

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)

(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.

	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
2025									
Deposits from customers	35,840,197	20,502,892	19,858,305	16,089,494	248,510	1,220	-	-	92,540,618
Deposits from banks and other financial institutions	1,760,674	50,680	59,460	555	1,211,913	1,711	2,886	-	3,087,879
Recourse obligations on financing sold to Cagamas	-	-	19,984	20,316	80,710	1,040,300	-	-	1,161,310
Derivative financial liabilities	1,065	1,049	2,075	3,963	4,073	(205)	-	-	12,020
Sukuk Murabahah	11,090	17,753	32,162	61,295	1,677,752	1,091,100	536,250	-	3,427,402
Lease liabilities	181	363	545	1,089	4,355	4,355	27,004	-	37,892
Other liability balances	82,211	8,054	299	107	597	-	-	35,858	127,126
Total Liabilities	37,695,418	20,580,791	19,972,830	16,176,819	3,227,910	2,138,481	566,140	35,858	100,394,247
Direct credit substitutes	2,343	660	6,926	16,731	6,400	102	-	-	33,162
Transaction-related contingent items	28,741	3,527	7,132	16,930	45,902	439,307	31,708	-	573,247
Short term self-liquidating trade-related contingencies	2,504	447	-	-	-	-	-	-	2,951
Other commitments, such as formal standby facilities and credit lines	294,571	340,009	395,444	1,335,212	1,323,241	431,479	693,164	5,087,399	9,900,519
Unutilised credit card lines	-	-	-	-	-	-	-	642,484	642,484
Forward asset purchases	280,042	-	-	-	-	-	-	-	280,042
Total Commitments and Contingencies	608,201	344,643	409,502	1,368,873	1,375,543	870,888	724,872	5,729,883	11,432,405

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)

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)

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 proactive 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 evolution 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 six (6) SNC incidents involving the following nature of events for the financial year ended 31 December 2025 (2024:4):

- (i) Inaccurate and double charging of Late Payment Charges ("LPC") for Bai' Inah ("BAE") Personal Financing-i ("PF-i");
- (ii) Inaccurate calculation of rebate (Ibra') for BAE PF-i;
- (iii) Delay in performing the underlying commodity trading for profit payments for Term Deposit-i ("TD-i");
- (iv) Cross-selling and bundling of conventional insurance with Islamic financing facility;
- (v) Inaccurate charging of LPC for AI-Ijarah Thumma AI-Bai' ("AITAB") Hire Purchase-i ("HP-i") accounts; and
- (vi) Non-execution of security documentation for BAE Term Financing-i (TF-i).

There was no SNC income for purification for the financial year ended 31 December 2025 (2024: RM3,000,000).

During the financial year 2025, the rectification plans were completed for the SNC incident in relation to incomplete/under construction properties as underlying assets for Bai' Bithaman Ajil ("BBA") House Financing-i ("HF-i") and TF-i. The accumulated profit relating to the affected accounts has been derecognised from the financial statements and reconciliation of the accumulated SNC income for purification is in-progress.

Further, a total of RM1,000 (2024: RM475,000) were identified as Gharamah from written off accounts, that 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:

2025	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	-	1,044,829	-	1,044,829
Financial investments at fair value through other comprehensive income				
- Government securities and treasury bills	-	11,711,224	-	11,711,224
Derivative financial assets	-	4,188	-	4,188
Total financial assets measured at fair value	<u>-</u>	<u>12,760,241</u>	<u>-</u>	<u>12,760,241</u>
Financial liabilities				
Derivative financial liabilities	-	10,526	-	10,526
Total financial liabilities measured at fair value	<u>-</u>	<u>10,526</u>	<u>-</u>	<u>10,526</u>

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):

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	<u>-</u>	<u>14,498,090</u>	<u>-</u>	<u>14,498,090</u>
Financial liabilities				
Derivative financial liabilities	-	12,026	-	12,026
Total financial liabilities measured at fair value	<u>-</u>	<u>12,026</u>	<u>-</u>	<u>12,026</u>

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 (2024 - 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	Level 2	Level 3	Total	Carrying
	RM'000	RM'000	RM'000	Fair	Amount
				Value	RM'000
				RM'000	
2025					
Financial assets					
Financial investments at amortised cost					
- Government securities and treasury bills	-	4,532,615	-	4,532,615	4,469,756
- Non-money market instruments	-	1,571,191	-	1,571,191	1,553,444
Financing and advances					
- Retail financing					
- house financing	-	40,206,634	-	40,206,634	40,176,302
- hire purchase	-	17,383,724	-	17,383,724	17,535,115
- credit cards	-	189,240	-	189,240	189,239
- other financing	-	-	20,115,556	20,115,556	20,114,022
- Corporate financing	-	-	8,353,831	8,353,831	8,282,579
Financial liabilities					
Recourse obligations on financing					
sold to Cagamas	-	-	1,016,738	1,016,738	1,000,000
Sukuk Murabahah	-	3,031,575	-	3,031,575	2,999,400

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
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)

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.

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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		Net Amount RM'000
			Value of the Financial Instruments RM'000	Cash Collateral Received / Pledged RM'000		
2025						
<u>Financial assets</u>						
Derivative financial assets						
- Profit rate related contracts						
- Profit rate swaps	4,188	-	4,188	-	-	4,188
<u>Financial liabilities</u>						
Derivative financial liabilities						
- Profit rate related contracts						
- Profit rate swaps	10,526	-	10,526	-	-	10,526

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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		Net Amount RM'000
			Value of the Financial Instruments RM'000	Cash Collateral Received / Pledged RM'000		
2024						
<u>Financial assets</u>						
Derivative financial assets						
- Profit rate related contracts						
- Profit rate swaps	19,924	-	19,924	-	-	19,924
<u>Financial liabilities</u>						
Derivative financial liabilities						
- Profit rate related contracts						
- Profit rate swaps	12,026	-	12,026	-	-	12,026

43. CAPITAL AND OTHER COMMITMENTS

	2025	2024
	RM'000	RM'000
Authorised and contracted for:		
- Computer equipment and software	98	10
	<u>98</u>	<u>10</u>

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:

	2025	2024
	RM'000	RM'000
Contingent liabilities		
Direct credit substitutes	33,162	34,827
Transaction-related contingent items	573,247	127,153
Short term self-liquidating trade-related contingencies	2,951	4,685
	<u>609,360</u>	<u>166,665</u>
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
- exceeding one year	6,717,323	6,239,218
- not exceeding one year	3,183,196	2,488,982
Unutilised credit card lines	642,484	549,981
Forward asset purchases	280,042	-
	<u>10,823,045</u>	<u>9,278,181</u>
Derivative financial instruments		
Foreign exchange related contracts:		
- up to one year	5	-
Profit rate related contracts:		
- up to one year	1,400,000	1,200,000
- more than one year to five years	2,238,000	2,600,000
- more than five years	-	200,000
	<u>3,638,005</u>	<u>4,000,000</u>
	<u>15,070,410</u>	<u>13,444,846</u>

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:

	2025	2024
<u>Before deducting dividend *</u>		
Common Equity Tier I ("CET I") capital ratio	13.549%	13.419%
Tier I capital ratio	13.549%	13.419%
Total capital ratio	<u>16.331%</u>	<u>16.312%</u>
<u>After deducting dividend *</u>		
CET I capital ratio	13.549%	13.419%
Tier I capital ratio	13.549%	13.419%
Total capital ratio	<u>16.331%</u>	<u>16.312%</u>

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

BNM's Capital Adequacy Framework ("CAF") on Operational Risk and Exposures to Central Counterparties Policy Documents came into effect on 1 January 2025. CAF on Operational Risk sets out the capital requirements based on a single risk-sensitive Standardised Approach, superseded previously adopted Basic Indicator Approach. In addition, the CAF on Exposures to Central Counterparties provides guidelines on capital requirements to manage the risks arising from exposures to central counterparties.

The total risk-weighted assets of the Bank are computed based on the following approaches:

- (i) Credit Risk : Standardised Approach;
- (ii) Market Risk : Standardised Approach; and
- (iii) Operational Risk : Standardised Approach (2024 : Basic Indicator Approach).

Regulatory capital requirements

The capital adequacy ratios of the Bank are computed in accordance with BNM's CAFIB on Capital Components and Risk-Weighted Assets, CAF on Operational Risk and Exposures to Central Counterparties.

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:

	2025	2024
	RM'000	RM'000
<u>CET I capital / Tier I capital</u>		
Share capital	3,032,717	3,032,717
Other reserves	22,603	(12,002)
Retained profits	5,638,034	4,998,912
Less: Deferred tax assets, net	(63,827)	(86,443)
Less: Defined benefit pension fund assets	(912)	(613)
Less: Investment in an associated company deducted from CET I capital	(67,500)	(67,500)
Total CET I capital / Tier I capital	<u>8,561,115</u>	<u>7,865,071</u>
<u>Tier II capital</u>		
Stage 1 and Stage 2 expected credit loss allowances	618,312	652,708
Qualifying regulatory reserve ¹	138,845	42,833
Subordinated Sukuk Murabahah	1,000,000	1,000,000
Total Tier II capital	<u>1,757,157</u>	<u>1,695,541</u>
Total capital	<u>10,318,272</u>	<u>9,560,612</u>

¹ Excludes regulatory reserve not qualified from Tier II capital of the Bank of RM176,553,000 (2024 - RM164,613,000).

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

	2025	2024
	RM'000	RM'000
Credit risk	60,572,598	55,643,313
Market risk	55,007	62,020
Operational risk	2,556,405	2,905,605
	<u>63,184,010</u>	<u>58,610,938</u>

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 (2024 - None).

47. SEGMENT INFORMATION (continued)

	<----- Operating Segments ----->						Total RM'000
	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	
2025							
External revenue	840,088	2,585,416	343,652	297,859	421,758	-	4,488,773
Revenue from other segments	3,248	601,417	1,144	360,907	223,473	(1,190,189)	-
	<u>843,336</u>	<u>3,186,833</u>	<u>344,796</u>	<u>658,766</u>	<u>645,231</u>	<u>(1,190,189)</u>	<u>4,488,773</u>
Net finance income / (expense)	261,539	980,484	55,766	(6,754)	283,474	-	1,574,509
Other operating income	2,845	81,743	2,083	22,622	34,017	-	143,310
Net income	<u>264,384</u>	<u>1,062,227</u>	<u>57,849</u>	<u>15,868</u>	<u>317,491</u>	<u>-</u>	<u>1,717,819</u>
Other operating expenses	(80,841)	(490,876)	(3,972)	(9,469)	(147,856)	-	(733,014)
of which:							
<i>Depreciation</i>	-	(1,050)	-	-	(1,552)	-	(2,602)
(Allowance) / Writeback of allowance for impairment on financing and advances	(44,166)	23,344	16,448	-	-	-	(4,374)
(Allowance) / Writeback of allowance for impairment on other assets	-	(1,802)	-	142	60	-	(1,600)
Profit by segments	<u>139,377</u>	<u>592,893</u>	<u>70,325</u>	<u>6,541</u>	<u>169,695</u>	<u>-</u>	<u>978,831</u>
Cost-to-income ratio	30.6%	46.2%	6.9%	59.7%	46.6%	-	42.7%
Gross financing and advances	17,720,400	60,905,107	8,345,001	-	-	-	86,970,508
Financing growth	21.7%	6.2%	-0.8%	-	-	-	8.3%
Impaired financing and advances	43,771	219,804	-	-	-	-	263,575
Impaired financing ratio	0.25%	0.36%	-	-	-	-	0.30%
Deposits from customers	-	80,869,045	12,850	10,219,691	-	-	91,101,586
Deposit growth	-	4.9%	160.9%	-4.8%	-	-	3.8%
Addition to non-current assets	-	625	-	-	3	-	628
Segment assets	<u>17,643,194</u>	<u>82,182,100</u>	<u>8,282,708</u>	<u>12,063,798</u>	<u>13,254,653</u>	<u>(25,694,143)</u>	<u>107,732,310</u>
Reconciliation of segment assets to total assets:							
Investment in an associated company							67,500
Unallocated assets							175,500
Total assets							<u>107,975,310</u>

47. SEGMENT INFORMATION (continued)

	<----- Operating Segments ----->						Total RM'000
	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	
2024							
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)	-
	<u>689,401</u>	<u>3,076,074</u>	<u>337,448</u>	<u>658,967</u>	<u>647,970</u>	<u>(1,159,896)</u>	<u>4,249,964</u>
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)	<u>229,547</u>	<u>1,052,831</u>	<u>55,657</u>	<u>(14,813)</u>	<u>255,890</u>	<u>-</u>	<u>1,579,112</u>
Other operating expenses	(60,507)	(485,549)	(2,213)	(10,277)	(125,972)	-	(684,518)
of which:							
<i>Depreciation</i>	-	(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	<u>223,803</u>	<u>599,713</u>	<u>79,809</u>	<u>(25,151)</u>	<u>129,900</u>	<u>-</u>	<u>1,008,074</u>
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	<u>14,494,869</u>	<u>78,478,758</u>	<u>8,336,079</u>	<u>11,809,798</u>	<u>12,115,810</u>	<u>(22,538,568)</u>	<u>102,696,746</u>
Reconciliation of segment assets to total assets:							
Investment in an associated company							67,500
Unallocated assets							211,345
Total assets							<u>102,975,591</u>

48. RATING STATEMENT

As at 31 December 2025, the Bank was accorded the following ratings:

<u>Agency</u>	<u>Date assigned</u>	<u>Ratings</u>
RAM Rating	21 May 2025 (Reaffirmed)	Long-Term Rating : AAA
Services Berhad	21 May 2025 (Reaffirmed)	Short-Term Rating : P1
	21 May 2025 (Reaffirmed)	Outlook : Stable
	21 May 2025 (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 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 to perform oversight and advisory roles on Shariah matters to ensure that the Bank's business and activities are in compliance with 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 times. The SC members are responsible and accountable for all Shariah decisions, opinions and views provided by them;
- (c) Review and endorse Shariah related policies and guidelines including their revision, improvement and updates from time to time as may be necessary;
- (d) Review and endorse proposed products and services to ensure compliance with Shariah rules and principles which include but not limited to the following:
 - (i) the terms and conditions contained in the forms, contracts, agreements or legal documents used in executing the transactions; and
 - (ii) the product manual, marketing advertisements, sales illustrations and brochures used to describe the product and services.
- (e) Endorse all introduction, cessation and revision of fees and charges for Islamic products and services;
- (f) Approve any matters which involve Shariah areas and not related to the proposed products;
- (g) Review and approve matters pertaining to the delegation functions to Shariah Division including the extent of authority, scope of delegation, the policy and procedures governing the operationalisation of delegation functions;

49. SHARIAH COMMITTEE (continued)

The roles and responsibilities of the SC, as guided by Para 10.2 of BNM SGPD are as follows (continued):

- (h) Review and to concur on the discontinuation of Shariah-compliant products offered;
- (i) Deliberate and confirm the status of potential Shariah Non-Compliant (SNC) event as actual SNC event or non-SNC;
- (j) In relation to the proposal on the application of Hajah and Darurah, SC –
 - (i) shall deliberate the proposed application of Hajah type 2 and Darurah and must ascertain views and insights on such matters, except under exceptional circumstances;
 - (ii) shall provide their views in writing should the SC is not in attendance in the SC meeting;
 - (iii) shall ensure that the minutes prepared relating to the proposed application of Hajah type 2 and Darurah are accurate, comprehensive and clear;
 - (iv) shall ensure the deliberations, considerations and justifications on the decision or advice, including assessment on the relevant parameters provided in the Bank's Hajah and Darurah Policy document for allowing the application of Hajah type 2 and Darurah, as well as any significant concerns and dissenting views are reflected appropriately; and
 - (v) may be provided with access to the advice from third party experts to enable the SC to make an informed decision, should the SC is unable to finalise its decision or has reasonable doubt on the robustness of Hajah type 2 and Darurah assessment performed by the Bank.
- (k) Endorse rectification plan and root cause analysis to address an actual SNC event;
- (l) Approve/Endorse the distribution of zakat on business and any SNC income to the eligible recipients;
- (m) 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;
- (n) Advise related parties such as the Bank's parent company, clients, legal counsels, auditors or consultants on Shariah matters for advice upon request;
- (o) Advise the Bank to consult the Shariah Advisory Councils ("SAC") of BNM and Securities Commission on Shariah matters that cannot be resolved;
- (p) 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 and/or standards issued by the relevant authorities 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.