



**CERTIFICATE OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
BANK KERJASAMA RAKYAT MALAYSIA BERHAD
FOR THE YEAR ENDED 31 DECEMBER 2025**

KETUA AUDIT NEGARA



**CERTIFICATE OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
BANK KERJASAMA RAKYAT MALAYSIA BERHAD
FOR THE YEAR ENDED 31 DECEMBER 2025**

Certificate on the Audit of the Financial Statements

Opinion

I have authorised a private audit firm pursuant to subsection 7(3) of the Audit Act 1957 [Act 62] to undertake an audit of the Financial Statements of the Bank Kerjasama Rakyat Malaysia Berhad. The financial statements comprise the Statements of Financial Position as at 31 December 2025 of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad and the Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad for the year then ended, and notes to the financial statements, including a summary of material accounting policies, as set out on pages 4 to 215.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad as at 31 December 2025, and of their financial performance and their cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standards (MFRS) and the Financial Reporting for Development Financial Institutions policy issued by Bank Negara Malaysia, Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 [Act 202], the Co-operative Societies Act 1993 [Act 502] and the Development Financial Institutions Act 2002 [Act 618] requirements.

Basis for Opinion

The audit was conducted in accordance with the Audit Act 1957 and the International Standards of Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my certificate. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independence and Other Ethical Responsibilities

I am independent of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad and I have fulfilled my other ethical responsibilities in accordance with the International Standards of Supreme Audit Institutions.

Information Other than the Financial Statements and Auditor's Certificate Thereon

The Board of Directors of the Bank Kerjasama Rakyat Malaysia Berhad is responsible for the other information in the Annual Report. My opinion on the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad does not cover the other information than the financial statements and Auditor's Certificate thereon and I do not express any form of assurance conclusion thereon.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad that give a true and fair view in accordance with the Malaysian Financial Reporting Standards (MFRS) and the Financial Reporting for Development Financial Institutions policy issued by Bank Negara Malaysia, Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 [Act 202], the Co-operative Societies Act 1993 [Act 502] and the Development Financial Institutions Act 2002 [Act 618] requirements. The Board of Directors is also responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad, the Board of Directors is responsible for assessing the Group's and the Bank Kerjasama Rakyat Malaysia Berhad's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards of Supreme Audit Institutions will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards of Supreme Audit Institutions, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- a. identify and assess the risks of material misstatement of the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad, 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 my 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;
- b. 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 Group's and the Bank Kerjasama Rakyat Malaysia Berhad's internal control;
- c. evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- d. conclude on the appropriateness of the Board of Director's 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 Group's or the Bank Kerjasama Rakyat Malaysia Berhad's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my Auditor's Certificate to the related disclosures in the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of Auditor's Certificate. However, future events or conditions may cause the Group or the Bank Kerjasama Rakyat Malaysia Berhad to cease to continue as a going concern;
- e. evaluate the overall presentation, structure and content of the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- f. obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the Financial Statements of the Group. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

The Board of Directors has been informed regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I have identify during the audit.

I have also disclosed to the Board of Directors that I have complied with the ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and if applicable, actions taken to eliminate threats or safeguards applied.

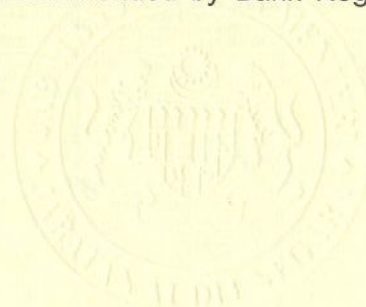
Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Financial Reporting for Development Financial Institutions policy issued by Bank Negara Malaysia, Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 [Act 202], the Co-operative Societies Act 1993 [Act 502] and the Development Financial Institutions Act 2002 [Act 618], I report that the subsidiaries, of which I have not acted as auditor, are disclosed in Note 15 to the financial statements.

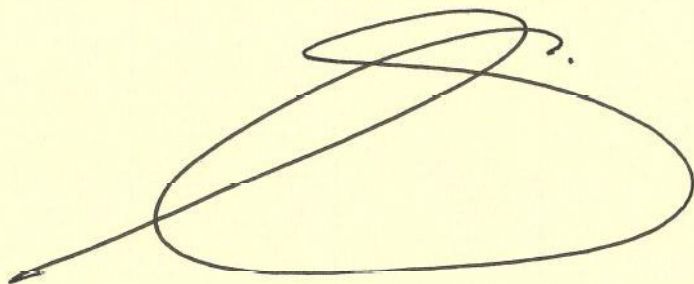
Other Matters

Bank Kerjasama Rakyat Malaysia Berhad should take note of the following:

- a. Enhance monitoring of system stability to ensure that the recurrence of system disruptions is prevented in the future, as such incidents can compromise data integrity and subsequently increase the risk of inaccuracies in the Financial Statements.
- b. Bank Kerjasama Rakyat Malaysia Berhad has undertaken the closure of two subsidiary companies following the audit of the prior year's Financial Statements. However, the strategic direction for three other subsidiary companies, which are also inactive, has changed and remains unresolved. Furthermore, the reassessment of the status of a sub-subsiary company has yet to be finalised, as recommended by Bank Negara Malaysia.



This certificate is made solely to the Board of Directors of the Bank Kerjasama Rakyat Malaysia Berhad in accordance with the Financial Reporting for Development Financial Institutions policy issued by Bank Negara Malaysia, Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 [Act 202], the Co-operative Societies Act 1993 [Act 502] and the Development Financial Institutions Act 2002 [Act 618] requirements, and for no other purpose. I do not assume responsibility to any other person for the content of this certificate.



(DATO' SERI WAN SURAYA WAN MOHD RADZI)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
16 MARCH 2026



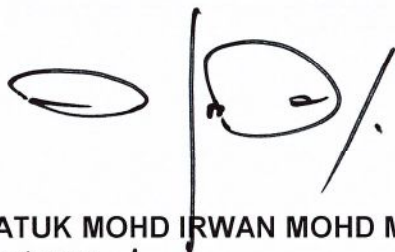
STATEMENT BY DIRECTORS

We, **DATUK MOHD IRWAN MOHD MUBARAK** and **TUNKU DATO' AHMAD BURHANUDDIN TUNKU DATUK SERI ADNAN**, being two of the Directors of Bank Kerjasama Rakyat Malaysia Berhad, do hereby state that:

- (i) The financial statements of the Bank have been prepared in accordance with the provisions of Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 (Act 202), the Co-operative Societies Act 1993 (Act 502), Development Financial Institutions Act 2002 (Act 618), MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board ("MFRS Accounting Standards"), IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and in compliance with the principles of Shariah.
- (ii) The financial statements of the subsidiaries of the Bank have been prepared in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the provisions of the Companies Act, 2016 in Malaysia.

In the opinion of the Directors, the financial statements are drawn up so as to give true and fair view of state of affairs as at 31 December 2025 and of the results of the operations and cash flows for the year ended on that date.

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



DATUK MOHD IRWAN MOHD MUBARAK
Chairman



TUNKU DATO' AHMAD BURHANUDDIN TUNKU DATUK SERI ADNAN
Director

Kuala Lumpur
Date: **9 MAR 2026**



**ANNUAL REPORT OF THE SHARIAH COMMITTEE OF BANK RAKYAT
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2025**



In the name of Allah, the most Beneficent, the most Merciful

In carrying out the roles and responsibilities of the Shariah Committee (SC) of Bank Rakyat, we hereby submit the following report on Shariah compliance of Bank Rakyat's and its subsidiaries' business activities and operations for the financial year ended 31st December 2025.

The Management of Bank Rakyat is responsible for ensuring Bank Rakyat and its subsidiaries conduct their business in accordance with Shariah principles and it is our responsibility to form an independent opinion based on our review of Bank Rakyat's and its subsidiaries' operations and to report to the Board of Directors of Bank Rakyat. We are responsible for assisting the Board of Directors in ensuring that the operations, business, affairs, and activities of the Bank and its subsidiaries are in compliance with Shariah at all times.

We have provided the Shariah advisory services on various aspects to the Bank and its subsidiaries in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made locally and globally by the Shariah Advisory Council of the regulatory bodies.

During the financial year ended 31st December 2025, the Shariah Committee convened twelve regular monthly (12) meetings, four (4) special meetings and approved two (2) Shariah resolutions via circulation to cater for urgent proposals and notifications. All Shariah Committee members have satisfied the attendance requirement under Bank Negara Malaysia's (BNM)'s Shariah Governance Policy Document (SGPD) and GP28 Garis Panduan Tadbir Urus Syariah issued by Suruhanjaya Koperasi Malaysia (SKM).

The Shariah Committee and the Board of Directors place strong and consistent emphasis on the effective implementation of Shariah governance, as well as its seamless integration with the highest standards of corporate governance practices. In this regard, one (1) official engagement session was convened between the Shariah Committee and the Board of Directors. In addition, two (2) joint in-house training sessions involving members of the Board of Directors and the Management Committee were conducted as part of the Bank's continuous engagement initiatives.

Shariah Committee Meetings were attended by a representative of the Board of Directors as a permanent invitee serving as a key communication link between Shariah Committee and the Board. This arrangement facilitates the timely communication of the Board's concerns and strategic priorities, thereby strengthening alignment between the Bank's management, Shariah oversight and overall governance framework.



ANNUAL REPORT OF THE SHARIAH COMMITTEE OF BANK RAKYAT FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2025

A. REPRESENTATION OF SHARIAH FUNCTION IN BANK RAKYAT'S INTERNAL COMMITTEES

To ensure the smoothness of banking operations, we empowered and delegated the approval authority to the Shariah Secretariat & Advisory Department to approve generic Shariah-related matters. Nonetheless, all approval requests that have been approved by the Shariah Secretariat & Advisory Department are duly reported to us on quarterly basis for review and confirmation. Executive Vice President, Shariah (EVPS) or his representative is also sitting as a member in the following committees to advise the Bank on matters relating to Shariah requirements and principles :

1. Management, Audit, Fraud & Integrity Committee
2. Management Risk Committee
3. Sustainability Committee
4. Liquidity Management Committee
5. Operational Risk Management Committee
6. Financing Committee B
7. Product Committee
8. Investment Account Pricing Committee
9. Zakat Management Committee
10. Surau Al-Barakah Committee
11. Joint Management Committee Jariah Al Barakah
12. Iqrad Zakat Committee

We planned and performed our review to obtain all information and explanations deemed necessary to provide sufficient and appropriate evidence enabling us to form reasonable assurance that Bank Rakyat has complied the Shariah principles.

B. SHARIAH APPROVAL PROCESS

We have endorsed and approved the operations, business, affairs, and activities undertaken by Bank Rakyat through the following processes :

1. Shariah advisory and review on the development of the Bank's products including relevant policies, operational guidelines, and procedures.
2. Shariah advisory and review on legal and banking documentation, Product Disclosure Sheets (PDS), notices, and marketing materials.

**ANNUAL REPORT OF THE SHARIAH COMMITTEE OF BANK RAKYAT
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3. Shariah advisory and review on the Shariah compliance status of customers' business activities in the commercial banking segment prior to the approval of financing.
4. Shariah advisory and review on banking operations at branch level, related departments, and the Bank's subsidiaries, including the review of legal documentation and 'aqad sequences.
5. Shariah advisory and review on system applications related to banking products.
6. Shariah advisory and review on banking operations, asset rental activities conducted by the Bank and its subsidiaries with third parties as well as sponsorship programmes.
7. Shariah advisory and review on Rakyat Management Services (RMS).
8. Shariah review assessment covering product structures, legal documentation, business activities, and end-to-end operational processes to ensure adherence to Shariah principles, internal policies, and relevant regulatory requirements.
9. Shariah risk assessment on new products or enhancement to existing products, processes and procedures, business activities, and operations.
10. Shariah audit assessments on the quality and effectiveness of the internal control, risk management systems, and governance processes of the Bank and its subsidiaries, as well as the overall Shariah compliance of the Bank's operations, business, affairs and activities.

Functions of the Shariah Secretariat & Advisory Department, Shariah Review Department, Shariah Audit Department, and Shariah Risk Unit (Operational Risk Department)

We have assessed the functions performed by the Shariah Secretariat & Advisory Department, Shariah Review Department, Shariah Audit Department, and the Shariah Risk Unit under the Operational Risk Department. This assessment included the review on a sample basis for each type of transactions, relevant documentations and the procedures adopted by Bank Rakyat.

B1. Shariah Secretariat & Advisory Department

The Shariah Secretariat & Advisory Department provides advisory on product development and day-to-day business operations, which includes :

1. issuance of Shariah Compliance Review Certificate
2. establishment of Shariah parameters
3. vetting of legal documentation
4. screening of business banking financing applications
5. approval of marketing materials and the appointment of card merchants; and preparation of *Takyif Fiqhi* on the current Shariah issues related to banking products and services as a support for the Bank's business proposals.



ANNUAL REPORT OF THE SHARIAH COMMITTEE OF BANK RAKYAT FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2025

B2. Shariah Research, Governance & Training Department

We also approved the proposal papers presented by the Shariah Research, Governance & Training Department concerning the latest issuance of Bank Negara Malaysia policy documents, guidelines, and Shariah resolutions, particularly in response to feedback from the Bank on the Shariah Contract Framework Discussion Paper.

We have also endorsed the research entitled “Enhancing Shariah Decision Making in the Determination of Shariah Non-Compliance Events” where the concept was thoroughly discussed during the workshop held on 14th August 2025. The research papers that have been internally developed will be presented in January 2026. This research initiatives are designed to strengthen and enhance current practices within Shariah banking operations.

We have been notified of the six (6) training modules that have been developed by Shariah Research, Governance, & Training (SRGT) department, which are used for internal Shariah training and initiatives within the Bank for Shariah compliance purposes. We have also been notified of the 15 training slide presentations submitted by Business Units for internal non-banking operation training and reviewed by the SRGT department.

B3. Shariah Review Department and Shariah Audit Department

The Shariah Review Department has performed their review based on the annual review plan as advised and approved by us and Shariah Audit Department have performed their audit assessment based on annual audit plan as approved by the Board of Audit Committee and notified to us. Occasionally, the Shariah Review and Shariah Audit Departments also performed reviews and audit assessments on ad-hoc basis, as advised by us should any new requirements or issue arise.

The Shariah Review and Shariah Audit reports were presented and deliberated in our meetings. It was confirmed that the Bank and its subsidiaries have complied with the rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, Securities Commission and Suruhanjaya Koperasi Malaysia (SKM), as well as the Syariah resolutions made by the Shariah Committee.

During the financial year of 2025, Shariah Review Department and Shariah Audit Department presented the following reports to us:

(a) Shariah Review Reports

1. Shariah Review Report on 98 Bank Rakyat’s branches in Malaysia
2. Shariah Review Report on 6 Auto Finance Centre (AFC)
3. Shariah Review Report on Personal Financing
4. Shariah Review Report on Mortgage Financing



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5. Shariah Review Report on Mortgage Processing & Control
6. Shariah Review Report on Vehicle Financing
7. Shariah Review Report on Ar-Rahnu Business
8. Shariah Review Report on Wealth Management Business
9. Shariah Review Report on Wealth Management Operations
10. Shariah Review Report on RAKYAT Xclusive
11. Shariah Review Report on Unit Trust & Estate Management
12. Shariah Review Report on 15 premises of Cooperative (Credit and Ar-Rahnu) including Company
13. Shariah Review Report on Corporate & Commercial Banking
14. Shariah Review Report on MSME & Cooperatives
15. Shariah Review Report on MSME (Business Support)
16. Shariah Review Report on Government Agencies & Client Coverage
17. Shariah Review Report on Business Banking Account Review & Support
18. Shariah Review Report on Retail Collection
19. Shariah Review Report on Acquiring Business
20. Shariah Review Report on Card Business Development & Sales;
21. Shariah Review Report on Card Compliance & Governance
22. Shariah Review Report on Card Financing Processing
23. Shariah Review Report on Card Operations
24. Shariah Review Report on Commercial Vehicle Financing
25. Shariah Review Report on Foreign Exchange
26. Shariah Review Report on Money Market
27. Shariah Review Report on Equity Investment
28. Shariah Review Report on Fixed Income
29. Shariah Review Report on Correspondent Banking
30. Shariah Review Report on Treasury Sales
31. Shariah Review Report on Operations Processing (Financing)
32. Shariah Review Report on Operations Processing (Non-Financing)
33. Shariah Review Report on Trade Finance
34. Shariah Review Report on Business Collection & Recovery Administration



**ANNUAL REPORT OF THE SHARIAH COMMITTEE OF BANK RAKYAT
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35. Shariah Review Report on Retail Collection & Recovery Administration
36. Shariah Review Report on Retail Charge Off Recovery
37. Shariah Review Report on Retail Recovery
38. Shariah Review Report on Retail Debt Management
39. Shariah Review Report on Members Services
40. Shariah Review Report on Rakyat Management Services
41. Shariah Review Report on Retail Performance Management
42. Shariah Review Report on Retail Strategy & Analytics
43. Shariah Review Report on ATM Operations
44. Shariah Review Report on Network & Distributions
45. Shariah Review Report on Digital Retail Platform
46. Shariah Review Report on Shariah Secretariat & Advisory
47. Shariah Review Report on Shariah Research Governance & Training
48. Shariah Review Report on Waqf, Umrah & Qurban
49. Shariah Review Report on Core Banking Solutions
50. Shariah Review Report on Enterprise Solutions
51. Shariah Review Report on IT Delivery Channel & Payment Services
52. Shariah Review Report on DEVSECOPS
53. Shariah Review Report on IT Project Management Office
54. Shariah Review Report on Business Analyst
55. Shariah Review Report on IT Service Delivery
56. Shariah Review Report on Testing Center of Excellence
57. Shariah Review Report on IT GRC, Resilience Management
58. Shariah Review Report on IT Shared Services
59. Shariah Review Report on Data Centre & Configuration Management
60. Shariah Review Report on Data Management (Regulatory & Operations)
61. Shariah Review Report on IT Infrastructure Support
62. Shariah Review Report on IT Technical & Server Administrator
63. Shariah Review Report on IT Enterprise Architecture
64. Shariah Review Report on IT Strategy Planning & BRM



**ANNUAL REPORT OF THE SHARIAH COMMITTEE OF BANK RAKYAT
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65. Shariah Review Report on Corporate Performance
66. Shariah Review Report on Strategic Planning
67. Shariah Review Report on Programme Management Office
68. Shariah Review Report on Process Excellence and Transformation
69. Shariah Review Report on Banking Economics & Analytics
70. Shariah Review Report on Product Development
71. Shariah Review Report on Product Research & Analysis
72. Shariah Review Report on Sustainability
73. Shariah Review Report on Digital Data
74. Shariah Review Report on Digital Program and Innovation
75. Shariah Review Report on Fintech Partnership
76. Shariah Review Report on Digital Change Management.

(b) Shariah Audit Reports

1. Shariah Audit Report: Waqf, Umrah & Qurban
2. Shariah Audit Report: Members Services
3. Shariah Audit Report: Trade Finance
4. Shariah Audit Report: Foreign Exchange
5. Shariah Audit Report: Money Market
6. Shariah Audit Report: Fixed Income
7. Shariah Audit Report: Shariah Research, Governance & Training
8. Shariah Audit Report: Rakyat Management Services
9. Shariah Audit Report: Debit Card-i
10. Shariah Audit Report: Pawn Broking-i
11. Shariah Audit Report: Personal Financing-i
12. Shariah Audit Report: Home Financing-i
13. Audit Report: Follow-Up on Unresolved Audit Findings and Value-Added Recommendations Highlighted by Shariah Audit Department for Quarter 4, 2024
14. Audit Report: Follow-Up on Unresolved Audit Findings and Value-Added Recommendations Highlighted by Shariah Audit Department for Quarter 1, 2025



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15. Audit Report: Follow-Up on Unresolved Audit Findings and Value-Added Recommendations Highlighted by Shariah Audit Department for Quarter 2, 2025
16. Audit Report: Follow-Up on Unresolved Audit Findings and Value-Added Recommendations Highlighted by Shariah Audit Department for Quarter 3, 2025.

B4. Shariah Risk Unit in Operational Risk Department

The Shariah Risk Unit plays a central role in identifying, assessing, monitoring, and managing Shariah Non-Compliance Risks (SNCR). To minimise potential Shariah non-compliance (SNC) events in 2025, the Unit consistently implement a range of preventive and corrective measures, including the development of comprehensive policies, procedures, and guidelines designed to safeguard against Shariah breaches and ensure alignment with Shariah standards.

Shariah risk management applies the same Operational Risk Management (ORM) principles, processes, and tools, with enhancements to meet Shariah governance requirements. The Shariah Risk Management Unit leads the identification, assessment, and management of SNCR and ensuring a robust and consistent approach. ORM tools including Loss Event Data (LED), Risk-Control Self-Assessment (RCSA), Key Risk Indicators (KRI), Control Self-Assessment (CSA), Scenario Analysis (SA), and Stress Testing (ST) are utilised to conduct comprehensive risk evaluations, strengthen internal controls, and support proactive detection and mitigation of potential Shariah non-compliance incidents.

In managing SNCR, the appointed Embedded Risk Function (ERF) and Risk Agents (RAs) play an active role in the ongoing identification and assessment of SNC exposures. ERF and RAs are responsible for establishing and implementing appropriate controls to identify, assess, mitigate, monitor, and report potential SNC events without compromising their respective business units' objectives or exposing the Bank to unacceptable levels of risk.

All potential and actual SNC events were reported to BNM within the timeframe. The LED procedure further strengthens the management and reporting of Shariah non-compliance (SNC) events to ensure full adherence to Shariah principles and regulatory requirements. The guideline aligns with Bank Negara Malaysia's Operational Risk Reporting (ORR) Policy Document (effective 1 November 2023) and complies with section 28(3) of the IFSA 2013, which mandates immediate reporting of any SNC incident to BNM.

All reports related to SNCR have also been tabled to the Operational Risk Management Committee (ORMC), Management Risk Committee (MRC) and Board Risk Committee (BRC) for monitoring and oversight purposes as follows:

1. Shariah Non-Compliance Risk (SNCR) Report
2. Shariah Risk Profiling



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3. Risk Control Self-Assessment (RCSA) Profiling.

C. SHARIAH TRAINING AND AWARENESS PROGRAM

In 2025, the **Shariah Sector** implemented a series of strategic initiatives to inculcate a Shariah compliance culture across the organization. These efforts included comprehensive training and awareness campaigns designed to engage stakeholders at all levels, ensuring that Shariah principles are integrated into the bank's operations.

Bank Rakyat placed significant emphasis on enhancing the knowledge and understanding of Islamic finance principles among the top management. In line with this, the **Shariah Research Governance and Training Department** organized exclusive In-House Shariah Training sessions for the Board of Directors, Shariah Committee, and Management Committee, which were held twice in 2025.

These sessions were conducted by a distinguished local Shariah scholar and focused on addressing key developments in the industry as well as contemporary practices in Islamic finance. Committed to fostering a strong Shariah compliance culture in line with the Shariah Governance Policy Document 2019, Bank Rakyat organized a two-month internal campaign, Shariah Compliance Culture Month 2025.

This initiative engaged employees across headquarters and branches through interactive activities and awareness programs to enhance understanding of Shariah principles and their practical application in daily operations. By involving all stakeholders, from top management to frontline staff, the campaign reinforced collective responsibility in upholding Islamic values and ethical standards, embedding Shariah compliance as a core element of the Bank's organizational culture.

With the objective of recognizing the importance of deepening the understanding of Shariah principles and their practical application in Islamic finance, Bank Rakyat has strategically partnered with the IIUM Institute of Islamic Banking and Finance (IIBF). For the **fourth** consecutive time, this collaboration facilitated the implementation of the Executive Certificate in Islamic Banking and Finance (E-CIBF) program (Cohort 4), with 35 bank employees enrolling to enhance their knowledge and expertise in their respective roles.

In promoting a strong culture of Shariah compliance across the Bank, the Shariah Sector served as trainers in several internal training sessions for Bank Rakyat employees, delivering guidance on Shariah principles, concepts and contracts applicable to banking operations. The training programmes included :

1. Briefing Syariah Knowledge- Debt Collection Agencies
2. Pawn Broking-i (Ar-Rahnu) Training



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3. Pre-Retirement Program
4. Control Awareness Tours (CATS) for the Retail Banking Sector
5. Get Ready to Operation at Work (Grow)
6. Deposit and Branch Management Training
7. Training on Financing Products and Work Processes for Branch Auditors
8. BR Junior Sales Talent Program (BR JSTAR).

These training programs aimed to provide the Business & Support Unit (BSU) with valuable insights on preventing the occurrence of SNC and updating them on the latest Shariah-related guidelines issued by Bank Rakyat and regulators.

As part of bank's initiative to support Food & Beverage-based customers, the **Shariah Sector**, in collaboration with SERUNAI Halal Centre of Excellence, have worked together to equip relevant bank employees with the necessary skills through an in-house training titled "Capacity Building - Halal Industry Empowerment Program".

This two-day program aims to provide internal employees, who directly interact with customers, with the essential competencies and knowledge needed to manage Halal-related activities and certification in the aspect of business financing approval screening. Begin in 2024, these two days training program is extended to another two sessions in 2025 involving 60 employees.

The **Shariah Sector**, in collaboration with the **Centre of Excellence**, established a strategic partnership with SERUNAI Halal Centre of Excellence to strengthen expertise in Shariah compliance standards for Halal certification. In line with this initiative, the Professional Certification in Halal Executive Program (PCHEP) was implemented throughout 2025, comprising four cohorts and involving 71 employees. To date, 27 participants have successfully obtained certification, while the remaining candidates are undergoing review and awaiting final results from JAKIM. This program is expected to deliver significant benefits to both the Bank and its prospective business banking customers in the food and beverage industry who seek financing but have yet to obtain Halal certification. By equipping Bank officers with specialized knowledge, the Bank can provide advisory support and guidance to the customers, facilitating their compliance with Halal standards and strengthening their business potential.

Building on this foundation, the Bank subsequently advanced its Halal competency agenda through the Professional Certification in Halal Auditor Program (PCIHA). This nine-day programme was conducted involving 19 employees who had previously completed the Halal Awareness Training and obtained the PCHEP certification in 2025. This advanced qualification marks a key milestone in strengthening the Bank's internal Shariah governance capabilities and enhancing its readiness to meet industry demands related to Halal compliance and certification.

ANNUAL REPORT OF THE SHARIAH COMMITTEE OF BANK RAKYAT FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2025

To ensure Shariah officers remain equipped with the latest industry advancements and are well-prepared to address emerging Shariah issues, the Shariah Sector conducted three specialized training programs in 2025 for the Bank's Shariah fraternity. These programs were:

1. Workshop on Understanding *Fiqh Muwaznah* for the Implementation of *Hajah* and *Darurah*
2. Intensive Course on *Fiqh Muamalat* from the View of Shafi'i Schools 2025
3. Islamic Finance & Investment School

These initiatives reflect the Bank's commitment to continuous professional development, strengthening technical expertise, and promoting thought leadership in Shariah governance and Islamic finance. These training programs, while primarily designed for the Bank's Shariah employees, also involved other relevant business units and members of the Shariah Committee. The collaborative approach ensured comprehensive knowledge sharing and alignment across key stakeholders, reinforcing the Bank's commitment to holistic Shariah governance.

In addition, the Shariah sector has enhanced and revitalized its Shariah e-learning modules. Completion of these modules is mandatory for all Bank Rakyat employees, ensuring consistent knowledge and compliance across the organization. The program employs a dual-learning approach, incorporating interactive e-learning slides to deliver structured content and comprehensive assessments to evaluate employees' understanding and application of key concepts. The modules encompass the full spectrum of Shariah banking operations, including fundamentals of Islamic banking, Shariah contracts, Shariah governance frameworks, and identification and rectification of Shariah non-compliance events. This initiative strengthens employees' competencies, reinforces the organization's adherence to Shariah principles, and supports Bank Rakyat's commitment to maintaining robust Shariah governance practices.

The **Shariah Review Department** also supported the implementation of 209 Shariah awareness training sessions by providing guidance on the implementation and operation of Shariah compliant banking products. The following training programs were conducted in 2025:

1. Shariah Awareness Training on Branches, Rakyat Xcess (RXC) & Ar-Rahnu Xchange (ARX) and Auto Finance Centre (AFC).
2. Shariah Awareness Training on Business Banking Centre (BBC).
3. Shariah Awareness Training on Rakyat Management Services (RMS).
4. Shariah Awareness Training for selected departments at the Headquarters for the year 2025.
5. Shariah Compliance Briefing on the Cooperatives and entities or premises that have been financed by Bank Rakyat.
6. Ar-Rahnu Briefing.



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7. Control Awareness Tour (CAT).
8. Leadership Excellence and Development (LEAD) Program.
9. Training of Shariah Awareness Programs

Awareness trainings on the Shariah risk management process were also conducted by the **Operational Risk Department** to instil Shariah risk compliance culture and to guide Business Units in identifying Shariah risk and its control measures within their daily operations. A total of 21 training sessions were held in 2025, with an average of 30 participants per session. The following is the list of the trainings that were completed for the year 2025:

1. Risk Agent (RA) Branches and Branch Compliance and Governance (BCG);
2. Risk Agent (RA) Headquarters; and
3. Branch Development Program: Get Ready for Operation at Work (GROW) & Leadership Excellence and Development Program (LEAD);

The year 2025 marked a key milestone in Bank Rakyat's efforts to strengthen its Shariah compliance culture. The training and awareness initiatives established a foundation for continuous learning, while the Bank remains committed to promoting ethical conduct and Shariah-compliant practices to ensure the long-term success and sustainability of its Shariah-compliant banking operations.

D. FINDINGS OF SHARIAH NON-COMPLIANCE (SNC) ISSUES

For the financial year ended 31st December 2025, a total of nine (9) SNC incidents arising from six (6) identified issues, as detailed below :

1. Charging of Late Payment Charges (LPC) to customers of Pembiayaan Mikro-i Penjaja dan Peniaga Kecil (MPPK) 1.0 & 2.0 without customers' knowledge

These findings were confirmed as Shariah non-compliance with financial implications amounting to RM1,964.45, which was refunded to the customers through the reduction of its latest outstanding balance.

2. Sale of *marhun* by mistake and loss of *marhun* due to branch negligence

These findings were confirmed as Shariah non-compliance with financial implications amounting to RM29,323.50, which was refunded to the respective customers.

3. Sale of *marhun* while bypassing the second or third highest bidder

These findings were confirmed as Shariah non-compliance with financial implications amounting to RM 31,170.55, which were compensated to the customers based on the difference between the sale price to RMS and the second highest bid price offered.

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FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2025**

4. Sale of *marhun* by redundancy through bulk bidding

These findings were confirmed as Shariah non-compliance with financial implications amounting to RM1,250.00, which were compensated to the customers based on the difference between the sale price to the third highest bidder and the bid price offered by the first highest bidder.

5. Conventional Insurance coverage financed under Vehicle Financing-i (An-Naqlu 2)

This finding was confirmed as Shariah non-compliance with financial implications amounting to RM506.32, which has been transferred to the GL Shariah Non-Compliant Fund for income purification.

6. Execution of *akad Tawarruq* without appointment of an agent by CASA-i Customers

This finding was confirmed as Shariah non-compliance without financial implications involving 142 accounts. This issue was rectified by recognizing *Wakalah Fudhuli* based on *Qarinah* (circumstantial evidence) of indirect customer appointment through continuous utilization of the account.

All potential Shariah Non-Compliant events are initially assessed by the Shariah Officers within Control Functions (SOWCF). All confirmed Shariah non-compliance events together with the proposed rectification plans were presented to us for confirmation and endorsement prior to obtaining approval by the Board of Directors for submission to Bank Negara Malaysia in accordance with the Shariah non-compliance reporting process within the required timeframe.

Shariah non-compliance events experienced by the Bank were mostly due to the non-compliance with the operational guidelines based on the result of assessments presented by Shariah Review and Shariah Audit. We verified that the Bank has implemented both corrective and preventive measures and is actively developing a comprehensive mitigation plan to prevent future occurrences of Shariah non-compliance events. This includes the provision of Shariah training for all employees to ensure ongoing adherence to Shariah principles.

E. JĀRIAH AL-BARAKAH (CASH WAQF BANK RAKYAT)

The Jāriah Al-Barakah Initiative (Cash Waqf Bank Rakyat) is a strategic effort to support the socio-economic development of the ummah through sustainable social investment and continuous charity. Bank Rakyat was appointed as *Mutawalli* (trustee) by the Federal Territories Islamic Religious Council (MAIWP) on 21 August 2024, formalized through a five-year *Mutawalli* Appointment Agreement signed on 30 December 2024. The initiative officially commenced on 1 June 2025, with a Document Exchange Ceremony held on 30 June 2025.

From 1 June to 31 December 2025, total collections amounted to RM991,914.74 of which RM966,052.34 was invested to generate sustainable returns. Profits will be allocated as follows: 70% to beneficiaries in healthcare, education, welfare, economic empowerment, and other



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priority sectors; 20% reinvested to enhance future returns; and 10% allocated to MAIWP as the trustee of Waqf assets.

This initiative reinforces Bank Rakyat's commitment to effective Waqf fund management, delivering sustainable social impact, and promoting community well-being and inclusive economic growth.

F. BUSINESS ZAKAT

We confirmed that the Bank has fulfilled its obligation to pay business Zakat for the financial year ended 2024 to Majlis Agama Islam Negeri-Negeri amounting to **RM20,581,794.00** calculated using the capital growth method and in compliance with the *Manual Pengurusan Zakat Perbankan* issued by Jabatan Wakaf, Zakat dan Haji (JAWHAR). Meanwhile, the distribution of business Zakat for Asnaf (own distribution) to eligible Asnaf amounting to **RM21,556,007.00** was guided by the Policy and Procedure for Business Zakat Management of Bank Rakyat as approved by us.

The distribution of Zakat is fully compliant with Shariah principles, aligning with Sustainable Development Goals (SDGs) and Environmental, Social, and Governance (ESG) criteria. It supports basic needs, education, religious activities, healthcare, housing, asnaf entrepreneurs, and mualaf.

In summary, we endorsed that Bank Rakyat successfully paid and distributed a total of **RM42,137,801.00** in business Zakat for the year 2024.

G. INDEPENDENT OPINION OF SHARIAH COMMITTEE

Based on the report, we independently, opined that :

- a) The products and services offered by the Bank are in compliance with the Shariah principles and Shariah resolutions issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.
- b) The operations, business, affairs, and activities entered into by the Bank that we have reviewed, are in compliance with the Shariah principles and Shariah resolutions issued by the Shariah Advisory Council of Bank Negara Malaysia as well as Shariah decisions made by us, excluding the Shariah Non-compliance events as verified and mentioned above.
- c) Rectification plans have been executed on all confirmed Shariah Non-Compliant events.
- d) The operations, business, affairs, and activities that are subjected to further investigation and rectification have been monitored on an on-going basis.
- e) All income derived from non-Shariah-compliant activities was either refunded, compensated to customers, or transferred to the Shariah Non-Compliant Fund (GL) and subsequently disbursed to charitable organizations, in line with Bank Rakyat's internal policies and Shariah Governance Framework, as outlined in Section D of this report.



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FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2025**

- f) The distribution of Zakat on Banking Businesses for the year of 2024 is complied with Shariah principles.
- g) The collection and management of Waqf funds under Bank Rakyat Waqf Initiative for the year of 2025 is complied with Shariah principles.

We, the members of the Shariah Committee of Bank Rakyat, to the best of our knowledge, do hereby confirm that the operations of Bank Rakyat, for the year ended 31st December 2025 have been conducted in conformity with the Shariah principles.

ATTENDANCE OF SHARIAH COMMITTEE AND BOARD REPRESENTATIVE FOR THE YEAR 2025

The attendance record of the Shariah Committee Members and the Board's representative is presented below:

SHARIAH COMMITTEE	ATTENDANCE	
	TOTAL	PERCENTAGE (%)
DR. MOHAMMAD ZAINI YAHAYA (Chairman)	16/16	100%
PROF. EMERITUS DATO' DR. MOHD AZMI OMAR	16/16	100%
DR. TUAN BADRUL HISYAM BIN TUAN SOH	16/16	100%
ASSOC. PROF. DR. ABDUL MANAN ISMAIL	16/16	100%
ASSOC. PROF. DR. NURAZMALLAIL MARNI	16/16	100%
ASSOC. PROF. DR. YASMIN HANANI MOHD SAFIAN	16/16	100%

BOARD'S REPRESENTATIVE	ATTENDANCE	
	TOTAL	PERCENTAGE (%)
EN. IDRIS ABD HAMID	16/16	100%



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FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2025**

ANNUAL REPORT OF THE SHARIAH COMMITTEE OF BANK RAKYAT

.....
DR. MOHAMMAD ZAINI YAHAYA
Chairman of Shariah Committee

.....
PROF. EMERITUS DATO' DR. MOHD AZMI OMAR
Shariah Committee Member

.....
DR. TUAN BADRUL HISYAM TUAN SOH
Shariah Committee Member

.....
ASSOC. PROF. DR. ABDUL MANAN ISMAIL
Shariah Committee Member



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FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2025**

ANNUAL REPORT OF THE SHARIAH COMMITTEE OF BANK RAKYAT

.....
ASSOC. PROF. DR. YASMIN HANANI MOHD SAFIAN
Shariah Committee Member

.....
ASSOC. PROF. DR. NURAZMALLAIL MARNI
Shariah Committee Member

STATUTORY DECLARATION

I, **NOR HAIMEE ZAKARIA**, being the officer primarily responsible for the financial management of Bank Kerjasama Rakyat Malaysia Berhad, do solemnly and sincerely declare that the financial statements are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on **9 MAR 2026**



NOR HAIMEE ZAKARIA

Before me:



ZULPADLI & EDHAM
NO. 24, JALAN PERUMAHAN GURNEY
54000 KUALA LUMPUR

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

DIRECTORS' REPORT

The Directors of Bank Kerjasama Rakyat Malaysia Berhad ("the Bank") have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are those of a co-operative that carries out banking activities based on Shariah principles through accepting deposits and providing financial services for retail and commercial needs.

The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and the Bank other than as disclosed in Note 15 to the financial statements.

RESULTS OF OPERATIONS

	Group RM'000	Bank RM'000
Profit before taxation and zakat	1,892,042	1,900,243
Taxation	(70,435)	(61,000)
Zakat	(43,974)	(42,188)
Profit after taxation and zakat	<u>1,777,633</u>	<u>1,797,055</u>
Statutory appropriations	(546,677)	(546,677)
Profit for the year	<u>1,230,956</u>	<u>1,250,378</u>
Other comprehensive income	<u>163,113</u>	<u>163,113</u>
Total comprehensive income for the year	<u><u>1,394,069</u></u>	<u><u>1,413,491</u></u>
Total comprehensive income for the year attributable to:		
Equity holders of the Bank	<u>1,394,069</u>	<u>1,413,491</u>

In the opinion of the Directors, the results of operations of the Group and of the Bank during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

RESERVES AND PROVISION

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

DIVIDENDS

During the financial year ended 31 December 2025, the Bank paid a cash dividend of 17% amounting to RM486 million in regard to the previous financial year ended 31 December 2024.

In respect of the current financial year, the Board of Directors has proposed a cash dividend of up to 18% amounting to approximately RM540 million. The proposed dividend will be recognised in the subsequent financial year upon approval by the relevant external authorities.

OTHER STATUTORY INFORMATION

In the opinion of the Directors, the financial statements set out on pages 4 to 215 have been drawn up so as to give a true and fair view of the state of affairs of the Group and of the Bank as of 31 December 2025 and of the results of their operations and cash flows for the year ended on that date.

The Directors are satisfied that before the statements of financial position and the statements of profit or loss and other comprehensive income of the Group and of the Bank were made out, reasonable steps have been taken on the following matters:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of impairment provisions and allowance for doubtful debts and had satisfied themselves that all known bad financing and bad debts had been written off and that adequate impairment provisions and allowance had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, within the knowledge of the Directors, they are not aware of any circumstances that would cause the following:

- (i) the amount written off for bad financing and bad debts or the amount of the impairment provisions and allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; or
- (ii) the values attributed to the current assets in the financial statements of the Group and of the Bank misleading; or
- (iii) the amount reported in the financial statements of the Group and of the Bank misleading; and
- (iv) any adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

OTHER STATUTORY INFORMATION (CONTINUED)

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

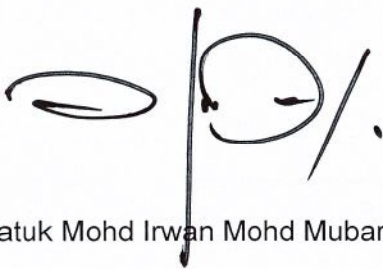
- (i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liability of any other person; or
- (ii) any contingent liability of the Group and of the Bank which has arisen since the end of the financial year other than those arising from the ordinary course of business of the Group and of the Bank.

No contingent or other liability which has not been discharged has been undertaken by the Group and the Bank, except as disclosed in Note 41 to the financial statements. No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due.

In the opinion of the Directors, 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 operations of the Group and of the Bank for the current financial year.

The Directors do solemnly and sincerely declare that there were no other matters, within their knowledge, that are not disclosed in accordance with Section 59, Co-operative Societies Act 1993.

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



Datuk Mohd Irwan Mohd Mubarak



Tunku Dato' Ahmad Burhanuddin
Tunku Datuk Seri Adnan

Kuala Lumpur, Malaysia

9 MAR 2026

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025**

	Note	Group		Bank	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Assets					
Cash and short-term funds	5	1,495,812	1,677,256	1,490,164	1,677,217
Deposits and placements with financial institutions	6	606,718	590,242	606,718	590,242
Financial investments at fair value through other comprehensive income	7	21,635,531	20,777,346	21,635,523	20,777,338
Financial investments at amortised cost	8	11,654,255	11,863,734	11,654,255	11,863,734
Financing and advances	10	91,419,589	83,790,814	91,746,277	84,156,265
Trade receivables	11	1,905	1,455	-	-
Other assets	12	1,005,305	964,049	995,337	954,651
Right-of-use assets	13	77,941	43,699	122,329	62,528
Inventories	14	31,285	29,975	-	-
Investments in subsidiaries	15	-	-	93,644	93,644
Property and equipment	16	870,329	798,616	752,259	679,020
Intangible assets	17	537,483	541,850	524,298	528,665
Investment properties	18	1,559,064	1,516,475	979,588	936,277
Assets classified as held for sale	19 (i)	1,780	7,850	-	-
Assets classified as held for distribution	19 (ii)	-	12,077	-	5,100
Prepaid lease payments	20	42,112	48,489	42,112	48,489
Tax recoverable		60,233	156,182	57,436	152,115
Deferred tax assets	21	39,333	100,249	38,000	99,000
Total assets		131,038,675	122,920,358	130,737,940	122,624,285

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025 (CONTINUED)**

	Note	Group		Bank	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Liabilities					
Deposits from customers	22	87,550,734	84,093,212	87,550,734	84,093,212
Investment accounts of customers	23	939,686	469,901	939,686	469,901
Deposits and placements from banks and financial institutions	24	2,707,030	2,369,175	2,707,030	2,369,175
Obligation on financial assets sold under repurchase agreements	9	1,302,386	1,005,142	1,302,386	1,005,142
Trade payables		2,884	2,046	-	-
Recourse obligations on financing sold to Cagamas	25	3,327,278	1,875,007	3,327,278	1,875,007
Debt securities issued	26	6,542,467	5,537,728	6,542,467	5,537,728
Cashline facility	27	1,001,556	1,204,046	1,001,556	1,204,046
Other liabilities	28	1,637,143	1,711,886	1,753,996	1,849,380
Liabilities classified as held for distribution	19 (ii)	-	70	-	-
Provision for tax		-	1	-	-
Deferred tax liabilities	21	11,175	8,499	-	-
Total liabilities		105,022,339	98,276,713	105,125,133	98,403,591
Shareholders' fund					
Share capital	29	2,986,030	2,986,030	2,986,030	2,986,030
Share redemption fund		50,000	50,000	50,000	50,000
Reserves	30	22,980,306	21,607,615	22,576,777	21,184,664
Total shareholders' fund		26,016,336	24,643,645	25,612,807	24,220,694
Total liabilities and shareholders' fund		131,038,675	122,920,358	130,737,940	122,624,285
Commitments and contingencies	41	3,809,316	3,146,474	3,809,316	3,146,474

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025**

	Note	Group		Bank	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Income	31	6,820,522	6,689,821	6,713,032	6,569,289
Expenditure	32	(3,611,895)	(3,549,394)	(3,522,565)	(3,435,050)
Net income		3,208,627	3,140,427	3,190,467	3,134,239
Allowances for impairment	33	(172,148)	(142,085)	(171,980)	(140,911)
Other operating income	34	938,388	717,393	961,270	718,151
Operating expenses	35	(2,082,825)	(1,899,522)	(2,079,514)	(1,889,791)
Profit before taxation and zakat		1,892,042	1,816,213	1,900,243	1,821,688
Taxation	36	(70,435)	(76,647)	(61,000)	(78,000)
Zakat	37	(43,974)	(44,202)	(42,188)	(42,048)
Profit after taxation and zakat		1,777,633	1,695,364	1,797,055	1,701,640
Statutory appropriations	38				
Transfer to statutory reserve: 25% (2024: 25%)		(459,810)	(435,922)	(459,810)	(435,922)
Contribution to the Co-operative Education Trust Fund: 2% (2024: 2%)		(38,005)	(36,434)	(38,005)	(36,434)
Contribution to the Co-operative Development Provident Fund: 1% (2024: 1%)		(19,002)	(18,217)	(19,002)	(18,217)
Contribution to Bank Rakyat Foundation		(29,860)	(29,860)	(29,860)	(29,860)
		(546,677)	(520,433)	(546,677)	(520,433)
Profit for the year		1,230,956	1,174,931	1,250,378	1,181,207

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)**

	Note	Group		Bank	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Other comprehensive income/(loss)					
Items that will not be reclassified to profit or loss:					
Change in fair value reserve (equity instruments)		-	13,610	-	13,610
Items that may be reclassified subsequently to profit or loss:					
Fair value reserve (debt instruments)					
- Change in fair value		319,981	15,951	319,981	15,951
- Amount transferred to profit or loss		(157,258)	(62,643)	(157,258)	(62,643)
Change in expected credit loss ("ECL") reserve on debt instruments at FVOCI		390	491	390	491
Other comprehensive income/(loss) for the year		163,113	(32,591)	163,113	(32,591)
Total comprehensive income for the year		1,394,069	1,142,340	1,413,491	1,148,616
Earnings per share (RM)					
Basic	39	0.60	0.57	0.61	0.58

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025**

Group	← Non-distributable →		Distributable		Total equity RM'000
	Share capital RM'000	Share redemption fund RM'000	Other reserves RM'000	Retained profits RM'000	
At 1 January 2024	2,986,030	50,000	8,681,191	11,776,143	23,493,364
Profit after taxation and zakat	-	-	-	1,695,364	1,695,364
Transfer to statutory reserve	-	-	-	(435,922)	(435,922)
Contribution to the Co-operative Education Trust Fund	-	-	-	(36,434)	(36,434)
Contribution to the Co-operative Development Provident Fund	-	-	-	(18,217)	(18,217)
Contribution to Bank Rakyat Foundation	-	-	-	(29,860)	(29,860)
Profit for the year	-	-	-	1,174,931	1,174,931
Other comprehensive loss	-	-	(32,591)	-	(32,591)
Total comprehensive (loss)/ income for the year	-	-	(32,591)	1,174,931	1,142,340
Transfer from retained profits	-	-	435,922	-	435,922
Issuance to new members	87,423	-	-	-	87,423
Share withdrawal	(34,999)	-	-	-	(34,999)
Transfer from share capital	(52,424)	52,424	-	-	-
Transfer from share redemption fund	-	(52,424)	-	52,424	-
Dividends (Note 40)	-	-	-	(481,193)	(481,193)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	788	788
At 31 December 2024	2,986,030	50,000	9,084,522	12,523,093	24,643,645
	Note 29		Note 30	Note 30	

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)**

Group	← Non-distributable →		Distributable		Total equity RM'000
	Share capital RM'000	Share redemption fund RM'000	Other reserves RM'000	Retained profits RM'000	
At 1 January 2025	2,986,030	50,000	9,084,522	12,523,093	24,643,645
Profit after taxation and zakat	-	-	-	1,777,633	1,777,633
Transfer to statutory reserve	-	-	-	(459,810)	(459,810)
Contribution to the Co-operative Education Trust Fund	-	-	-	(38,005)	(38,005)
Contribution to the Co-operative Development Provident Fund	-	-	-	(19,002)	(19,002)
Contribution to Bank Rakyat Foundation	-	-	-	(29,860)	(29,860)
Profit for the year	-	-	-	1,230,956	1,230,956
Other comprehensive income	-	-	163,113	-	163,113
Total comprehensive income for the year	-	-	163,113	1,230,956	1,394,069
Transfer from retained profits	-	-	459,810	-	459,810
Issuance to new members	31,184	-	-	-	31,184
Share withdrawal	(27,426)	-	-	-	(27,426)
Transfer from share capital	(3,758)	3,758	-	-	-
Transfer from share redemption fund	-	(3,758)	-	3,758	-
Dividends (Note 40)	-	-	-	(486,236)	(486,236)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	1,290	1,290
At 31 December 2025	2,986,030	50,000	9,707,445	13,272,861	26,016,336
	Note 29		Note 30	Note 30	

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)**

	← Non-distributable →		Distributable		Total equity RM'000
	Share capital RM'000	Share redemption fund RM'000	Other reserves RM'000	Retained profits RM'000	
Bank					
At 1 January 2024	2,986,030	50,000	8,681,932	11,346,175	23,064,137
Profit after taxation and zakat	-	-	-	1,701,640	1,701,640
Transfer to statutory reserve	-	-	-	(435,922)	(435,922)
Contribution to the Co-operative Education Trust Fund	-	-	-	(36,434)	(36,434)
Contribution to the Co-operative Development Provident Fund	-	-	-	(18,217)	(18,217)
Contribution to Bank Rakyat Foundation	-	-	-	(29,860)	(29,860)
Profit for the year	-	-	-	1,181,207	1,181,207
Other comprehensive loss	-	-	(32,591)	-	(32,591)
Total comprehensive (loss)/ income for the year	-	-	(32,591)	1,181,207	1,148,616
Transfer from retained profits	-	-	435,922	-	435,922
Issuance to new members	87,423	-	-	-	87,423
Share withdrawal	(34,999)	-	-	-	(34,999)
Transfer from share capital	(52,424)	52,424	-	-	-
Transfer from share redemption fund	-	(52,424)	-	52,424	-
Dividends (Note 40)	-	-	-	(481,193)	(481,193)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	788	788
At 31 December 2024	2,986,030	50,000	9,085,263	12,099,401	24,220,694
	Note 29		Note 30	Note 30	

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)**

	← Non-distributable →			Distributable	
	Share capital RM'000	Share redemption fund RM'000	Other reserves RM'000	Retained profits RM'000	Total equity RM'000
Bank					
At 1 January 2025	2,986,030	50,000	9,085,263	12,099,401	24,220,694
Profit after taxation and zakat	-	-	-	1,797,055	1,797,055
Transfer to statutory reserve	-	-	-	(459,810)	(459,810)
Contribution to the Co-operative Education Trust Fund	-	-	-	(38,005)	(38,005)
Contribution to the Co-operative Development Provident Fund	-	-	-	(19,002)	(19,002)
Contribution to Bank Rakyat Foundation	-	-	-	(29,860)	(29,860)
Profit for the year	-	-	-	1,250,378	1,250,378
Other comprehensive income	-	-	163,113	-	163,113
Total comprehensive income for the year	-	-	163,113	1,250,378	1,413,491
Transfer from retained profits	-	-	459,810	-	459,810
Issuance to new members	31,184	-	-	-	31,184
Share withdrawal	(27,426)	-	-	-	(27,426)
Transfer from share capital	(3,758)	3,758	-	-	-
Transfer from share redemption fund	-	(3,758)	-	3,758	-
Dividends (Note 40)	-	-	-	(486,236)	(486,236)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	1,290	1,290
At 31 December 2025	2,986,030	50,000	9,708,186	12,868,591	25,612,807
	Note 29		Note 30	Note 30	

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025**

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Cash flows from operating activities				
Profit before taxation and zakat	1,892,042	1,816,213	1,900,243	1,821,688
Adjustment for:				
Profit expense on debt securities issued (Note 32)	249,976	209,664	249,976	209,664
Allowance for impairment on financing and advances (Note 33)	171,703	141,572	171,535	140,398
Allowance for impairment on financial investments at fair value through other comprehensive income (Note 33)	390	493	390	493
Allowance for impairment on financial investments at amortised cost (Note 33)	55	20	55	20
Depreciation of property and equipment (Note 35(ii))	66,139	52,431	63,630	50,048
Depreciation of right-of-use assets (Note 35(ii))	34,787	20,860	28,788	23,831
Amortisation of prepaid lease payment (Note 35(ii))	1,319	1,413	1,319	1,413
Amortisation of intangible assets (Note 35(ii))	62,127	61,479	62,127	61,479
Finance cost on lease liabilities (Note 35(ii))	2,446	1,704	3,840	2,498
Property and equipment written off (Note 35(ii))	100	47	100	47
Intangible assets written off (Note 35(ii))	-	15	-	15
Gain on disposal of property and equipment (Note 34(ii))	(2)	(1,212)	(2)	(1,242)
Loss on financing written off (Note 35(ii))	9,665	9,339	9,665	9,339
Impairment losses of trade and other receivables (Note 35(ii))	1,491	208	-	27
Gain on revaluation of investment properties (Note 34(ii))	(33,295)	(73,701)	(32,575)	(59,584)

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)**

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (continued)				
Adjustment for (continued):				
Writeback for impairment on trade receivables (Note 34(ii))	(497)	-	-	-
Net gain on disposal of financial investments at fair value through profit or loss (Note 34(ii))	(351)	(729)	(351)	(729)
Net gain on disposal of financial investments at fair value through other comprehensive income (Note 34(ii))	(157,258)	(62,643)	(157,258)	(62,643)
Net gain on redemption of financial investments at amortised cost (Note 34(ii))	-	(62)	-	(62)
Profit expense on financing sold with recourse to Cagamas (Note 32)	97,239	63,003	97,239	63,003
Profit expense on cashline facility (Note 32)	7,300	9,712	7,300	9,712
Dividend from subsidiaries	-	-	(15,000)	(15,000)
Dividend from financial investments at fair value through profit or loss (Note 34(ii))	-	(10,170)	-	(10,170)
Operating profit before working capital changes	2,405,376	2,239,656	2,391,021	2,244,245
(Increase)/decrease in assets:				
Deposits and placements with financial institutions	(16,476)	(211,524)	(16,476)	(211,526)
Financing and advances	(7,810,143)	(2,840,507)	(7,771,212)	(2,880,712)
Trade receivables	(905)	859	-	-
Other assets	(57,691)	(27,396)	(89,105)	(30,514)
Inventories	(1,310)	8,936	-	-

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)**

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (continued)				
Increase/(Decrease) in liabilities:				
Deposits from customers	3,457,522	535,306	3,457,522	535,306
Investment accounts of customers	469,785	266,934	469,785	266,934
Deposits and placements from banks and financial institutions	635,099	618,812	635,099	618,812
Trade payables	838	351	-	-
Recourse obligations on financing sold to Cagamas	1,355,032	811,999	1,355,032	811,999
Other liabilities	(167,803)	(341,551)	(170,161)	(347,006)
Cash generated from operating activities	269,324	1,061,875	261,505	1,007,538
Income tax refunded	89,105	28,773	94,679	33,377
Zakat paid	(37,135)	(50,552)	(34,649)	(48,093)
Net cash generated from operating activities	321,294	1,040,096	321,535	992,822
Cash flows from investing activities				
Purchases of financial investments at fair value through profit or loss	(521,380)	(270,000)	(521,380)	(270,000)
Proceed from disposal and/or maturity of financial investments at fair value through profit or loss	521,731	270,729	521,731	270,791
Purchases of financial investments at fair value through other comprehensive income	(10,620,000)	(6,855,000)	(10,620,000)	(6,855,000)
Proceed from disposal and/or maturity of financial investments at fair value through other comprehensive income	10,081,796	5,501,810	10,081,796	5,501,810
Purchases of financial investments at amortised cost	(2,640,000)	(1,580,000)	(2,640,000)	(1,580,000)
Proceeds from disposal and/or maturity of financial investments at amortised cost	2,849,424	2,238,632	2,849,424	2,238,570
Purchase of investment properties	-	(40,402)	-	(196)
Proceeds from disposal of investment properties	-	890	-	-

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)**

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities (continued)				
Purchase of property and equipment	(143,969)	(71,405)	(142,648)	(70,927)
Purchase of intangible assets	(57,760)	(52,919)	(57,760)	(52,919)
Proceeds from disposal of property and equipment	3	1,472	3	1,258
Proceeds from disposal of assets classified as held for sale	7,850	-	-	-
Dividend from financial investments at fair value through profit or loss (Note 34(ii))	-	10,170	-	10,170
Dividend from subsidiaries	-	-	15,000	15,000
Capital reduction	-	-	5,100	2,000
Net cash used in investing activities	(522,305)	(846,023)	(508,734)	(789,443)
Cash flows from financing activities				
Proceeds from re-issuance of shares to members	31,184	87,423	31,184	87,423
Dividend paid	(486,236)	(481,193)	(486,236)	(481,193)
Fund received from BNM	34,393	4,608	34,393	4,608
Fund refunded to government	(92,444)	-	(92,444)	-
Proceeds from debt securities issued	1,600,000	500,000	1,600,000	500,000
Payment of profit expenses on debt securities issued	(245,237)	(205,473)	(245,237)	(205,473)
Payment of debt securities issued	(600,000)	-	(600,000)	-
Payment of lease liabilities	(12,303)	(17,147)	(31,724)	(25,897)
Payment of cashline facility	(1,211,346)	(711,180)	(1,211,346)	(711,180)
Receipt of cashline facility	1,001,556	1,204,046	1,001,556	1,204,046
Net cash (used in)/generated from financing activities	19,567	381,084	146	372,334
Net (decrease)/increase in cash and cash equivalents	(181,444)	575,157	(187,053)	575,713
Cash and cash equivalents at beginning of the year	1,677,256	1,102,099	1,677,217	1,101,504
Cash and cash equivalents at end of the year	1,495,812	1,677,256	1,490,164	1,677,217

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)**

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents comprises:				
Cash and short-term funds (Note 5)	1,495,812	1,677,256	1,490,164	1,677,217
Deposits and placements with financial institutions (Note 6)	606,718	590,242	606,718	590,242
	2,102,530	2,267,498	2,096,882	2,267,459
Less:				
Cash and short-term funds and deposits and placements with original maturity of more than three months	(606,718)	(590,242)	(606,718)	(590,242)
	1,495,812	1,677,256	1,490,164	1,677,217

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)**

An analysis of changes in liabilities arising from financing activities is as follows:

Group	Debt securities RM'000	Lease liabilities RM'000	Cashline facility RM'000	Government fund RM'000	BNM fund RM'000	Total RM'000
At 1 January 2025	5,537,728	51,072	1,204,046	115,291	203,431	7,111,568
Profit expense during the year	249,976	2,446	7,300	-	-	259,722
Additions	1,600,000	69,029	1,001,556	-	34,393	2,704,978
Payment	(845,237)	(12,303)	(1,211,346)	(90,594)	-	(2,159,480)
Non-cash movement	-	-	-	-	2,173	2,173
At 31 December 2025	6,542,467	110,244	1,001,556	24,697	239,997	7,918,961
At 1 January 2024	5,033,537	45,873	701,468	118,252	195,138	6,094,268
Profit expense during the year	209,664	1,704	9,712	-	-	221,080
Additions	500,000	20,642	1,204,046	-	4,608	1,729,296
Payment	(205,473)	(17,147)	(711,180)	-	-	(933,800)
Non-cash movement	-	-	-	(2,961)	3,685	724
At 31 December 2024	5,537,728	51,072	1,204,046	115,291	203,431	7,111,568

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025 (CONTINUED)**

An analysis of changes in liabilities arising from financing activities is as follows (continued):

Bank	Debt securities RM'000	Lease liabilities RM'000	Cashline facility RM'000	Government fund RM'000	BNM fund RM'000	Total RM'000
At 1 January 2025	5,537,728	65,540	1,204,046	115,291	203,431	7,126,036
Profit expense during the year	249,976	3,840	7,300	-	-	261,116
Additions	1,600,000	88,589	1,001,556	-	34,393	2,724,538
Payment	(845,237)	(31,724)	(1,211,346)	(90,594)	-	(2,178,901)
Non-cash movement	-	-	-	-	2,173	2,173
At 31 December 2025	6,542,467	126,245	1,001,556	24,697	239,997	7,934,962
At 1 January 2024	5,033,537	59,966	701,468	118,252	195,138	6,108,361
Profit expense during the year	209,664	2,498	9,712	-	-	221,874
Additions	500,000	28,973	1,204,046	-	4,608	1,737,627
Payment	(205,473)	(25,897)	(711,180)	-	-	(942,550)
Non-cash movement	-	-	-	(2,961)	3,685	724
At 31 December 2024	5,537,728	65,540	1,204,046	115,291	203,431	7,126,036

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

1. GENERAL INFORMATION

The Bank was established under the Co-operative Societies Act 1993 with the registered office address at 35th Floor, Menara 1, Menara Kembar Bank Rakyat, No. 33, Jalan Rakyat, 50470 Kuala Lumpur.

The principal activities of the Bank are those of a co-operative that carries out banking activities based on Shariah principles through accepting deposits and providing financial services for retail and commercial needs.

The principal activities of the subsidiaries are disclosed in Note 15.

There have been no significant changes in the nature of these principal activities of the Group and the Bank other than as disclosed in Note 15.

The Bank has a total of 148 branches as of 31 December 2025 (2024: 148).

These financial statements have been approved and authorised for issue by the Board of Directors on 9 March 2026.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Bank have been prepared in accordance with the provisions of Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 (Act 202), the Co-operative Societies Act 1993 (Act 502), Development Financial Institutions Act 2002 (Act 618), MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board ("MFRS Accounting Standards"), IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and in compliance with the principles of Shariah.

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

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

The Group and the Bank plan to apply the abovementioned accounting standards, amendments or interpretations, where applicable:

- from the annual period beginning on 1 January 2026 for the amendments that are effective for annual periods beginning on or after 1 January 2026
- from the annual period beginning on 1 January 2027 for the accounting standards and amendments that are effective for annual periods beginning on or after 1 January 2027

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

3. MATERIAL ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements of the Group and of the Bank have been prepared on the historical cost basis, except for certain assets and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the material accounting policies below.

3.2 Subsidiaries and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiaries.

Investments in subsidiaries are measured in the Bank's statement of financial position at cost less any impairment losses.

3.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. Acquisition-related costs are recognised in profit or loss as incurred.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Business combinations (continued)

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112, *Income Taxes* and MFRS 119, *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2, *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified and measured as held-for-sale in accordance with MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

3.4 Goodwill on consolidation

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 3.3 above) less accumulated impairment losses, if any.

3.5 Financial instruments

Financial assets and financial liabilities are recognised when, and only when the Group and the Bank become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value.

3.5.1 Financial assets

3.5.1.1 Initial recognition and subsequent measurement

All financial assets are measured initially at their fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.1 Initial recognition and subsequent measurement (continued)

The Group and the Bank classify all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics, measured at either:

- Amortised cost
- Fair value through other comprehensive income ("FVOCI")
- Fair value through profit or loss ("FVTPL")

Included in financial assets are the following:

(i) Financial assets at amortised cost

The Group and the Bank measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit ("SPPP") on the principal amount outstanding.

The details of these conditions are outlined below:

(a) Business model assessment

The Group and the Bank determine its business model at the level that best reflects how groups of financial assets are managed to achieve its business objective.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.1 Initial recognition and subsequent measurement (continued)

(i) Financial assets at amortised cost (continued)

(a) Business model assessment (continued)

The Group and the Bank's business model is not assessed on an instrument-by-instrument basis, but a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); or
- The expected frequency, value and timing of sales are also important aspects of the Group and the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group and the Bank's original expectations, the Group and the Bank do not change the classification of the remaining financial assets held in that business model, but incorporate such information when assessing newly originated or newly purchased financial assets going forward.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.1 Initial recognition and subsequent measurement (continued)

(i) Financial assets at amortised cost (continued)

(b) The SPPP test

As a second step of its classification process, the Group and the Bank assess the contractual terms of financial assets to identify whether they meet the SPPP test.

“Principal” for the purpose of this test is defined as their fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are payments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPP assessment, the Group and the Bank apply judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.1 Initial recognition and subsequent measurement (continued)

(ii) Fair value through other comprehensive income (“FVOCI”)

The Group and the Bank apply the new category under MFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial assets meet the SPPP test.

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income (“OCI”). Profit income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments are normally measured at FVTPL. However, for unquoted equity instruments, with an irrevocable option at inception, the Group and the Bank measure the changes through FVOCI (without recycling profit or loss upon derecognition).

(iii) Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets at FVTPL include financial assets held-for-trading and financial asset designated at FVTPL upon initial recognition. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held-for-trading.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.1 Initial recognition and subsequent measurement (continued)

(iii) Financial assets at fair value through profit or loss (“FVTPL”) (continued)

Financial assets at FVTPL are those that are not held-for-trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under MFRS 9. Management designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Subsequent to initial recognition, financial assets held-for-trading and financial assets designated at FVTPL are recorded in the statements of financial position at fair value. Changes in fair value are recognised in profit or loss under the heading of ‘other operating income’.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.1 Initial recognition and subsequent measurement (continued)

(iv) Financing and receivables

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financing and receivables are initially recognised at fair value, including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective profit method, less any impairment.

Profit on financing is recognised in profit or loss by applying the effective profit rate.

(v) Effective profit method

The effective profit method is a method of calculating the amortised cost of a financial asset or liability and of allocating profit income or expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.5.1.2 Impairment of financial assets

The MFRS 9 impairment requirements are based on an Expected Credit Loss ("ECL") model. The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable financing commitments and financial guarantee contracts; which include financing and advances, as well as financial instruments held by the Group and the Bank. The ECL model also applies to contract assets under MFRS 15, *Revenue from Contracts with Customers*.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Impairment of financial assets (continued)

The measurement of ECL involves increased complexity and judgement that include:

- (i) Determining a significant increase in credit risk since initial recognition

The assessment of significant deterioration since initial recognition is the key to determine the point of switching between measuring an allowance based on 12-month ECL, or an allowance based on lifetime ECL. A number of both qualitative and quantitative assessments are used in determining whether there is a significant increase in credit risk as at reporting date when compared with the date of initial recognition.

The Group and the Bank apply a three-stage approach based on the change in credit quality since initial recognition:

3-Stage approach	Stage 1	Stage 2	Stage 3
	Performing	Under-performing	Non-performing
Description	No significant increase in credit risk	Credit risk increased significantly	Credit impaired assets
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Recognition of profit income	On gross carrying amount	On gross carrying amount	On net carrying amount

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Impairment of financial assets (continued)

(ii) ECL Measurement

There are three main components to measure ECL which are probability of default (“PD”) model, a loss given default (“LGD”) model, and the exposure at default model (“EAD”).

a) Probability of default

PD provides an estimate of the likelihood that a customer will be unable to meet its debt obligation or default over a particular time horizon.

b) Loss Given Default

LGD is defined as the percentage of exposure the Bank might lose in case the customer defaults. These losses are usually shown as a percentage of EAD, and depend, amongst others, on the type and amount of collateral as well as the type of customer and the expected proceeds from the work-out of the assets.

c) Exposure at Default

EAD is an estimate of the Bank’s exposure to its counterparty at the time of default. For defaulted accounts, EAD is simply the amount outstanding at the point of default.

MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Group and the Bank have continued to measure impairment on individual assessment basis for financial assets that are deemed to be individually significant. All other remaining financial assets are collectively assessed as per the Group’s policy.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Impairment of financial assets (continued)

(iii) Expected life

Lifetime expected credit losses must be measured over the expected life. This is defined to be the maximum contractual life, including any expected prepayment, extension, call and similar options.

(iv) Financial investments at FVOCI

The ECLs of financial investments measured at FVOCI do not reduce the carrying amount of these financial assets, which remains at fair value. Rather, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to profit or loss upon derecognition of the assets.

(v) Forward-looking information

Expected credit losses are the unbiased probability-weighted credit losses, determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward-looking forward is based on the Group's and the Bank's Economic Research Division.

Where applicable, the Group and the Bank incorporate forward-looking adjustments in credit risk factors of PD and LGD used in ECL calculation, taking into account the impact of multiple probability-weighted future forecast economic scenarios.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Impairment of financial assets (continued)

(v) Forward-looking information (continued)

Embedded in ECL is a broad range of forward-looking information as economic inputs, such as:

- Private Final Consumption ("PFC");
- Gross Domestic Product ("GDP");
- Consumer Sentiment Index ("CSI");
- Unemployment Rate ("Unemployment");
- Overnight Pricing Rate ("OPR");
- Passenger Cars ("Passenger Cars");
- Consumer Price Indices ("CPI");
- House Price Indices ("HPI"); or
- FTSE Bursa Malaysia Small Cap Index ("FTSE").

The Group and Bank apply the following three alternative macro-economic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

- *Base scenario:* This scenario reflects the current macro-economic conditions continue to prevail.
- *Best and Worst scenarios:* These scenarios are set relative to the base scenario; reflecting the best and worst-case macro-economic conditions respectively, based on subject matter expert's best judgement from current economic conditions.

(vi) Valuation for Stage 3 ECL

The Group and the Bank's accounting policy for collateral assigned to it through its lending arrangements under MFRS 9 is the same as it was under MFRS 139.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.3 Rescheduled and restructured financing

Where a financing shows evidence of credit weaknesses, the Group and the Bank may seek to renegotiate the financing rather than to take possession of collateral. This may involve an extension of the payment arrangements via rescheduling or the renegotiation of new financing terms and conditions via restructuring. Management monitors the renegotiated financing to ensure that all the revised terms are met and that the payments are made promptly for a continuous period. Where an impaired financing is renegotiated, the customer must adhere to the revised and/or restructured payment terms for a continuous period of six months before the financing is classified as non-impaired. This financing continues to be subjected to ECL individually or collectively assessed.

3.5.1.4 Modification of financing

The Group and the Bank sometimes renegotiate or otherwise modify the contractual cash flows of financing to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms. The Group and the Bank do this by considering, among others, the following factors:

- If the customer is in financial difficulty, whether the modification merely reduces the contractual cash flows to amount the customer is expected to be able to pay;
- Whether any substantial new terms are introduced, such as profit share / equity-based return that substantially affects the risk profile of the financing;
- Significant extension of the financing term when the customer is not in financial difficulty; or
- Significant change in profit rate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.4 Modification of financing (continued)

If the terms are substantially different, the Group and the Bank derecognise the original financial asset and recognise a 'new' asset at fair value and recalculate a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for both impairment calculation purposes and in determining whether a significant increase in credit risk has occurred.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition. The Group and the Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in the income statements. The new gross carrying amount is recalculated by discounting the modified cashflows at the original effective profit rate.

3.5.1.5 Reclassification of financial assets

Reclassification of financial assets is permissible when and only when there is change in business model for managing financial assets.

Subsequent to initial recognition, the Group and the Bank do not reclassify its financial assets.

3.5.2 Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire, or when the Group and the Bank transfer the financial assets and substantially all the risks and rewards of ownership of the assets to another entity. If the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the financial asset, the Group and the Bank recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Bank retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Bank continue to recognise the financial asset and also recognise a collateralised financing for the proceeds received.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.2 Derecognition of financial assets (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated under the heading of other reserves is recognised in profit or loss.

3.5.3 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

3.5.4 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's and of the Bank's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's and of the Bank's own equity instruments.

3.5.5 Financial liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective profit method. The Group and the Bank do not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities at amortised cost include deposits from customers, deposits and placements from banks and financial institutions, trade and other payables, recourse obligations on financing sold to Cagamas, debt securities issued and other fund placements.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.5 Financial liabilities (continued)

The effective profit method is a method of calculating the amortised cost of a financial liability and of allocating profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

3.5.5.1 Investment accounts

Investment accounts are based on the concept of profit sharing. Under this concept, the customer provides capital for the Group and the Bank to invest. The profit earned from the investment will be shared as dividend between the customer and the Group and the Bank according to the predetermined mutually agreed Profit Sharing Ratio ("PSR").

An unrestricted investment account ("UA") refers to a type of investment account where the investor provides the Group and the Bank with the mandate to make the ultimate decision without specifying any particular restrictions or conditions. The UA is structured under Mudarabah contracts.

The financial losses associated with the investment are to be borne by the customer whilst the Group and the Bank may suffer losses in term of costs and time.

3.5.6 Derecognition of financial liabilities

The Group and the Bank derecognise financial liabilities when, and only when, the Group's and the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.7 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on Bursa Malaysia and broker quotes from Bond Pricing Agency.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. Under these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, and using inputs existing at the end of the reporting period.

The fair value for financing and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

3.6 Cash and cash equivalents

Cash and short term funds in the statements of financial position comprise of cash and bank balances with bank and other financial institutions and short-term deposits maturing within one month. For purpose of the statements of cash flows, cash and cash equivalents consist of cash and short term funds with original maturity of less than three months.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.7 Leases

At inception of a contract, the Group and the Bank assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Bank use the definition of a lease in MFRS 16.

(a) Group as lessor

The Group and the Bank enter into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group and the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group or the Bank is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group or the Bank applies the exemption described above, then it classifies the sub-lease as an operating lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease as part of 'Other operating income' (Note 34). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's and the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's and the Bank's net investment outstanding in respect of the leases.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

(b) Group as lessee

The Group and the Bank apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Bank recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liabilities.

Whenever the Group and the Bank incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Bank expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease:

Buildings	1 - 10 years
Other equipment	1 - 2 years

The right-of-use assets are presented as a separate line in the statements of financial position.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

(b) Group as lessee (continued)

(i) Right-of-use assets (continued)

The Group and the Bank apply MFRS 136, *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3.20 Impairment of non-financial assets.

If ownership of the leased asset transfers to the Group and the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

As a practical expedient, MFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group and the Bank has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group and the Bank allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Bank and payments of compensation for terminating the lease, if the lease term reflects the Group and the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs and are included in 'Operating expenses' in profit or loss.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

(b) Group as lessee (continued)

(ii) Lease liabilities (continued)

The Group and the Bank present lease liabilities in 'Other liabilities' (Note 28) in the statements of financial position.

In calculating the present value of lease payments, the Group and the Bank use finance rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental financing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of finance cost and reduced for the lease payments made. In addition, the carrying amount of lease liabilities are remeasured (and makes a corresponding adjustment to the related right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero) if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group and the Bank do not make any such adjustments during the periods presented.

(iii) Short-term leases and leases of low-value assets

The Group and the Bank apply the short-term lease recognition exemption to its short-term leases of parking space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain an extension option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Financing costs

Financing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other financing costs are expensed in the period in which they occur. Financing costs consist of profit expense and other costs that an entity incurs in connection with the financing of funds.

3.9 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the Group and the Bank, are classified as investment properties. Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the end of the reporting period.

Fair values are determined based on annual valuation performed by accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

In determining the amount of consideration from the derecognition of investment property the Group and the Bank consider the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

If owner-occupied property becomes an investment property, the Group and the Bank account for such property in accordance with the policy stated under property and equipment up to the date of change in use. Rental income from investment property is recognised as other income on a straight-line basis over the term of the lease.

3.10 Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment used by the Group and the Bank are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Construction work-in-progress are not depreciated until the assets are ready for their intended use.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.10 Property and equipment (continued)

Depreciation of other property and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings	50 years
Leasehold land and buildings	50 years
Renovation	5 - 50 years
Furniture, fittings and office equipment	5 years
Motor vehicles	5 years

3.11 Intangible assets

In addition to goodwill, intangible assets also include computer software and software-in-development.

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Subsequent to initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses, except software-in-development which is not subject to amortisation until the development is completed and the asset is available for use.

Amortisation of intangible assets are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Computer software	5 - 15 years
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3.12 Prepaid lease payments

Leasehold land that has an indefinite economic life which title is not expected to pass to the Group by end of the lease period is classified as operating lease.

The upfront payments for right to use the leasehold land over a predetermined period are accounted for as prepaid lease payments and are stated at cost less amount amortised. The prepaid lease payments are amortised on a straight-line basis over the remaining lease terms, ranging from 1 to 856 years (2024: 1 to 857 years).

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.13 Provisions

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of past events, when it is probable that the Group and the Bank will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

3.14 Inventories

Inventories are valued at the lower of cost (determined using the first-in, first out method) and net realisable value.

Completed property units for sale are valued at the lower of cost and net realisable value. Cost is determined using the 'specific identification' method.

3.15 Profit income and expense

For all financial instruments measured at amortised cost and profit-bearing financial assets classified as fair value through profit or loss and fair value through other comprehensive income, income and expense are recognised under "Income" and "Expenditure" respectively 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 profit 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 instruments (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.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.15 Profit income and expense (continued)

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

3.16 Fee and commission income

Financing arrangement fees are recognised as income based on contractual arrangements. Guarantee fee is recognised as income upon issuance of the guarantee. Fees from advisory and corporate finance activities are recognised net of sales and service tax and discounts on completion of each stage of the assignment.

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

3.17 Dividend income

Dividends are recognised in profit or loss as 'dividend income' when the Group's right to receive payment is established.

3.18 Income tax

3.18.1 Current income tax

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

3.18.2 Deferred income tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Bank expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.19 Employee benefits

3.19.1 Defined contribution plan

For defined contribution plan, the Group and the Bank pay contributions to Employees Provident Fund ("EPF") on a mandatory basis. The Group and the Bank have no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

3.19.2 Short-term employee benefits

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

3.20 Impairment of non-financial assets

At the end of each reporting period, the Group and the Bank review the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Bank estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.21 Zakat

In computing for zakat, the Group and the Bank have been applying the growth capital method based on the rate of 2.5%. This method applies the rate on owners' equity, long term liability, net of fixed assets and non-current assets, and subjected to allowable adjustments.

It is an obligatory amount payable on the business on behalf of the shareholders and/or business entity depending on the ownership characteristics.

Zakat is distributed according to Shariah principle and being extended through Islamic Religious Council of the respective states and other rightful beneficiaries or asnaf.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's and the Bank's financial statements and financial results are influenced by accounting policies, assumptions, estimates and management judgements, which necessarily have to be made in the course of preparation of the financial statements.

The Group and the Bank make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with MFRS are best estimates undertaken in accordance with the applicable standards.

Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's and the Bank's results and financial situation due to their materiality.

4.1 Impairment losses on financing and advances

The Group and the Bank review their financing and advances portfolio to determine whether impairment losses should be recognised in profit or loss.

Financing is considered as impaired when there is objective evidence of impairment as a result of loss event that has affected future estimated cash flows of the financing subsequent to its initial recognition.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Impairment losses on financing and advances (continued)

Components of impairment allowance are as follows:

(i) ECL individually assessed

Where an account has exceeded certain number of arrears or when the account has fulfilled certain criteria that indicates credit weaknesses, the account is individually assessed for impairment.

Individual allowance is measured as the difference between carrying amount of the financing and present value of estimated future cash flows that are discounted at the effective profit rate.

Expectation on future cash flows is established by applying the best estimate formed on reliable and objective evidence. This process involves significant and reasonable judgement.

(ii) ECL collectively assessed

The Group and the Bank's ECL calculations under MFRS 9 are outputs of complex models with several underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Criteria for assessing if there has been a significant increase in credit risk, which includes qualitative assessment, to determine whether financial assets should be measured on lifetime ECL basis rather than 12-month ECL basis;
- The segmentation of financial assets, when their ECL is assessed on a collective basis;
- Development of ECL models, including various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios, and economic inputs, such as unemployment levels and overnight pricing rate, and their effect on PDs, EADs, and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Impairment of financial assets portfolio

The Group and the Bank review their financial investments at FVOCI and financial investments at amortised cost under MFRS 9 to recognise the ECL at each reporting date to reflect changes in credit risk of the financial investments not measured through FVTPL. MFRS 9 incorporates forward-looking and historical, current and forecasted information into ECL estimation.

In carrying out the impairment review, the following management's judgements are required:

- (i) Determination whether the investment is impaired based on certain indicators such as, among others, difficulties of the issuers or obligors, deterioration of the credit quality of the issuers or obligors; and
- (ii) Determination of ECL that reflect:
 - (a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
 - (b) The time value of money; and
 - (c) Reasonable and supportable information, that is available without undue cost or effort, as at the reporting date about past events, current conditions, and forecasts of future economic conditions.

4.3 Fair value estimation of financial investments at FVOCI

When the fair value of financial assets recorded in the statements of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques. Valuation techniques include the discounted cashflow methods, option pricing models, and other relevant valuation models.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.4 Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profit together with future tax planning strategies.

4.5 Determine the lease term of contracts with renewal and termination options - Group as lessee

The Group and the Bank determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group and the Bank have several lease contracts that include extension and termination options. The Group and the Bank apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group and the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group and the Bank include the renewal period as part of the lease term for leases of buildings and other equipment with shorter non-cancellable period (i.e., one to three years). The Group and the Bank typically exercise its option to renew for these leases because there will be a significant negative effect on operation if a replacement asset is not readily available. The renewal periods for leases of buildings with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Refer to Note 13 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****5. CASH AND SHORT-TERM FUNDS**

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Cash and balances with banks and other financial institutions	1,075,246	1,007,504	1,069,598	1,007,465
Money at call and deposit placements maturing within one month	420,566	669,752	420,566	669,752
	<u>1,495,812</u>	<u>1,677,256</u>	<u>1,490,164</u>	<u>1,677,217</u>

Included in the cash and balances with banks and other financial institutions are RM581.78 million (2024: RM563.55 million) pledged as the collateral for the cashline facility (Note 27).

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	<u>1,495,812</u>	<u>1,677,256</u>	<u>1,490,164</u>	<u>1,677,217</u>

6. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Licensed banks	<u>606,718</u>	590,242	<u>606,718</u>	590,242

Included in the deposits and placements with financial institutions are RM606.72 million (2024: RM590.24 million) pledged as the collateral for the cashline facility (Note 27).

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

6. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS (CONTINUED)

The maturity structure of the deposits and placements with financial institutions is as follows:

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
More than three months	606,718	590,242	606,718	590,242

7. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Debt instruments at fair value through other comprehensive income:				
Islamic debt securities	7,143,359	6,216,763	7,143,359	6,216,763
Government investment issues	5,218,022	5,614,196	5,218,022	5,614,196
Government sukuk	7,553,884	8,255,257	7,553,884	8,255,257
Cagamas sukuk	1,605,077	575,941	1,605,077	575,941
	21,520,342	20,662,157	21,520,342	20,662,157
Equity securities at fair value through other comprehensive income:				
Unquoted shares:				
In Malaysia *	115,189	115,189	115,181	115,181
	115,189	115,189	115,181	115,181
Total financial investments at fair value through other comprehensive income	21,635,531	20,777,346	21,635,523	20,777,338

* The Group and the Bank have elected to recognise these equity investments at fair value through other comprehensive income, these investments are held as long term strategic investments that are not expected to be sold in the short term to medium term. Gains or losses on the derecognition of these equity investments are not transferred to profit or loss.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

7. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Movement of allowance for ECL by stage for debt instruments at fair value through other comprehensive income is as follows:

Group and Bank	12-month ECL Stage 1 RM'000
At 1 January 2024	120
Changes in credit risk (Note 33(ii))	493
At 31 December 2024/1 January 2025	<u>613</u>
Changes in credit risk (Note 33(ii))	390
At 31 December 2025	<u>1,003</u>

The maturity structure of the debt instruments is as follows:

	Group and Bank	
	2025	2024
	RM'000	RM'000
Maturity within one year	1,854,484	1,665,767
More than one year to five years	7,370,608	8,137,389
More than five years	12,295,250	10,859,001
	<u>21,520,342</u>	<u>20,662,157</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

8. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group and Bank	
	2025	2024
	RM'000	RM'000
At amortised cost		
Islamic debt securities	972,498	1,143,752
Government investment issues *	7,975,633	7,827,210
Government sukuk	2,458,601	2,514,494
Cagamas sukuk	197,946	228,939
Negotiable Islamic debt certificates	-	99,758
Islamic commercial papers	49,688	49,637
	<u>11,654,366</u>	<u>11,863,790</u>
Less: Allowance for ECL		
Negotiable Islamic debt certificates	-	(2)
Islamic debt securities	(111)	(54)
	<u>11,654,255</u>	<u>11,863,734</u>

* Included in financial investments at amortised cost are financial assets sold under repurchase agreement as disclosed in Note 9 (i).

Movement of allowance for ECL by stage is as follows:

Group and Bank	12-month ECL Stage 1 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At 1 January 2024	36	10,605	10,641
Changes in credit risk (Note 33(ii))	20	-	20
Amount written off	-	(10,605)	(10,605)
At 31 December 2024/1 January 2025	<u>56</u>	<u>-</u>	<u>56</u>
Changes in credit risk (Note 33(ii))	55	-	55
At 31 December 2025	<u>111</u>	<u>-</u>	<u>111</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

8. FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

The maturity structure of the instruments is as follows:

	Group and Bank	
	2025	2024
	RM'000	RM'000
Maturity within one year	535,987	498,968
More than one year to five years	4,964,768	5,096,599
More than five years	6,153,611	6,268,223
	<u>11,654,366</u>	<u>11,863,790</u>

9. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

- (i) Included in financial investments at amortised cost are financial assets sold under repurchase agreements as follows:

	Group and Bank	
	2025	2024
	RM'000	RM'000
Financial investments at amortised cost		
Government investment issues	<u>1,302,386</u>	<u>1,005,142</u>

- (ii) The obligations on financial assets sold under repurchase agreements are as follows:

	Group and Bank	
	2025	2024
	RM'000	RM'000
Financial investments at amortised cost		
Government investment issues	<u>1,302,386</u>	<u>1,005,142</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

10. FINANCING AND ADVANCES

(i) Financing and advances analysed by type and concept

Group 2025	Bai` Bithaman		Ijarah Thumma		Total RM'000
	Bai` Inah RM'000	Ajil RM'000	Qard Murabahah RM'000	Al-Bai` RM'000	
At amortised cost					
Term financing					
- Personal financing	7,415,227	-	-	-	52,644,553
- House financing	-	401,257	-	-	12,050,032
- Hire-purchase receivables	-	-	-	4,011,472	-
- Syndicated financing	-	-	-	-	594,297
- Bridging financing	-	-	-	-	25,924
- Other term financing	38,560	1,899	4	107,331	7,790,895
Pawn broking	-	-	-	-	5,897,685
Cashline	-	-	-	-	1,074,399
Revolving credit	-	-	-	-	311,416
Credit card	-	-	-	-	451,403
Staff financing	-	-	-	-	520,212
	7,453,787	403,156	4	4,011,472	81,360,816
					93,336,566

Allowance for ECL on financing and advances:

Stage 1 - 12-month ECL	(364,694)
Stage 2 - lifetime ECL not credit impaired	(557,652)
Stage 3 - lifetime ECL credit impaired	(994,631)
Net financing and advances	91,419,589

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

10. FINANCING AND ADVANCES (CONTINUED)

(i) Financing and advances analysed by type and concept (continued)

Group 2024	Bai` Bithaman		Ijarah Thumma		Total RM'000
	Bai` Inah RM'000	Ajil RM'000	Qard RM'000	Murabahah RM'000	
At amortised cost					
Term financing					
- Personal financing	9,705,214	-	-	-	48,273,296
- House financing	-	469,505	-	-	11,014,263
- Hire-purchase receivables	-	-	-	3,468,722	-
- Syndicated financing	-	-	-	-	397,091
- Bridging financing	-	-	-	-	46,106
- Other term financing	26,665	2,045	5	74,132	6,737,755
Pawn broking	-	-	-	-	3,667,646
Cashline	-	-	-	-	845,895
Revolving credit	-	-	-	-	277,632
Credit card	-	-	-	-	433,541
Staff financing	-	-	-	-	522,699
	9,731,879	471,550	5	74,132	72,215,924
				3,468,722	85,962,212

Allowance for ECL on financing and advances:

Stage 1 - 12-month ECL	(386,211)
Stage 2 - lifetime ECL not credit impaired	(715,797)
Stage 3 - lifetime ECL credit impaired	(1,069,390)
Net financing and advances	83,790,814

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

10. FINANCING AND ADVANCES (CONTINUED)

(i) Financing and advances analysed by type and concept (continued)

Bank 2025	Bai` `Inah		Bithaman Ajil		Ijarah Thumma Al-Bai`		Tawarruq RM'000	Total RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
At amortised cost								
Term financing								
- Personal financing	7,415,227	-	-	-	-	-	52,644,553	60,059,780
- House financing	-	401,257	-	-	-	-	12,421,253	12,822,510
- Hire-purchase receivables	-	-	-	-	4,011,472	-	-	4,011,472
- Syndicated financing	-	-	-	-	-	-	594,297	594,297
- Bridging financing	-	-	-	-	-	-	25,924	25,924
- Other term financing	38,560	1,899	4	107,331	-	-	7,790,895	7,938,689
Pawn broking	-	-	-	-	-	-	5,837,971	5,837,971
Cashline	-	-	-	-	-	-	1,094,138	1,094,138
Revolving credit	-	-	-	-	-	-	311,416	311,416
Credit card	-	-	-	-	-	-	451,403	451,403
Staff financing	-	-	-	-	-	-	520,212	520,212
	7,453,787	403,156	4	107,331	4,011,472	-	81,692,062	93,667,812

Allowance for ECL on financing and advances:

Stage 1 - 12-month ECL	(369,252)
Stage 2 - lifetime ECL not credit impaired	(557,652)
Stage 3 - lifetime ECL credit impaired	(994,631)
Net financing and advances	91,746,277

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

10. FINANCING AND ADVANCES (CONTINUED)

(i) Financing and advances analysed by type and concept (continued)

Bank 2024	Bai` `Inah		Bithaman Ajil		Ijarah Thumma Al-Bai`		Tawarruq RM'000	Total RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
At amortised cost								
Term financing								
- Personal financing	9,705,214	-	-	-	-	-	48,273,296	57,978,510
- House financing	-	469,505	-	-	-	-	11,384,440	11,853,945
- Hire-purchase receivables	-	-	-	-	3,468,722	-	-	3,468,722
- Syndicated financing	-	-	-	-	-	-	397,091	397,091
- Bridging financing	-	-	-	-	-	-	46,106	46,106
- Other term financing	26,665	2,045	5	74,132	-	-	6,737,755	6,840,602
Pawn broking	-	-	-	-	-	-	3,667,646	3,667,646
Cashline	-	-	-	-	-	-	845,895	845,895
Revolving credit	-	-	-	-	-	-	277,632	277,632
Credit card	-	-	-	-	-	-	433,541	433,541
Staff financing	-	-	-	-	-	-	522,699	522,699
	9,731,879	471,550	5	74,132	3,468,722	72,586,101	86,332,389	

Allowance for ECL on financing and advances:

Stage 1 - 12-month ECL	(390,937)
Stage 2 - lifetime ECL not credit impaired	(715,797)
Stage 3 - lifetime ECL credit impaired	(1,069,390)
Net financing and advances	84,156,265

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

10. FINANCING AND ADVANCES (CONTINUED)

- (i) Financing and advances analysed by type and concept (continued)

Assets funded under *ljarah* financing are owned by the Bank throughout the tenure of the *ljarah* financing and ownership of the assets will be transferred to customer at the end of financing tenure for a token consideration or other amount as specified in the *ljarah* financing contract.

Included in the Bank's financing and advances is financing granted to Rakyat Holdings Sdn Bhd, a subsidiary of the Bank, amounting to RM367.60 million (2024: RM365.45 million) net of expected credit losses of RM3.62 million (2024: RM4.73 million), subject to profit rate of 4.24% (2024: 5.23%) per annum.

Included in the Bank's financing and advances is cashline facility granted to Rakyat Management Services Sdn Bhd, a subsidiary of the Bank, amounting to RM18.80 million (2024: Nil) net of expected credit losses of RM0.94 million (2024: Nil), subject to profit rate of 5.10% (2024: Nil) per annum.

Included in the Group's and the Bank's financing and advances as at 31 December 2025 is BNM financing scheme as part of the government support measures for the purpose of SME financing amounting to RM98.54 million (2024: RM135.54 million) (Note 28(iv)).

- (ii) Financing and advances analysed by geographical distribution

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Central Region	37,677,371	34,472,116	38,008,617	34,842,293
Southern Region	14,558,563	13,226,188	14,558,563	13,226,188
Eastern Region	14,281,869	13,125,922	14,281,869	13,125,922
Northern Region	10,816,816	9,975,927	10,816,816	9,975,927
East Malaysia Region	16,001,947	15,162,059	16,001,947	15,162,059
	<u>93,336,566</u>	<u>85,962,212</u>	<u>93,667,812</u>	<u>86,332,389</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

10. FINANCING AND ADVANCES (CONTINUED)

(iii) Financing and advances analysed by economic sector

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Household	84,865,685	78,513,414	84,805,971	78,513,414
Agriculture	154,922	119,283	154,922	119,283
Mining and quarrying	48,705	62,409	48,705	62,409
Manufacturing	254,050	232,363	254,050	232,363
Electricity, gas and water	140,129	121,316	140,129	121,316
Construction	1,050,815	1,151,678	1,050,815	1,151,678
Wholesale and retail trade	1,138,030	1,145,080	1,138,030	1,145,080
Transportation and communication	1,397,907	1,050,510	1,397,907	1,050,510
Financial, takaful and business services	4,173,804	3,319,255	4,564,764	3,689,432
Community, social and personal services	112,519	246,904	112,519	246,904
	<u>93,336,566</u>	<u>85,962,212</u>	<u>93,667,812</u>	<u>86,332,389</u>

(iv) Financing and advances analysed by remaining contractual maturity

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	2,832,123	2,729,087	2,823,121	2,729,087
More than one year to three years	7,856,198	5,536,328	7,805,486	5,536,328
More than three years to five years	8,137,546	6,436,503	8,137,546	6,436,503
More than five years	74,510,699	71,260,294	74,901,659	71,630,471
	<u>93,336,566</u>	<u>85,962,212</u>	<u>93,667,812</u>	<u>86,332,389</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

10. FINANCING AND ADVANCES (CONTINUED)

(v) Financing and advances analysed by customer type

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Individuals	84,865,687	78,509,601	84,805,972	78,509,601
Business enterprises	5,282,010	4,561,532	5,672,971	4,931,709
Non-bank financial institutions				
- Co-operatives	3,061,013	2,746,099	3,061,013	2,746,099
Foreign entities	-	3,763	-	3,763
Other entities	127,856	141,217	127,856	141,217
	<u>93,336,566</u>	<u>85,962,212</u>	<u>93,667,812</u>	<u>86,332,389</u>

(vi) Financing and advances analysed by profit rate sensitivity

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
Personal financing	8,020,242	10,626,876	8,020,242	10,626,876
House financing	1,082,017	1,294,589	1,082,017	1,294,589
Others	12,372,503	9,594,271	12,372,503	9,594,271
Floating rate				
Personal financing	52,039,538	47,351,634	52,039,538	47,351,634
House financing	11,369,273	10,189,180	11,740,494	10,559,357
Others	8,452,993	6,905,662	8,413,018	6,905,662
	<u>93,336,566</u>	<u>85,962,212</u>	<u>93,667,812</u>	<u>86,332,389</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

10. FINANCING AND ADVANCES (CONTINUED)

(vii) Impaired financing and advances analysed by geographical distribution

	Group and Bank	
	2025	2024
	RM'000	RM'000
Central Region	1,360,093	1,272,150
Southern Region	84,074	83,442
Eastern Region	84,045	98,533
Northern Region	74,359	80,032
East Malaysia Region	123,648	136,261
	<u>1,726,219</u>	<u>1,670,418</u>

(viii) Impaired financing and advances analysed by economic sector

	Group and Bank	
	2025	2024
	RM'000	RM'000
Household	682,487	745,595
Agriculture	12,377	6,488
Mining and quarrying	1,477	20,681
Manufacturing	33,905	23,389
Electricity, gas and water	86,635	13,323
Construction	77,402	104,174
Wholesale and retail trade	206,103	165,297
Transportation and communication	157,961	135,557
Financial, takaful and business services	457,772	451,595
Community, social and personal services	10,100	4,319
	<u>1,726,219</u>	<u>1,670,418</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

10. FINANCING AND ADVANCES (CONTINUED)

(ix) Movements in impaired financing and advances are as follows:

	Group and Bank			
	2025	2024		
	RM'000	RM'000		
As of 1 January	1,670,418	1,695,987		
Classified as impaired during the year	1,643,621	1,755,498		
Amount written back in respect of recoveries	(1,161,696)	(1,401,380)		
Amount written off during the year	(426,124)	(379,687)		
	<u>55,801</u>	<u>(25,569)</u>		
At 31 December	<u>1,726,219</u>	<u>1,670,418</u>		
	Group	Bank		
	2025	2024	2025	2024
Gross impaired financing and advances as a percentage of gross financing and advances	<u>1.85%</u>	<u>1.94%</u>	<u>1.84%</u>	<u>1.93%</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

10. FINANCING AND ADVANCES (CONTINUED)

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

Group 2025	12-month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
ECL allowance				
As of 1 January 2025	386,211	715,797	1,069,390	2,171,398
Changes due to financing and advances movements:				
- Transfer to 12-month ECL (Stage 1)	122,936	(101,375)	(21,561)	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	(22,880)	127,171	(104,291)	-
- Transfer to lifetime ECL credit impaired (Stage 3)	(4,584)	(72,032)	76,616	-
New financial assets originated *	127,096	34,558	32,057	193,711
Changes in credit risk Financial assets	(195,083)	(107,248)	403,115	100,784
derecognised	(49,002)	(39,219)	(34,571)	(122,792)
Amount written off	-	-	(426,124)	(426,124)
At 31 December 2025	<u>364,694</u>	<u>557,652</u>	<u>994,631</u>	<u>1,916,977</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

10. FINANCING AND ADVANCES (CONTINUED)

- (x) Movements in allowance for ECL on financing and advances are as follows (continued):

Group 2024	12-month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
ECL allowance				
As of 1 January 2024	653,488	677,545	1,078,480	2,409,513
Changes due to financing and advances movements:				
- Transfer to 12-month ECL (Stage 1)	129,632	(99,759)	(29,873)	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	(28,869)	159,409	(130,540)	-
- Transfer to lifetime ECL credit impaired (Stage 3)	(6,728)	(61,064)	67,792	-
New financial assets originated *	110,636	29,447	18,091	158,174
Changes in credit risk	(421,566)	34,546	481,273	94,253
Financial assets derecognised	(50,382)	(24,327)	(36,146)	(110,855)
Amount written off	-	-	(379,687)	(379,687)
At 31 December 2024	<u>386,211</u>	<u>715,797</u>	<u>1,069,390</u>	<u>2,171,398</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

10. FINANCING AND ADVANCES (CONTINUED)

(x) Movements in allowance for ECL on financing and advances are as follows (continued):

Bank 2025	12-month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
ECL allowance				
At 1 January 2025	390,937	715,797	1,069,390	2,176,124
Changes due to financing and advances movements:				
- Transfer to 12-month ECL (Stage 1)	122,936	(101,375)	(21,561)	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	(22,880)	127,171	(104,291)	-
- Transfer to lifetime ECL credit impaired (Stage 3)	(4,584)	(72,032)	76,616	-
New financial assets originated *	127,096	34,558	32,057	193,711
Changes in credit risk Financial assets	(195,251)	(107,248)	403,115	100,616
derecognised	(49,002)	(39,219)	(34,571)	(122,792)
Amount written off	-	-	(426,124)	(426,124)
At 31 December 2025	<u>369,252</u>	<u>557,652</u>	<u>994,631</u>	<u>1,921,535</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

10. FINANCING AND ADVANCES (CONTINUED)

- (x) Movements in allowance for ECL on financing and advances are as follows (continued):

Bank 2024	12-month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
ECL allowance				
As of 1 January 2024	659,388	677,545	1,078,480	2,415,413
Changes due to financing and advances movements:				
- Transfer to 12-month ECL (Stage 1)	129,632	(99,759)	(29,873)	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	(28,869)	159,409	(130,540)	-
- Transfer to lifetime ECL credit impaired (Stage 3)	(6,728)	(61,064)	67,792	-
New financial assets originated *	110,636	29,447	18,091	158,174
Changes in credit risk	(422,740)	34,546	481,273	93,079
Financial assets derecognised	(50,382)	(24,327)	(36,146)	(110,855)
Amount written off	-	-	(379,687)	(379,687)
At 31 December 2024	<u>390,937</u>	<u>715,797</u>	<u>1,069,390</u>	<u>2,176,124</u>

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

10. FINANCING AND ADVANCES (CONTINUED)

- (x) Movements in allowance for ECL on financing and advances are as follows (continued):

The following explains how significant changes in the gross carrying amount of financing and advances during the financial year have contributed to the change in the allowance for ECL on financing and advances.

Overall, the total allowance for impairment on financing and advances has decreased due to the following:

- a) 12-month ECL (Stage 1) - The decrease by RM21.52 million for the Group and RM21.69 million for the Bank was mainly attributable to the reversal of management overlays and model refinement carried out during the year to integrate cure rates when estimating the ECL.
- b) Lifetime ECL (Stage 2) - The decrease by RM158.15 million for the Group and the Bank was mainly due to the upgrade of financing customers to Stage 1, following prompt repayments received, as well as effect of the model refinement as mentioned above.
- c) Lifetime ECL (Stage 3) - The decrease by RM74.76 million for the Group and the Bank was mainly attributable to the written-off impaired financing during the year, offset by deterioration in credit quality.

11. TRADE RECEIVABLES

	Group	
	2025	2024
	RM'000	RM'000
At amortised cost		
Trade receivables	2,982	2,616
Less: Allowance for ECL	(1,077)	(1,161)
	<u>1,905</u>	<u>1,455</u>

The credit period granted for sale of goods is 30 days (2024: 30 days). No profit rate is charged on trade receivables.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****11. TRADE RECEIVABLES (CONTINUED)**

The table below is an analysis of trade receivables at the end of the reporting period:

	Group	
	2025	2024
	RM'000	RM'000
Neither past due nor impaired		
1 day to less than 1 month	<u>1,495</u>	<u>1,054</u>
Past due but not impaired		
1 month to less than 2 months	227	194
2 months to less than 3 months	83	55
4 months and above	<u>223</u>	<u>247</u>
	<u>533</u>	<u>496</u>
Past due and impaired	<u>954</u>	<u>1,066</u>
	<u>2,982</u>	<u>2,616</u>

Movements in the allowance for ECL (credit-impaired) are as follows:

	Group	
	2025	2024
	RM'000	RM'000
At 1 January	1,161	980
Impairment losses recognised during the year (Note 35(ii))	952	181
Amount recovered during the year (Note 34(ii))	(497)	-
Amount written off during the year	(539)	-
At 31 December	<u>1,077</u>	<u>1,161</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date of which credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

12. OTHER ASSETS

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Amount due from subsidiaries (i)	-	-	22,184	22,929
Other receivables, deposits and prepayments (ii)	1,005,305	964,049	973,153	931,722
	1,005,305	964,049	995,337	954,651

The Group's and Bank's other assets include financial assets of RM941.30 million (2024: RM877.53 million) and RM932.32 million (2024: RM868.22 million) that are classified as amortised cost.

(i) Amount due from subsidiaries

The amount due from subsidiaries is non-trade in nature, not subject to financing charges and has no fixed terms of payment.

	Bank	
	2025 RM'000	2024 RM'000
Outstanding balances	23,695	24,440
Less: Allowance for ECL (12-month ECL Stage 1)	(1,511)	(1,511)
	22,184	22,929

(ii) Other receivables, deposits and prepayments

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Other receivables	705,573	646,592	707,419	645,782
Allowance for ECL	(10,415)	(14,905)	(9,886)	(14,376)
	695,158	631,687	697,533	631,406
Refundable deposits	46,143	45,844	12,599	13,888
Prepayments	64,004	86,518	63,021	86,428
Contribution to Central Liquidity Fund *	200,000	200,000	200,000	200,000
	1,005,305	964,049	973,153	931,722

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

12. OTHER ASSETS (CONTINUED)

(ii) Other receivables, deposits and prepayments (continued)

Movements in the allowance for ECL (12-month ECL Stage 1) of other receivables that are neither past due nor impaired are as follows:

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
At 1 January	14,905	17,645	14,376	17,116
Impairment losses recognised during the year (Note 35(ii))	539	27	-	27
Amount written off during the year	(5,029)	(2,767)	(4,490)	(2,767)
At 31 December	<u>10,415</u>	<u>14,905</u>	<u>9,886</u>	<u>14,376</u>

* This contribution is required under sub-section 42(i) of Malaysia Co-operative Societies Commission Act 2007 (Act 665) either at a rate of 3% on the qualifying liability or RM200 million, whichever is lower, commencing in the financial period beginning on or after 1 January 2012.

13. RIGHT-OF-USE ASSETS

(i) Group as a lessee

The Group and the Bank have lease contracts for buildings and other equipment used in its operations. Leases of buildings generally have lease terms between 1 to 10 years, with the option to extend for another 1 to 3 years, while other equipment generally have lease terms between 1 to 2 years. The Group's and the Bank's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group and the Bank are restricted from assigning and subleasing the leased assets and some contracts require the Group and the Bank to maintain certain financial ratios. There are several lease contracts that include extension and variable lease payments, which are further discussed below.

The Group and the Bank also have certain leases of motor vehicle with lease terms of 12 months or less and lease of office equipment with low value. The Group and the Bank apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

13. RIGHT-OF-USE ASSETS (CONTINUED)

(i) Group as a lessee (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings RM'000	Other equipment RM'000	Total RM'000
Group			
At 1 January 2024	38,437	5,480	43,917
Additions	9,746	-	9,746
Termination	(201)	-	(201)
Remeasurement	10,690	407	11,097
Depreciation (Note 35(ii))	(20,229)	(631)	(20,860)
At 31 December 2024/1 January 2025	38,443	5,256	43,699
Additions	41,056	-	41,056
Termination	(4,418)	-	(4,418)
Remeasurement	31,478	913	32,391
Depreciation (Note 35(ii))	(34,142)	(645)	(34,787)
At 31 December 2025	72,417	5,524	77,941
Bank			
At 1 January 2024	51,906	5,480	57,386
Additions	9,746	-	9,746
Termination	(201)	-	(201)
Remeasurement	19,021	407	19,428
Depreciation (Note 35(ii))	(23,200)	(631)	(23,831)
At 31 December 2024/1 January 2025	57,272	5,256	62,528
Additions	40,170	-	40,170
Termination	(4,418)	-	(4,418)
Remeasurement	51,924	913	52,837
Depreciation (Note 35(ii))	(28,143)	(645)	(28,788)
At 31 December 2025	116,805	5,524	122,329

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

13. RIGHT-OF-USE ASSETS (CONTINUED)

(i) Group as a lessee (continued)

The Group's total cash outflow for leases is RM12,303,000 (2024: RM17,147,000) and for the Bank is RM31,724,000 (2024: RM25,897,000). The future cash outflows relating to leases are disclosed in Note 28.

Some property leases contain extension options exercisable by the Group and the Bank up to three years before the end of the non-cancellable contract period. Where practicable, the Group and the Bank seek to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group and the Bank assess at lease commencement date whether it is reasonably certain to exercise the extension options. The Group and the Bank reassess whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The following are the amounts recognised in profit or loss:

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Depreciation expense of right-of-use assets (Note 35(ii))	34,787	20,860	28,788	23,831
Finance cost on lease liabilities (Note 35(ii))	2,446	1,704	3,840	2,498
Total amount recognised in profit or loss	37,233	22,564	32,628	26,329

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and to align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

13. RIGHT-OF-USE ASSETS (CONTINUED)

(ii) Group as a lessor

The Group and the Bank have entered into operating leases on its investment property portfolio consisting of certain office buildings (Note 18). These leases have terms of between 1 to 4 years. Rental income recognised by the Group and the Bank during the year is RM24,496,692 (2024: RM23,299,997) and RM25,108,009 (2024: RM23,910,309), respectively.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Future rental income within:				
- 1 year	13,845	18,038	13,845	17,078
- 2 years	8,484	10,066	8,484	9,073
- 3 years	3,547	4,229	3,547	2,079
	25,876	32,333	25,876	28,230

14. INVENTORIES

Inventories consist of the following:

	Group	
	2025 RM'000	2024 RM'000
Trading inventories, at cost	31,285	29,975
Recognised in profit or loss:		
Inventories recognised as cost of sales (Note 32)	92,058	118,880

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

15. INVESTMENTS IN SUBSIDIARIES

	Bank	
	2025	2024
	RM'000	RM'000
Unquoted shares, at cost	93,644	93,644

Details of the subsidiaries, all incorporated in Malaysia, are as follows:

Name	Proportion of ownership interest and voting power held by the Group		Principal activities
	2025	2024	
	%	%	
Directly owned			
Rakyat Holdings Sdn Bhd *	100	100	Investment and property management
Rakyat Management Services Sdn Bhd *	100	100	Management of Ar-Rahnu business and franchise and provision of Ar-Rahnu financing
Rakyat Nominees Sdn Bhd *	100	100	Dormant
Rakyat Hartanah Sdn Bhd *	100	100	Dormant
Rakyat Asset Management Sdn Bhd *	100	100	Dormant
Indirectly owned through Rakyat Holdings Sdn Bhd			
Rakyat Travel Sdn Bhd *	100	100	Dormant

* The financial statements of these subsidiaries were not audited by the Auditor General of Malaysia.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activities	Place of Incorporation and Operation	Number of directly owned subsidiaries		Number of indirectly owned subsidiaries	
		2025	2024	2025	2024
Investment and property management	Malaysia	1	1	-	-
Management of Ar-Rahnu business and franchise and provision of Ar-Rahnu financing	Malaysia	1	1	-	-
Dormant	Malaysia	3	3	1	1
		5	5	1	1

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

16. PROPERTY AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
2025									
At cost									
At 1 January	44,000	634,212	116,171	928	10,074	337,024	508,569	9,011	1,659,989
Additions	-	832	-	-	28,856	18,366	95,607	308	143,969
Disposals	-	-	-	-	-	-	(34)	-	(34)
Write-offs	-	-	-	-	(11)	(67)	(7,966)	-	(8,044)
Reclassifications	-	-	-	-	(10,095)	10,095	-	-	-
Transfer to investment properties (Note 18)	(501)	(4,635)	(735)	-	-	-	-	-	(5,871)
At 31 December	43,499	630,409	115,436	928	28,824	365,418	596,176	9,319	1,790,009

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

16. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group (continued)									
2025									
Accumulated depreciation									
At 1 January	-	98,174	34,327	928	-	306,867	414,530	6,547	861,373
Charge for the year	-	11,868	2,390	-	-	13,916	37,048	917	66,139
Disposals	-	-	-	-	-	-	(33)	-	(33)
Write-offs	-	-	-	-	-	(67)	(7,877)	-	(7,944)
Transfer to investment properties (Note 18)	-	(355)	(397)	-	-	-	-	-	(752)
Transfer from prepaid lease payments (Note 20)	-	-	897	-	-	-	-	-	897
At 31 December	-	109,687	37,217	928	-	320,716	443,668	7,464	919,680
Net book value									
At 31 December	43,499	520,722	78,219	-	28,824	44,702	152,508	1,855	870,329

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

16. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group (continued)									
2024									
At cost									
At 1 January	46,110	488,965	119,060	928	7,530	321,351	482,010	8,461	1,474,415
Additions	-	1,039	-	-	14,876	9,644	45,123	723	71,405
Disposals	-	-	-	-	-	-	(696)	(405)	(1,101)
Write-offs	-	-	-	-	-	(96)	(17,855)	(15)	(17,966)
Reclassifications	-	5,960	-	-	(12,332)	6,125	-	247	-
Transfer to investment properties (Note 18)	(2,110)	-	(2,889)	-	-	-	-	-	(4,999)
Transfer from investment properties (Note 18)	-	138,248	-	-	-	-	-	-	138,248
Transfer to intangible assets (Note 17)	-	-	-	-	-	-	(13)	-	(13)
At 31 December	44,000	634,212	116,171	928	10,074	337,024	508,569	9,011	1,659,989

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

16. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group (continued)									
2024									
Accumulated depreciation									
At 1 January	-	89,683	32,856	928	-	295,412	405,759	5,643	830,281
Charge for the year	-	10,367	2,174	-	-	11,551	27,258	1,081	52,431
Disposals	-	-	-	-	-	-	(679)	(162)	(841)
Write-offs	-	-	-	-	-	(96)	(17,808)	(15)	(17,919)
Transfer to investment properties (Note 18)	-	(1,876)	(703)	-	-	-	-	-	(2,579)
At 31 December	-	98,174	34,327	928	-	306,867	414,530	6,547	861,373
Net book value									
At 31 December	44,000	536,038	81,844	-	10,074	30,157	94,039	2,464	798,616

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

16. PROPERTY AND EQUIPMENT (CONTINUED)

Bank	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
2025									
At cost									
At 1 January	42,612	536,202	78,359	928	10,074	334,877	505,790	8,869	1,517,711
Additions	-	832	-	-	28,856	17,915	94,737	308	142,648
Disposals	-	-	-	-	-	-	(34)	-	(34)
Write-offs	-	-	-	-	(11)	(67)	(7,966)	-	(8,044)
Reclassifications	-	-	-	-	(10,095)	10,095	-	-	-
Transfer to investment properties (Note 18)	(501)	(4,635)	-	-	-	-	-	-	(5,136)
At 31 December	42,111	532,399	78,359	928	28,824	362,820	592,527	9,177	1,647,145

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

16. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Bank (continued)									
2025									
Accumulated depreciation									
At 1 January	-	87,399	26,738	928	-	304,920	412,300	6,406	838,691
Charge for the year	-	10,553	1,553	-	-	13,799	36,808	917	63,630
Disposals	-	-	-	-	-	-	(33)	-	(33)
Write-offs	-	-	-	-	-	(67)	(7,877)	-	(7,944)
Transfer to investment properties (Note 18)	-	(355)	-	-	-	-	-	-	(355)
Transfer from prepaid lease payments (Note 20)	-	-	897	-	-	-	-	-	897
At 31 December	-	97,597	29,188	928	-	318,652	441,198	7,323	894,886
Net book value									
At 31 December	42,111	434,802	49,171	-	28,824	44,168	151,329	1,854	752,259

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

16. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Bank (continued)									
2024									
At cost									
At 1 January	44,722	418,020	80,325	928	7,530	319,377	479,536	7,914	1,358,352
Additions	-	1,039	-	-	14,876	9,471	44,818	723	70,927
Disposals	-	-	-	-	-	-	(696)	-	(696)
Write-offs	-	-	-	-	-	(96)	(17,855)	(15)	(17,966)
Reclassifications	-	5,960	-	-	(12,332)	6,125	-	247	-
Transfer to investment properties (Note 18)	(2,110)	(5,437)	(1,966)	-	-	-	-	-	(9,513)
Transfer from investment properties (Note 18)	-	116,620	-	-	-	-	-	-	116,620
Transfer to intangible assets (Note 17)	-	-	-	-	-	-	(13)	-	(13)
At 31 December	42,612	536,202	78,359	928	10,074	334,877	505,790	8,869	1,517,711

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

16. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Bank (continued)									
2024									
Accumulated depreciation									
At 1 January	-	80,222	25,638	928	-	293,501	403,677	5,374	809,340
Charge for the year	-	9,052	1,323	-	-	11,515	27,111	1,047	50,048
Disposals	-	-	-	-	-	-	(680)	-	(680)
Write-offs	-	-	-	-	-	(96)	(17,808)	(15)	(17,919)
Transfer to investment properties (Note 18)	-	(1,875)	(223)	-	-	-	-	-	(2,098)
At 31 December	-	87,399	26,738	928	-	304,920	412,300	6,406	838,691
Net book value									
At 31 December	42,612	448,803	51,621	-	10,074	29,957	93,490	2,463	679,020

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****16. PROPERTY AND EQUIPMENT (CONTINUED)**

Land titles of certain freehold land of the Group and the Bank with carrying amount of RM17,329,771 (2024: RM22,045,972) have not yet been issued by the relevant authorities.

17. INTANGIBLE ASSETS

	Goodwill	Computer	Total
	RM'000	software	RM'000
		RM'000	RM'000
Group			
2025			
At cost			
At 1 January	13,185	1,020,841	1,034,026
Additions	-	57,760	57,760
Write-offs	-	(9)	(9)
At 31 December	<u>13,185</u>	<u>1,078,592</u>	<u>1,091,777</u>
Accumulated amortisation			
At 1 January	-	492,176	492,176
Charge for the year	-	62,127	62,127
Write-offs	-	(9)	(9)
At 31 December	<u>-</u>	<u>554,294</u>	<u>554,294</u>
Net book value			
At 31 December	<u>13,185</u>	<u>524,298</u>	<u>537,483</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

17. INTANGIBLE ASSETS (CONTINUED)

	Goodwill RM'000	Computer software RM'000	Total RM'000
Group (continued)			
2024			
At cost			
At 1 January	13,185	968,140	981,325
Additions	-	52,919	52,919
Write-offs	-	(231)	(231)
Transfer from property and equipment (Note 16)	-	13	13
At 31 December	<u>13,185</u>	<u>1,020,841</u>	<u>1,034,026</u>
Accumulated amortisation			
At 1 January	-	430,913	430,913
Charge for the year	-	61,479	61,479
Write-offs	-	(216)	(216)
At 31 December	<u>-</u>	<u>492,176</u>	<u>492,176</u>
Net book value			
At 31 December	<u>13,185</u>	<u>528,665</u>	<u>541,850</u>
			Computer software RM'000
Bank			
2025			
At cost			
At 1 January			1,020,841
Additions			57,760
Write-offs			(9)
At 31 December			<u>1,078,592</u>
Accumulated amortisation			
At 1 January			492,176
Charge for the year			62,127
Write-offs			(9)
At 31 December			<u>554,294</u>
Net book value			
At 31 December			<u>524,298</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

17. INTANGIBLE ASSETS (CONTINUED)

	Computer software RM'000
Bank (continued)	
2024	
At cost	
At 1 January	968,140
Additions	52,919
Write-offs	(231)
Transfer from property and equipment (Note 16)	13
At 31 December	<u>1,020,841</u>
Accumulated amortisation	
At 1 January	430,913
Charge for the year	61,479
Write-offs	(216)
At 31 December	<u>492,176</u>
Net book value	
At 31 December	<u>528,665</u>

18. INVESTMENT PROPERTIES

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
At fair value				
At 1 January	1,516,475	1,543,123	936,277	981,885
Additions	-	40,402	-	196
Gain on revaluation (Note 34(ii))	33,295	73,701	32,575	59,584
Disposal	-	(890)	-	-
Transfer to property and equipment (Note 16)	-	(138,248)	-	(116,620)
Transfer from property and equipment (Note 16)	5,119	2,420	4,781	7,415
Transfer to assets classified as held for sale (Note 19)	(1,780)	(7,850)	-	-
Transfer from prepaid lease (Note 20)	5,955	3,817	5,955	3,817
At 31 December	<u>1,559,064</u>	<u>1,516,475</u>	<u>979,588</u>	<u>936,277</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

18. INVESTMENT PROPERTIES (CONTINUED)

Investment properties include the following:

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Freehold land	164,804	159,225	167,842	162,263
Buildings	994,732	973,138	451,103	429,247
Long-term leasehold land	399,528	384,112	360,643	344,767
	1,559,064	1,516,475	979,588	936,277

Investment properties of the Group and of the Bank are stated at fair value and are situated in Malaysia.

The fair values of the Group's and of the Bank's investment properties as at 31 December 2025 and 31 December 2024 have been arrived at on the basis of valuation carried out by independent valuers who have appropriate qualification and recent experience in the valuation of properties in the relevant locations. The fair value at level 3 was arrived at by using a variety of approaches such as sales comparison and investment method.

Level 3 Fair Value (Group)

The following table shows the valuation techniques used in the determination of fair values within Level 3 for one of the significant properties in the Group, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The income approach by investment method considers income and expense data relating to the property being valued and estimates value through a capitalisation process. Capitalisation converts income (usually net income) into a value estimate using capitalisation rates, yield or discount rates, or both, reflecting the return on investment. Generally, under the principle of substitution, the income stream producing the highest return for a given level of risk indicates the most probable value.	<ul style="list-style-type: none"> Risk-adjusted term capitalisation rates of 5.50% (2024: 5.50%) Risk-adjusted reversion capitalisation rate of 5.75% (2024: 5.75%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> Risk-adjusted term capitalisation rates were lower (higher) Risk-adjusted reversion capitalisation rates were lower (higher)

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

18. INVESTMENT PROPERTIES (CONTINUED)

Level 3 Fair Value (Bank)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method is an approach which uses the value of recently sold comparable assets to determine the value of a property. In real term, this will mean looking at similar properties within the area and using the transacted sales price to guide a valuation decision for the subject property.	Price per square foot.	The estimated fair value would increase/(decrease) if the price per square foot is higher/(lower).

The Group and the Bank have assessed that the highest and best use of its properties do not differ from their existing use.

No investment properties were pledged as security for banking facilities at the reporting date.

Details of the Group's and the Bank's investment properties and information about the fair value hierarchy are as follows:

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group					
At 31 December 2025	1,559,064	1,559,064	-	-	1,559,064
At 31 December 2024	1,516,475	1,516,475	-	-	1,516,475
Bank					
At 31 December 2025	979,588	979,588	-	-	979,588
At 31 December 2024	936,277	936,277	-	-	936,277

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

18. INVESTMENT PROPERTIES (CONTINUED)

Reconciliation of fair value:

Group	Freehold land RM'000	Buildings RM'000	Long-term leasehold land RM'000	Total RM'000
At 1 January 2024	144,215	1,076,600	322,308	1,543,123
Additions	196	40,206	-	40,402
Remeasurement recognised in profit or loss (Note 34(ii))	15,804	(2,220)	60,117	73,701
Disposal	-	-	(890)	(890)
Transfer from property and equipment (Note 16)	2,110	-	310	2,420
Transfer to property and equipment (Note 16)	-	(138,248)	-	(138,248)
Transfer from prepaid lease (Note 20)	-	-	3,817	3,817
Transfer to assets classified as held for sale (Note 19)	(3,100)	(3,200)	(1,550)	(7,850)
At 31 December 2024/ 1 January 2025	159,225	973,138	384,112	1,516,475
Remeasurement recognised in profit or loss (Note 34(ii))	5,078	17,314	10,903	33,295
Transfer from property and equipment (Note 16)	501	4,280	338	5,119
Transfer from prepaid lease (Note 20)	-	-	5,955	5,955
Transfer to assets classified as held for sale (Note 19)	-	-	(1,780)	(1,780)
At 31 December 2025	164,804	994,732	399,528	1,559,064

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

18. INVESTMENT PROPERTIES (CONTINUED)

Reconciliation of fair value (continued):

Bank	Freehold land RM'000	Buildings RM'000	Long-term leasehold land RM'000	Total RM'000
At 1 January 2024	144,153	545,425	292,307	981,885
Additions	196	-	-	196
Remeasurement recognised in profit or loss (Note 34(ii))	15,804	(3,120)	46,900	59,584
Transfer from property and equipment (Note 16)	2,110	3,562	1,743	7,415
Transfer to property and equipment (Note 16)	-	(116,620)	-	(116,620)
Transfer from prepaid lease payments (Note 20)	-	-	3,817	3,817
At 31 December 2024/ 1 January 2025	162,263	429,247	344,767	936,277
Remeasurement recognised in profit or loss (Note 34(ii))	5,078	17,576	9,921	32,575
Transfer from property and equipment (Note 16)	501	4,280	-	4,781
Transfer from prepaid lease payments (Note 20)	-	-	5,955	5,955
At 31 December 2025	167,842	451,103	360,643	979,588

Land titles for certain freehold land and leasehold land of the Group and the Bank with fair value amounting to RM4,950,000 (2024: Nil) have not been issued to the Group and the Bank by the relevant authorities.

The investment properties held by the Group and the Bank are let under operating leases to third parties, from which rental income of RM24,496,692 (2024: RM23,299,997) and RM25,108,009 (2024: RM23,910,309) has been earned during the year.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

19. ASSETS CLASSIFIED AS HELD FOR SALE AND ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR DISTRIBUTION

(i) **Assets classified as held for sale**

	2025 RM'000	2024 RM'000
Group		
Assets classified as held for sale		
Commercial properties	<u>1,780</u>	<u>7,850</u>

During financial year 2024, letters of offers were issued to prospective buyers of commercial properties of the Group for a total consideration of RM7,850,000. Accordingly, the commercial properties have been reclassified as assets held for sale.

On 4 March 2025, 6 May 2025, and 13 May 2025, sale and purchase agreement was entered into for the disposal of the aforementioned commercial properties. These transactions were completed on 7 August 2025, 6 May 2025 and 4 July 2025 respectively.

On 5 August 2025 and 21 February 2025, the Group issued letter of offers to prospective buyers for purposed disposal of commercial properties for a total consideration of RM1,780,000. Accordingly, these commercial properties have been classified as asset held for sale. The transactions are expected to be completed in 2026.

(ii) **Assets and liabilities classified as held for distribution**

Rakyat Facility Management Sdn Bhd and Rakyat Niaga Sdn Bhd, wholly-owned subsidiaries of the Group, were placed under members' voluntary liquidation on 11 November 2024. The liquidation has since been completed, and the subsidiaries have been liquidated with excess capital returned to the shareholder.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

**19. ASSETS CLASSIFIED AS HELD FOR SALE AND ASSETS AND LIABILITIES
CLASSIFIED AS HELD FOR DISTRIBUTION (CONTINUED)**

(ii) Assets and liabilities classified as held for distribution (continued)

As at the end of the reporting period, there were no assets or liabilities classified as held for distribution.

	2025	2024
	RM'000	RM'000
Group		
Assets classified as held for distribution		
Cash and bank balances	-	11,963
Tax recoverable	-	114
	<u>-</u>	<u>12,077</u>
Liabilities classified as held for distribution		
Other payables	-	(70)
	<u>-</u>	<u>(70)</u>
Bank		
Assets classified as held for distribution		
Investment in subsidiaries	-	5,100
	<u>-</u>	<u>5,100</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

20. PREPAID LEASE PAYMENTS

	Group and Bank	
	2025	2024
	RM'000	RM'000
Cost		
At 1 January	73,253	79,853
Transfer to investment properties (Note 18)	(6,983)	(6,600)
At 31 December	<u>66,270</u>	<u>73,253</u>
Accumulated amortisation		
At 1 January	24,764	26,134
Charge for the year (Note 35(ii))	1,319	1,413
Transfer to property and equipment (Note 16)	(897)	-
Transfer to investment properties (Note 18)	(1,028)	(2,783)
At 31 December	<u>24,158</u>	<u>24,764</u>
	<u>42,112</u>	<u>48,489</u>
Prepaid lease payments include:		
Long-term leasehold land	37,257	43,483
Short-term leasehold land	4,855	5,006
	<u>42,112</u>	<u>48,489</u>

The remaining period of the leasehold land of the Group and of the Bank ranges from 7 to 855 years (2024: 1 to 857 years).

The land titles of certain leasehold land of the Group and of the Bank amounting to RM3,136,242 (2024: RM5,336,911) have not yet been issued to the Group and the Bank by the relevant authorities.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

21. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
At 1 January	91,750	164,328	99,000	177,000
Recognised in profit or loss (net) (Note 36)				
- relating to origination and reversal of temporary differences	(59,613)	(75,952)	(61,000)	(78,000)
- (under)/overprovision of net deferred tax liabilities	(3,979)	3,374	-	-
As of 31 December	28,158	91,750	38,000	99,000

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

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Deferred tax assets, net	39,333	100,249	38,000	99,000
Deferred tax liabilities, net	(11,175)	(8,499)	-	-
	28,158	91,750	38,000	99,000

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

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Deferred tax assets	290,835	283,240	281,000	275,000
Deferred tax liabilities	(262,677)	(191,490)	(243,000)	(176,000)
	28,158	91,750	38,000	99,000

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

21. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Group	Financing allowances for ECL RM'000	Provision of liabilities RM'000	Other temporary differences* RM'000	Total RM'000
Deferred tax assets				
At 1 January 2024	239,000	95,489	23,409	357,898
Recognised in profit or loss				
- relating to origination and reversal of temporary differences	(59,000)	(18,645)	(475)	(78,120)
- underprovision	-	-	3,462	3,462
At 31 December 2024/ 1 January 2025	180,000	76,844	26,396	283,240
Recognised in profit or loss				
- relating to origination and reversal of temporary differences	(24,000)	15,088	20,486	11,574
- overprovision	-	-	(3,979)	(3,979)
At 31 December 2025	156,000	91,932	42,903	290,835

* Mainly consist of temporary differences in respect of allowance for ECL of other receivables and lease liabilities.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

21. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Group	FVOCI reserve and impairment losses on financial investments RM'000	Other temporary differences^ RM'000	Total RM'000
Deferred tax liabilities			
At 1 January 2024	4,000	189,570	193,570
Recognised in profit or loss			
- relating to origination and reversal of temporary differences	11,000	(13,168)	(2,168)
- overprovision	-	88	88
At 31 December 2024/1 January 2025	15,000	176,490	191,490
Recognised in profit or loss			
- relating to origination and reversal of temporary differences	39,000	32,187	71,187
At 31 December 2025	54,000	208,677	262,677

^ Mainly consist of temporary differences in respect of property and equipment, investment in properties and right-of-use assets.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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21. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Bank	Financing allowances for ECL RM'000	Provision of liabilities RM'000	Other temporary differences* RM'000	Total RM'000
Deferred tax assets				
At 1 January 2024	239,000	94,000	20,000	353,000
Recognised in profit or loss - relating to origination and reversal of temporary differences	(59,000)	(19,000)	-	(78,000)
At 31 December 2024/ 1 January 2025	180,000	75,000	20,000	275,000
Recognised in profit or loss - relating to origination and reversal of temporary differences	(24,000)	15,000	15,000	6,000
At 31 December 2025	156,000	90,000	35,000	281,000

* Mainly consist of temporary differences in respect of allowance for ECL of other receivables and lease liabilities.

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21. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Bank	FVOCI reserve and impairment losses on financial investments RM'000	Other temporary differences^ RM'000	Total RM'000
Deferred tax liabilities			
At 1 January 2024	4,000	172,000	176,000
Recognised in profit or loss - relating to origination and reversal of temporary differences	11,000	(11,000)	-
At 31 December 2024/1 January 2025	<u>15,000</u>	<u>161,000</u>	<u>176,000</u>
Recognised in profit or loss - relating to origination and reversal of temporary differences	39,000	28,000	67,000
At 31 December 2025	<u>54,000</u>	<u>189,000</u>	<u>243,000</u>

^ Mainly consist of temporary differences in respect of property and equipment, investment in properties and right-of-use assets.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

22. DEPOSITS FROM CUSTOMERS

	Group and Bank	
	2025	2024
	RM'000	RM'000
At amortised cost		
Savings deposits		
Qard	6,126,472	6,402,596
Tawarruq	178,694	149,525
	<u>6,305,166</u>	<u>6,552,121</u>
Demand deposits		
Qard	3,753,924	3,271,155
Tawarruq	1,333,525	438,860
	<u>5,087,449</u>	<u>3,710,015</u>
Term deposits		
Tawarruq	73,853,119	71,456,076
Negotiable Islamic debt certificates	<u>2,305,000</u>	<u>2,375,000</u>
	<u>87,550,734</u>	<u>84,093,212</u>

Deposits from customers are sourced from the following type of customers:

	Group and Bank	
	2025	2024
	RM'000	RM'000
Government	39,895,636	39,625,132
Business enterprises	26,034,116	22,245,134
Co-operatives	2,464,990	2,124,594
Individuals	16,408,582	18,073,018
Others	2,747,410	2,025,334
	<u>87,550,734</u>	<u>84,093,212</u>

Maturity structure of deposits from customers are as follows:

	Group and Bank	
	2025	2024
	RM'000	RM'000
Maturity within six months	70,341,771	64,851,529
More than six months to one year	12,373,184	13,184,970
More than one year to five years	4,835,779	6,056,713
	<u>87,550,734</u>	<u>84,093,212</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

23. INVESTMENT ACCOUNTS OF CUSTOMERS

- a) By type and Shariah contract

	Group and Bank	
	2025	2024
	RM'000	RM'000
At amortised cost		
Unrestricted investment accounts		
Without maturity:		
Mudarabah	939,686	469,901

- b) By type of customers

	Group and Bank	
	2025	2024
	RM'000	RM'000
Individuals	939,478	469,901
Non Individuals	208	-
	939,686	469,901

- c) Movement of unrestricted investment accounts of customers

	Group and Bank	
	2025	2024
	RM'000	RM'000
As at 1 January	469,901	202,967
Funding inflows/outflows:		
Net movement	436,591	251,401
Bank's share of profit:		
Profit distributed to Mudharib	33,194	15,533
As at 31 December	939,686	469,901

	Group and Bank	
	2025	2024
	RM'000	RM'000
Investment portfolio:		
Personal financing	657,634	328,931
Islamic debt securities	281,906	140,970
Retail Banking ESG Eligible Assets (Affordable Homes)	146	-
	939,686	469,901

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

23. INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

d) By maturity structures, profit sharing ratio and rate of return

Group and Bank	Investment account holders		
	Total amount RM'000	Average profit sharing ratio (%)	Average rate of return (%)
2025			
Unrestricted investment accounts:			
Individuals			
Less than 3 months			
Mudarabah	939,478	6.57	0.25
Non Individuals			
Less than 3 months			
Mudarabah	208	7.71	0.10
2024			
Unrestricted investment accounts:			
Individuals			
Less than 3 months			
Mudarabah	469,901	7.97	0.29

24. DEPOSITS AND PLACEMENTS FROM BANKS AND FINANCIAL INSTITUTIONS

	Group and Bank	
	2025 RM'000	2024 RM'000
At amortised cost		
Cash and short-term funds	<u>2,707,030</u>	<u>2,369,175</u>

25. RECOURSE OBLIGATIONS ON FINANCING SOLD TO CAGAMAS

This represents proceeds received from financing sold directly to Cagamas Berhad with recourse to the Bank. Types of financing involved are personal financing and house financing. Under these agreements, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to replace any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad.

Recourse obligations on financing sold to Cagamas are stated at amortised cost.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

26. DEBT SECURITIES ISSUED

	Note	Group and Bank	
		2025 RM'000	2024 RM'000
At amortised cost			
Issued under the RM10.0 billion Senior Sukuk Wakalah Programme:			
RM400 million IMTN due in 2025	(i)(a)	-	402,671
RM300 million IMTN due in 2027	(i)(a)	302,117	302,055
RM300 million IMTN due in 2026	(i)(b)	302,050	302,022
RM700 million IMTN due in 2028	(i)(b)	705,187	705,139
RM700 million IMTN due in 2027	(i)(c)	704,003	703,930
RM800 million IMTN due in 2029	(i)(c)	804,945	804,870
RM200 million IMTN due in 2025	(i)(d)	-	201,310
RM200 million IMTN due in 2027	(i)(d)	201,424	201,373
RM100 million IMTN due in 2029	(i)(d)	100,711	100,687
RM300 million IMTN due in 2026	(i)(e)	302,949	302,897
RM700 million IMTN due in 2028	(i)(e)	706,965	706,880
RM150 million IMTN due in 2029	(i)(f)	151,141	151,123
RM350 million IMTN due in 2031	(i)(f)	352,755	352,726
RM120 million IMTN due in 2030	(i)(g)	120,610	-
RM880 million IMTN due in 2032	(i)(g)	885,109	-
RM400 million IMTN due in 2028	(i)(h)	401,617	-
RM200 million IMTN due in 2030	(i)(h)	200,819	-
Issued under the RM5.0 billion Tier II Subordinated Programme:			
RM300 million Tier II due in 2031	(ii)	300,065	300,045
		<u>6,542,467</u>	<u>5,537,728</u>

(i) On 10 July 2020, the Bank established a RM10 billion Senior IMTNs Programme to issue Sukuk Wakalah via a Special Purpose Vehicle (SPV), Imtiaz Sukuk II Berhad with a programme tenor of 30 years.

(a) On 7 October 2020, the Bank issued the first and second tranches of RM400 million and RM300 million, respectively. The first tranche bears a profit distribution rate of 2.97% maturing on 7 October 2025. The second tranche bears a profit distribution rate of 3.20% maturing on 7 October 2027. The profit is payable semi-annually each year, commencing on 7 April 2021.

(b) On 19 April 2021, the Bank issued the third and fourth tranches of RM300 million and RM700 million. The third tranche bears a profit distribution rate of 3.54% maturing on 17 April 2026. The fourth tranche bears a profit distribution rate of 3.90% maturing on 19 April 2028. The profit is payable semi-annually each year, commencing on 20 October 2021.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

26. DEBT SECURITIES ISSUED (CONTINUED)

- (i) On 10 July 2020, the Bank established a RM10 billion Senior IMTNs Programme to issue Sukuk Wakalah via SPV, Imtiaz Sukuk II Berhad with a programme tenor of 30 years. (continued)

- (c) On 12 May 2022, the Bank issued the fifth and sixth tranches of RM700 million and RM800 million, respectively. The fifth tranche bears a profit distribution rate of 4.38% maturing on 12 May 2027. The sixth tranche bears a profit distribution rate of 4.77% maturing on 11 May 2029. The profit is payable semi-annually each year, commencing on 14 November 2022.

- (d) On 8 November 2022, the Bank issued the seventh, eighth and ninth tranches of RM200 million, RM200 million and RM100 million, respectively. The seventh tranche bears a profit distribution rate of 4.63% maturing on 7 November 2025. The eighth tranche bears a profit distribution rate of 4.97% maturing on 8 November 2027. The ninth tranche bears a profit distribution rate of 5.00% maturing on 8 November 2029. The profit is payable semi-annually each year, commencing on 8 May 2023.

- (e) On 2 October 2023, the Bank issued the tenth and eleventh tranches of RM300 million and RM700 million, respectively. The tenth tranche bears a profit distribution rate of 4.05% maturing on 2 October 2026. The eleventh tranche bears a profit distribution rate of 4.15% maturing on 2 October 2028. The profit is payable semi-annually each year, commencing on 2 April 2024.

- (f) On 16 October 2024, the Bank issued the first Sustainability Sukuk amounting to RM500 million under its existing RM10 billion Senior Sukuk Wakalah Programme, which comprises the twelfth and thirteenth tranches of RM150 million and RM350 million, respectively. The Bank Rakyat Sustainability Sukuk Framework was rated 'Gold' Impact Assessment by MARC Ratings Berhad. The twelfth tranche bears a profit distribution rate of 3.85% maturing on 16 October 2029. The thirteenth tranche bears a profit distribution rate of 4.00% maturing on 16 October 2031. The profit is payable semi-annually each year, commencing on 16 April 2025. Proceeds from the issuance will be allocated to finance and refinance eligible projects that contribute to eight (8) of the seventeen (17) United Nations Sustainable Development Goals (UN SDGs) as outlined in the Bank Rakyat Sustainability Sukuk Framework.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

26. DEBT SECURITIES ISSUED (CONTINUED)

- (i) On 10 July 2020, the Bank established a RM10 billion Senior IMTNs Programme to issue Sukuk Wakalah via SPV, Imtiaz Sukuk II Berhad with a programme tenor of 30 years. (continued)

- (g) On 5 May 2025, the Bank issued the fourteenth and fifteenth tranches of RM120 million and RM880 million, respectively. The fourteenth tranche bears a profit distribution rate of 3.85% maturing on 3 May 2030. The fifteenth tranche bears a profit distribution rate of 3.98% maturing on 5 May 2032. The profit is payable semi-annually each year, commencing on 5 November 2025.

- (h) On 17 November 2025, the Bank issued the sixteenth and seventeenth tranches of RM400 million and RM200 million, respectively. The sixteenth tranche bears a profit distribution rate of 3.68% maturing on 17 November 2028. The seventeenth tranche bears a profit distribution rate of 3.73% maturing on 15 November 2030. The profit is payable semi-annually each year, commencing on 18 May 2026.

The Sukuk Wakalah constitutes direct, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu without discrimination, preference or priority among themselves and at least pari passu with all other unsecured and unsubordinated obligations of the Issuer, subject to the previous of the Transaction Documents and those preferred by law.

- (ii) On 19 April 2016, the Bank established a Subordinated Sukuk Programme to issue a Basel III compliant Tier II Subordinated Sukuk Murabahah of up to RM5.0 billion in nominal value. The issuance was made via a SPV, Mumtaz Rakyat Sukuk Berhad. The Subordinated Sukuk Programme has a tenor of up to 20 years from the date of the first issuance and shall be issued with a maturity for at least 5 years and up to 20 years.

On 25 June 2021, the Bank issued the second tranche of RM300 million on nominal value of the Tier II Subordinated Sukuk for a tenor of 10 years on a 10 non-callable 5 basis with profit distribution rate at 3.78% and maturing on 25 June 2031. The profit is payable semi-annually each year commencing 27 December 2021.

The Subordinated Sukuk Murabahah will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer ranking pari passu without any preference among themselves and at least pari passu with all other present and future unsecured and subordinated obligations of the Issuer, except those preferred by law and the Transaction Documents.

The proceeds from the issuances were utilised by the Bank for Shariah-compliant working capital and general corporate purposes.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

27. CASHLINE FACILITY

The cashline facility is a committed line provided by local banks. It is an interbank arrangement where the facility is collateralised on agreed terms and alternative source of funds.

Cashline facility is stated at amortised cost.

As at the end of the reporting period, the following are the assets that are pledged as the collateral for the cashline facility:

	Group and Bank	
	2025	2024
	RM'000	RM'000
Cash and short-term funds (Note 5)	581,780	563,552
Deposits and placements with financial institutions (Note 6)	606,718	590,242
	1,188,498	1,153,794

28. OTHER LIABILITIES

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Amount due to subsidiaries (i)	-	-	104,855	136,529
Sundry creditors	158,352	268,040	137,176	263,039
Income payable	520,502	537,661	520,502	537,661
Other liabilities and accruals	522,058	481,938	540,856	475,760
Lease liabilities (ii)	110,244	51,072	126,245	65,540
Government funds (iii)	24,697	115,291	24,697	115,291
Amount due to BNM (iv)	239,997	203,431	239,997	203,431
Zakat payable	61,293	54,453	59,668	52,129
	1,637,143	1,711,886	1,753,996	1,849,380

Included in the Group's and Bank's other liabilities are financial liabilities of RM1.47 billion (2024: RM1.61 billion) and RM1.57 billion (2024: RM1.73 billion) that are classified as amortised cost.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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28. OTHER LIABILITIES (CONTINUED)

(i) Amount due to subsidiaries

	Bank	
	2025	2024
	RM'000	RM'000
Term deposits	52,302	118,618
Savings deposits	52,553	17,911
	<u>104,855</u>	<u>136,529</u>

The amount due to subsidiaries represents deposits placed with the Bank at profit rate paid/payable ranging from 2.60% to 3.45% (2024: 2.40% to 3.45%) per annum and have maturity period ranging from 30 days to 365 days (2024: 30 days to 365 days).

(ii) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
At 1 January	51,072	45,873	65,540	59,966
Additions	41,056	9,746	40,170	8,211
Termination	(4,418)	(201)	(4,418)	(201)
Remeasurement	32,391	11,097	52,837	20,963
Lease payments	(12,303)	(17,147)	(31,724)	(25,897)
Finance cost on lease liabilities (Note 35(ii))	2,446	1,704	3,840	2,498
At 31 December	<u>110,244</u>	<u>51,072</u>	<u>126,245</u>	<u>65,540</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

28. OTHER LIABILITIES (CONTINUED)

(ii) Lease liabilities (continued)

Future minimum rentals commitment under non-cancellable operating leases as at 31 December are as follows:

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Future rental commitment within :				
- 1 year	26,592	14,819	32,290	22,371
- 2 years	24,904	10,855	29,781	17,357
- 3 years	22,288	9,102	26,323	14,368
- 4 years	19,296	6,824	21,702	10,388
- 5 years	15,507	3,425	17,117	4,704
- 6 years onwards	11,193	1,425	10,403	1,516
	119,780	46,450	137,616	70,704

The Group and the Bank do not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Group's and the Bank's treasury function.

All lease obligations are denominated in Ringgit Malaysia.

(iii) Government funds

The Bank has been enrolled as custodian by the Government of Malaysia to channel the funds to the recipients based on the approval granted by respective Government agencies.

As of 31 December 2025, the Bank has channeled a total of 11 (2024: 12) Government-led financing schemes from various Government agencies to over 24,386 (2024: 48,525) individuals and businesses.

The financing channeled out of those funds are categorised as an off-balance sheet item and as of 31 December 2025, the off-balance sheet outstanding financing amounted to RM309.37 million (2024: RM334.13 million).

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

28. OTHER LIABILITIES (CONTINUED)

(iv) Amount due to BNM

Amount due to BNM is amount received by the Group and the Bank under various financing facilities established by the BNM to provide relief and support recovery for SME/micro enterprises at below market rate with a maturity period ranging between 5 to 7 years.

The financing disbursed are categorised as an on-balance sheet item (Note 10(i)).

29. SHARE CAPITAL

	Group and Bank	
	2025	2024
	RM'000	RM'000
Issued and fully paid - Ordinary shares		
At 1 January	2,986,030	2,986,030
Net issuance during the year	31,184	87,423
Share withdrawal	(27,426)	(34,999)
Transfer from share redemption fund *	(3,758)	(52,424)
At 31 December	<u>2,986,030</u>	<u>2,986,030</u>

Membership as of 31 December is as follows:

	Group and Bank	
	2025	2024
Individual	781,069	789,932
Co-operative	2,255	2,259
	<u>783,324</u>	<u>792,191</u>

* The share redemption fund is maintained under Paragraph 19(i) of Undang-undang Kecil Bank Kerjasama Rakyat Malaysia Berhad for redemption of shares by members.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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30. RESERVES

Group	←		Non-distributable			→		Total
	Capital reserve RM'000	Statutory reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Regulatory reserve RM'000	Total other reserve RM'000	Distributable Retained profits RM'000	
At 1 January 2025	14,617	8,662,695	613	76,925	329,672	9,084,522	12,523,093	21,607,615
Profit after taxation and zakat	-	-	-	-	-	-	1,777,633	1,777,633
Transfer from retained profits	-	459,810	-	-	-	459,810	(459,810)	-
Transfer from share redemption fund	-	-	-	-	-	-	3,758	3,758
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	-	(38,005)	(38,005)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	-	(19,002)	(19,002)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	-	(28,570)	(28,570)
Fair value reserve	-	-	-	319,981	-	319,981	-	319,981
- Change in fair value	-	-	-	(157,258)	-	(157,258)	-	(157,258)
- Transferred to profit or loss	-	-	390	-	-	390	-	390
Change in ECL reserve	-	-	-	-	-	-	-	-
Dividends (Note 40)	-	-	-	-	-	-	(486,236)	(486,236)
At 31 December 2025	14,617	9,122,505	1,003	239,648	329,672	9,707,445	13,272,861	22,980,306

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

30. RESERVES (CONTINUED)

	←		Non-distributable			→		Total RM'000
	Capital reserve RM'000	Statutory reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Regulatory reserve RM'000	Total other reserve RM'000	Distributable Retained profits RM'000	
Group (continued)								
At 1 January 2024	14,617	8,226,773	122	110,007	329,672	8,681,191	11,776,143	20,457,334
Profit after taxation and zakat	-	-	-	-	-	-	1,695,364	1,695,364
Transfer from retained profits	-	435,922	-	-	-	435,922	(435,922)	-
Transfer from share redemption fund	-	-	-	-	-	-	52,424	52,424
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	-	(36,434)	(36,434)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	-	(18,217)	(18,217)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	-	(29,072)	(29,072)
Fair value reserve	-	-	-	29,561	-	29,561	-	29,561
- Change in fair value	-	-	-	(62,643)	-	(62,643)	-	(62,643)
- Transferred to profit or loss	-	-	-	-	-	-	-	-
Change in ECL reserve	-	-	491	-	-	491	-	491
Dividends (Note 40)	-	-	-	-	-	-	(481,193)	(481,193)
At 31 December 2024	14,617	8,662,695	613	76,925	329,672	9,084,522	12,523,093	21,607,615

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

30. RESERVES (CONTINUED)

	←		Non-distributable			→		Total
	Capital reserve RM'000	Statutory reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Regulatory reserve RM'000	Total other reserve RM'000	Distributable retained profits RM'000	
Bank								
At 1 January 2025	15,358	8,662,695	613	76,925	329,672	9,085,263	12,099,401	21,184,664
Profit after taxation and zakat	-	-	-	-	-	-	1,797,055	1,797,055
Transfer from retained profits	-	459,810	-	-	-	459,810	(459,810)	-
Transfer from share redemption fund	-	-	-	-	-	-	3,758	3,758
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	-	(38,005)	(38,005)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	-	(19,002)	(19,002)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	-	(28,570)	(28,570)
Fair value reserve	-	-	-	319,981	-	319,981	-	319,981
- Change in fair value	-	-	-	(157,258)	-	(157,258)	-	(157,258)
- Transferred to profit or loss	-	-	390	-	-	390	-	390
Change in ECL reserve	-	-	-	-	-	-	-	-
Dividends (Note 40)	-	-	-	-	-	-	(486,236)	(486,236)
At 31 December 2025	15,358	9,122,505	1,003	239,648	329,672	9,708,186	12,868,591	22,576,777

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

30. RESERVES (CONTINUED)

	←		Non-distributable			→		Total
	Capital reserve RM'000	Statutory reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Regulatory reserve RM'000	Total other reserve RM'000	Distributable Retained profits RM'000	
Bank (continued)								
At 1 January 2024	15,358	8,226,773	122	110,007	329,672	8,681,932	11,346,175	20,028,107
Profit after taxation and zakat	-	-	-	-	-	-	1,701,640	1,701,640
Transfer from retained profits	-	435,922	-	-	-	435,922	(435,922)	-
Transfer from share redemption fund	-	-	-	-	-	-	52,424	52,424
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	-	(36,434)	(36,434)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	-	(18,217)	(18,217)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	-	(29,072)	(29,072)
Fair value reserve	-	-	-	29,561	-	29,561	-	29,561
- Change in fair value	-	-	-	(62,643)	-	(62,643)	-	(62,643)
- Transferred to profit or loss	-	-	-	-	-	-	-	-
Change in ECL reserve	-	-	491	-	-	491	-	491
Dividends (Note 40)	-	-	-	-	-	-	(481,193)	(481,193)
At 31 December 2024	15,358	8,662,695	613	76,925	329,672	9,085,263	12,099,401	21,184,664

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

30. RESERVES (CONTINUED)

(i) Statutory reserve

The statutory reserve is maintained in compliance with Development Financial Institutions Act 2002 (Act 618) and Co-operative Societies Act 1993 (Act 502). This reserve is not distributable as dividend and is held in accordance with regulatory requirements.

(ii) Capital reserve

This is a reserve required to be maintained under Co-operative Societies Act 1993 (Act 502) and consists of capital gain from disposal of land or building, or both, under non-current assets.

(iii) ECL reserve

This ECL reserve comprises ECL allowance for financial investments at FVOCI. The ECL allowance will be reversed to profit or loss upon disposal or derecognition of the financial instruments.

(iv) Fair value reserve of financial investments at FVOCI

This reserve relates to unrealised fair value gains and losses on financial investments at fair value through other comprehensive income.

(v) Regulatory reserve

The regulatory reserve is maintained as an additional credit risk buffer to ensure the robustness of the financing impairment assessment methodology. The regulatory reserve is maintained in accordance with Bank Negara Malaysia's policy on Financial Reporting to maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserve of no less than 1% (2024: no less than 1%) of total credit exposures, net of loss allowance for credit-impaired exposures.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

31. INCOME

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Income derived from investment of depositors' fund (i)	4,717,025	4,737,673	4,727,945	4,750,839
Income derived from investment account funds (ii)	36,354	17,403	36,354	17,403
Income derived from investment of shareholders' fund (iii)	1,944,232	1,796,055	1,948,733	1,801,047
Income generated by subsidiaries (iv)	122,911	138,690	-	-
	6,820,522	6,689,821	6,713,032	6,569,289

(i) Income derived from investment of depositors' fund

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Income from financing and advances *	3,795,307	3,804,924	3,806,227	3,818,091
Income from deposits and placements with banks and financial institutions	25,492	19,770	25,492	19,770
Income from financial investments	896,226	912,979	896,226	912,978
	4,717,025	4,737,673	4,727,945	4,750,839

(ii) Income derived from investment account funds

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Income from financing and advances *	28,499	13,821	28,499	13,821
Income from financial investments	7,855	3,582	7,855	3,582
	36,354	17,403	36,354	17,403

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

31. INCOME (CONTINUED)

(iii) Income derived from investment of shareholders' fund

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Income from financing and advances *	1,564,324	1,442,450	1,568,825	1,447,442
Income from deposits and placements with banks and financial institutions	10,507	7,495	10,507	7,495
Income from financial investments	369,401	346,110	369,401	346,110
	1,944,232	1,796,055	1,948,733	1,801,047

* Included in income from financing and advances for the current year is profit accrued on impaired financing of RM68,271,592 (2024: RM71,892,460).

Included the net effect under government support measures to provide relief and support recovery for SME/micro enterprises in order to sustain their business operations amounting to RM6,055,631 (2024: RM6,331,103) for the Group and the Bank.

Included the net effect of modification loss under financial assistance measures to provide relief and support recovery for financing customers amounting to RM64,753,955 (2024: RM74,902,655) for the Group and the Bank.

(iv) Income generated by subsidiaries

	Group	
	2025	2024
	RM'000	RM'000
Pawn income	108,738	127,769
Rental income	1,024	1,012
Management fee	13,149	9,909
	122,911	138,690

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

32. EXPENDITURE

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Income attributable to depositors (i)	3,162,987	3,146,791	3,165,715	3,151,327
Income attributable to investment account holders (ii)	2,335	1,344	2,335	1,344
Profit expense on financing sold with recourse to Cagamas	97,239	63,003	97,239	63,003
Profit expense on debt securities issued	249,976	209,664	249,976	209,664
Profit expense on cashline facility	7,300	9,712	7,300	9,712
Cost of sales	92,058	118,880	-	-
	3,611,895	3,549,394	3,522,565	3,435,050

(i) Income attributable to depositors

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Deposits from customers				
Non-Mudarabah	3,033,862	3,055,238	3,036,590	3,059,774
Deposits and placements from banks and other financial institutions				
Non-Mudarabah	129,125	91,553	129,125	91,553
	3,162,987	3,146,791	3,165,715	3,151,327

(ii) Income attributable to investment account holders

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Unrestricted investment accounts				
Mudarabah	2,335	1,344	2,335	1,344

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

33. ALLOWANCES FOR IMPAIRMENT

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Allowance for impairment on financing and advances (i)	171,703	141,572	171,535	140,398
Allowance for impairment on financial investments (ii)	445	513	445	513
	172,148	142,085	171,980	140,911

(i) Allowance for impairment on financing and advances

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Stage 1 - 12-month ECL	(21,517)	(267,277)	(21,685)	(268,451)
Stage 2 - lifetime ECL not credit impaired	(158,145)	38,252	(158,145)	38,252
Stage 3 - lifetime ECL credit impaired	351,365	370,597	351,365	370,597
	171,703	141,572	171,535	140,398

(ii) Allowance for impairment on financial investments

	Group and Bank	
	2025 RM'000	2024 RM'000
Financial investments at fair value through other comprehensive income (Note 7)	390	493
Financial investments at amortised cost (Note 8)	55	20
	445	513

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

34. OTHER OPERATING INCOME

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Fees and commission (i)	323,979	260,407	323,979	260,407
Other income (ii)	614,409	456,986	637,291	457,744
	938,388	717,393	961,270	718,151

(i) Fees and commission

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Takaful commission	275,315	218,592	275,315	218,592
ATM service fees	17	12	17	12
Wasiat commission	16,648	16,919	16,648	16,919
Other commission	12,292	6,559	12,292	6,559
Processing fees	1,426	93	1,426	93
MEPS fees	11,425	13,996	11,425	13,996
Other fees	6,856	4,236	6,856	4,236
	323,979	260,407	323,979	260,407

(ii) Other income

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Net other income from financial instruments				
Dividend from financial investments at fair value through profit or loss	-	10,170	-	10,170
Net gain on disposal of financial investments at fair value through profit or loss	351	729	351	729
Net gain on disposal of financial investments at fair value through other comprehensive income	157,258	62,643	157,258	62,643

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

34. OTHER OPERATING INCOME (CONTINUED)

(ii) Other income (continued)

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Net other income from financial instruments (continued)				
Net gain on redemption of financial investments at amortised cost	-	62	-	62
	157,609	73,604	157,609	73,604
Others				
Rental income	24,497	23,300	25,108	23,910
Compensation for late payment	10,619	8,203	10,619	8,203
Charges from credit card services	6,136	5,618	6,136	5,618
Other service charges	13,357	12,913	13,357	12,913
Recoveries from financing written off	296,564	193,376	296,564	193,376
Writeback for impairment on trade receivables (Note 11)	497	-	-	-
Gain on disposal of property and equipment	2	1,212	2	1,242
Other income	71,833	65,059	80,321	64,294
Gain on revaluation of investment properties (Note 18)	33,295	73,701	32,575	59,584
Dividend income from subsidiaries	-	-	15,000	15,000
	456,800	383,382	479,682	384,140
	614,409	456,986	637,291	457,744

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

35. OPERATING EXPENSES

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Personnel expenses (i)	1,277,196	1,219,406	1,275,564	1,210,484
Other overheads and expenditure (ii)	805,629	680,116	803,950	679,307
	2,082,825	1,899,522	2,079,514	1,889,791

(i) Personnel expenses

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	622,769	586,571	617,745	582,272
Allowances and bonuses	354,025	347,690	360,037	344,106
Defined contribution plan - EPF	183,981	174,981	183,400	174,457
Social security contributions				
- SOCSO	8,020	7,002	7,959	6,957
Other staff related costs	108,401	103,162	106,423	102,692
	1,277,196	1,219,406	1,275,564	1,210,484

Total number of staff (excluding the Board of Directors) for the Group is 6,252 (2024: 6,191) and for the Bank is 6,193 (2024: 6,132).

(ii) Other overheads and expenditures

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Establishment				
Rental	967	625	941	612
Depreciation of property and equipment (Note 16)	66,139	52,431	63,630	50,048
Depreciation of right-of-use assets (Note 13)	34,787	20,860	28,788	23,831
Amortisation of prepaid lease payments (Note 20)	1,319	1,413	1,319	1,413

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditures (continued)

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Establishment (continued)				
Amortisation of intangible assets (Note 17)	62,127	61,479	62,127	61,479
Finance cost on lease liabilities (Note 28(ii))	2,446	1,704	3,840	2,498
Repair and maintenance	167,531	121,965	164,522	120,627
Takaful	11,986	8,032	11,984	7,984
	347,302	268,509	337,151	268,492
Promotion				
Advertisement and publicity	41,880	35,508	41,776	35,415
General expenses				
Legal and professional fees	35,509	16,498	34,587	15,823
Auditors' remuneration	1,800	1,430	1,613	1,260
Communication expenses	46,311	28,903	39,242	28,838
Utilities expenses	27,963	28,773	27,925	28,585
Printing and stationery	23,755	24,303	23,667	24,217
Postage and courier	18,484	18,489	18,435	18,433
Security expenses	21,891	27,200	21,891	27,200
Service charges	3,635	2,987	7,507	6,713
Loss on financing written off	9,665	9,339	9,665	9,339
Property and equipment written off	100	47	100	47
Intangible assets written off	-	15	-	15
Commission expenses	172,492	150,066	172,492	150,066
Travelling and transportation	25,960	24,235	25,906	24,199
Others	28,882	43,814	41,993	40,665
	416,447	376,099	425,023	375,400
	805,629	680,116	803,950	679,307

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

The above expenditure includes the following statutory disclosures:

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Impairment losses on:				
Trade receivables (Note 11)	952	181	-	-
Other receivables, deposits and prepayments (Note 12(ii))	539	27	-	27
Auditors' remuneration:				
Current year:				
Statutory audit fees	1,800	1,430	1,613	1,260
Amortisation of prepaid lease payment (Note 20)	1,319	1,413	1,319	1,413
Depreciation of property and equipment (Note 16)	66,139	52,431	63,630	50,048
Amortisation of intangible assets (Note 17)	62,127	61,479	62,127	61,479
Depreciation of right-of-use assets (Note 13)	34,787	20,860	28,788	23,831
Finance cost on lease liabilities (Note 28(ii))	2,446	1,704	3,840	2,498
Property and equipment written off	100	47	100	47
Intangible assets written off	-	15	-	15
Rental of premises *	965	618	941	612
Rental of equipment *	2	7	-	-

* These are short-term leases of which the Group and the Bank have elected not to recognise the right-of-use assets and lease liabilities for these leases. Instead, they are recognised as expense on straight-line basis over the lease term.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Included in general expenses are the following Group Chief Executive Officer, Directors and Shariah Committee members' remuneration:

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Group Chief Executive Officer				
Salary and other remuneration	1,090	948	979	838
Bonus	812	765	812	765
EPF contributions	338	300	338	300
Other emoluments	7	7	7	7
	2,247	2,020	2,136	1,910
Former Chief Executive Officer				
Salary and other remuneration	-	1,149	-	1,051
Bonus	-	6,876	-	6,876
EPF contributions	-	955	-	955
Other emoluments	-	7	-	7
	-	8,987	-	8,889
Non-Executive Directors				
Fees	2,441	2,527	2,216	2,329
	2,441	2,527	2,216	2,329
	4,688	13,534	4,352	13,128
Shariah Committee				
Fees	762	651	762	651
	5,450	14,185	5,114	13,779

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Group Chief Executive Officer and Directors is as follows:

	Bank			Group		
	Remuneration received from the Bank			Remuneration received from Subsidiary Companies		
	Salary and bonus RM'000	Fees RM'000	Other emoluments RM'000	Bank Total RM'000	Fees RM'000	Total RM'000
2025	2,129	-	7	2,136	111	2,247
Group Chief Executive Officer						
Ahmad Shahril Mohd Shariff	-	392	-	392	-	392
Non-Executive Directors						
Datuk Mohd Irwan Mohd Mubarak	-	164	-	164	-	164
Dato' Sri Khairul Dzaimie Daud	-	201	-	201	-	201
Dato' Dr. Amiruddin Muhamed	-	284	-	284	53	337
Tunku Dato' Ahmad Burhanuddin	-	319	-	319	69	388
Tunku Datuk Seri Adnan	-	246	-	246	79	325
Mohd Jafri Kudus	-	262	-	262	24	286
Dato' Seri Dr. Vaseehar Hassan	-	328	-	328	-	328
Abdul Razack						
Prof. Dr. Raduwan Idar						
Idris Abd Hamid						
	-	2,196	-	2,196	225	2,421

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Group Chief Executive Officer and Directors is as follows (continued):

	Bank			Group		
	Salary and bonus RM'000	Remuneration received from the Bank Fees RM'000	Other emoluments RM'000	Bank Total RM'000	Remuneration received from Subsidiary Companies Fees RM'000	Total RM'000
2025 (continued)	-	20	-	20	-	20
Former Non-Executive Directors Dato' Amirudin Abdul Halim	-	20	-	20	-	20
	2,129	2,216	7	4,352	336	4,688

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Group Chief Executive Officer and Directors is as follows (continued):

	Bank			Group		
	Remuneration received from the Bank	Other emoluments	Bank Total	Remuneration received from Subsidiary Companies	Total	Total
	Salary and bonus	Fees	Total	Fees	Total	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2024	1,903	-	1,910	110	110	2,020
Acting Chief Executive Officer						
Ahmad Shahril Mohd Shariff	-	398	398	11	11	409
Non-Executive Directors						
Datuk Mohd Irwan Mohd Mubarak	-	209	209	-	-	209
Dato' Dr. Amiruddin Muhamed	-	275	275	33	33	308
Tunku Dato' Ahmad Burhanuddin	-	306	306	66	66	372
Tunku Datuk Seri Adnan	-	272	272	77	77	349
Mohd Jafri Kudus	-	256	256	11	11	267
Dato' Seri Dr. Vaseehar Hassan	-	292	292	-	-	292
Abdul Razack	-	2,008	2,008	198	198	2,206
Prof. Dr. Raduwan Idar	-	-	-	-	-	-
Idris Abd Hamid	-	-	-	-	-	-
	-	2,008	2,008	198	198	2,206

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Group Chief Executive Officer and Directors is as follows (continued):

	Bank			Group		
	Salary and bonus RM'000	Remuneration received from the Bank Fees RM'000	Other emoluments RM'000	Bank Total RM'000	Remuneration received from Subsidiary Companies Fees RM'000	Total RM'000
2024 (continued)						
Former Chief Executive Officer						
Dato' Dr. Mohammad Hanis Osman	8,882	-	7	8,889	98	8,987
Former Non-Executive Directors						
Dato' Sri Suriani Dato' Ahmad	-	133	-	133	-	133
Dato' Amirudin Abdul Halim	-	188	-	188	-	188
	-	321	-	321	-	321
	10,785	2,329	14	13,128	406	13,534

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Shariah Committee is as follows:

2025

Shariah Committees

Dr. Mohammad Zaini Yahaya
 Prof. Emeritus Dato' Dr. Mohd Azmi Omar
 Dr. Tuan Badrul Hisyam Tuan Soh
 Assoc. Prof. Dr. Abdul Manan Ismail
 Assoc. Prof. Dr. Nurazmallail Bin Marni
 Assoc. Prof. Dr. Yasmin Hanani Mohd Safian

Group and Bank			
Remuneration received			
from the Bank			
	Fees	Other	Total
	RM'000	emoluments	RM'000
	RM'000	RM'000	RM'000
	196	-	196
	110	-	110
	112	-	112
	118	-	118
	112	-	112
	114	-	114
	762	-	762

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Shariah Committee is as follows (continued):

	Group and Bank		
	Remuneration received from the Bank		Total
	Fees	Other	
	RM'000	emoluments RM'000	RM'000
2024			
Shariah Committees			
Prof. Dr. Azman Mohd Noor	188	-	188
Dr. Mohammad Zaini Yahaya	134	-	134
Prof. Emeritus Dato' Dr. Mohd Azmi Omar	106	-	106
Dr. Tuan Badrul Hisyam Tuan Soh	107	-	107
Assoc. Prof. Dr. Abdul Manan Ismail	92	-	92
	627	-	627
Former Shariah Committee			
Asst. Prof. Dr. Akhtarzaite Abdul Aziz	8	-	8
SS Dato' Dr. Mohamad Sabri Haron	16	-	16
	651	-	651

The above disclosure on total remuneration of the Shariah Committee is presented in accordance with paragraph 12.16 as per BNM's policy on Financial Reporting for Development Financial Institutions, which became effective on or after 1 January 2020.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

36. TAXATION

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Malaysian income tax				
Current year	6,930	4,296	-	-
Overprovision in prior years	(87)	(227)	-	-
	<u>6,843</u>	<u>4,069</u>	<u>-</u>	<u>-</u>
Deferred tax (Note 21)				
Current year	59,613	75,952	61,000	78,000
Under/(Over) provision in prior years	3,979	(3,374)	-	-
	<u>63,592</u>	<u>72,578</u>	<u>61,000</u>	<u>78,000</u>
Total	<u>70,435</u>	<u>76,647</u>	<u>61,000</u>	<u>78,000</u>

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

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Profit before taxation and zakat	<u>1,892,042</u>	<u>1,816,213</u>	<u>1,900,243</u>	<u>1,821,688</u>
Tax expense at statutory tax rate of 24% (2024: 24%) *	454,090	435,891	456,058	437,205
Non-taxable income	(189,103)	(275,667)	(203,720)	(285,441)
Non-deductible expenses	217,306	252,900	224,411	259,112
Tax exempt under Section 65(A) of the Income Tax Act 1967	(415,750)	(332,876)	(415,749)	(332,876)
(Over)/Under provision in prior years:				
Income tax	(87)	(227)	-	-
Deferred tax	3,979	(3,374)	-	-
	<u>70,435</u>	<u>76,647</u>	<u>61,000</u>	<u>78,000</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

36. TAXATION (CONTINUED)

* The Bank, being a co-operative society uses the tax rates under Part IV, Schedule 1 of the Income Tax Act, 1967 as follows:

- On the first RM30,000 of chargeable income: 0% (2024: 0%)
- On the next RM30,000 of chargeable income: 5% (2024: 5%)
- On the next RM40,000 of chargeable income: 10% (2024: 10%)
- On the next RM50,000 of chargeable income: 15% (2024: 15%)
- On the next RM100,000 of chargeable income: 18% (2024: 18%)
- On the next RM250,000 of chargeable income: 21% (2024: 21%)
- On the next RM250,000 of chargeable income: 23% (2024: 23%)
- In excess of RM750,000 of chargeable income: 24% (2024: 24%)

37. ZAKAT

The Group's and the Bank's zakat have been computed by applying the growth capital method based on the rate of 2.5%. This method applies the rate on owners' equity, long term liability, net of fixed assets and non-current assets, and is subject to allowable adjustments.

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Provision for current year	44,532	45,154	43,050	43,000
Overprovision in prior years	(558)	(952)	(862)	(952)
	43,974	44,202	42,188	42,048

38. STATUTORY APPROPRIATIONS

Maintenance of statutory reserve fund is required under the Development Financial Institutions Act 2002 (Act 618), whereas contributions to Co-operative Education Trust Fund and Co-operative Development Provident Fund are made in compliance with the Co-operative Societies Act 1993 (Act 502).

Contribution to Bank Rakyat Foundation is made under paragraph 65(ii) of Undang-Undang Kecil Bank Kerjasama Rakyat Malaysia Berhad, which states that net profit for the year can be utilised towards a fund meant for welfare and benefits of members.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

39. EARNINGS PER SHARE

Basic earnings per ordinary share have been calculated based on the Group's and the Bank's profit after taxation and zakat of RM1,777,633,000 (2024: RM1,695,364,000) and RM1,797,055,000 (2024: RM1,701,640,000) divided by the weighted average number of ordinary shares of 2,977,906,000 (2024: 2,949,300,000) of RM1 each in issue during the financial year.

40. DIVIDENDS

	Group and Bank	
	2025	2024
	RM'000	RM'000
Cash dividend of 17% for the year ended 31 December 2025 (2024: 17%)	486,236	481,193

During the financial year ended 31 December 2025, the Bank paid a cash dividend of 17% amounting to RM486 million in regard to the previous financial year ended 31 December 2024.

In respect of the current financial year, the Board of Directors has proposed a cash dividend of up to 18% amounting to approximately RM540 million. The proposed dividend will be recognised in the subsequent financial year upon approval by the relevant external authorities.

41. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

	Group and Bank	
	2025	2024
	RM'000	RM'000
Contingent liabilities		
Non-financial bank guarantee given in respect of banking facilities granted to customers	327,644	227,430
Claims for damages from litigation taken against the Bank	14,070	111,017
Commitments		
Undrawn financing	3,467,602	2,808,027
	3,809,316	3,146,474

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

41. COMMITMENTS AND CONTINGENCIES (CONTINUED)

A summary of the status of material litigations against the Bank is as follows:

Case 1

Between 27 September 1997 and 27 October 1997, the Bank issued seven Investment Certificates (Pelaburan Am Al-Mudharabah) to the Plaintiff with an aggregate value of RM4.50 million. In September 2019, the Plaintiff's representative contacted the Bank to inquire about the status of the investments and was informed that the relevant investment account no longer existed in the Bank's system.

Asserting that no withdrawal had ever been made, that the original certificates remained in the Plaintiff's possession, and that the Bank had breached fiduciary and constructive trust obligations by failing to safeguard the investment funds, the Plaintiff commenced proceedings against the Bank by filing a Writ and Statement of Claim on 9 April 2021, seeking recovery of the principal sum together with alleged accrued returns.

The matter proceeded before the Kuala Lumpur High Court, including interlocutory proceedings for discovery, and on 17 April 2025 the High Court dismissed the Plaintiff's claim in its entirety, finding that the Plaintiff failed to establish wrongful dealing with the investment funds, breach of trust, or breach of fiduciary duty, and that the Bank's records did not demonstrate any continuing liability. Costs of RM45,000 were awarded in favour of the Bank.

On 16 May 2025, the Plaintiff filed a Notice of Appeal, and the matter is currently pending before the Court of Appeal, where the Plaintiff challenges, among others, whether the investment funds were withdrawn, whether the certificates remained valid or automatically renewed, whether the Bank acted as a trustee, and whether any funds should have been transferred to the Registrar of Unclaimed Moneys. As at January 2026, no appellate decision has been issued, and the Bank continues to recognize contingent liability of RM4,503,025.68, representing the original investment amount, pending the outcome of the appeal.

Case 2

Between 2013 and 2021, a borrower obtained financing facilities from the Bank and entered into several settlement agreements, all of which were unsuccessful. Two individuals associated with the registered proprietor of a Kuala Lumpur property acted as guarantors for the borrower's liabilities, which ultimately led to the issuance of Notices of Demand by the Bank in 2022 and 2023.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

41. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Case 2 (continued)

On 22 February 2021, the registered proprietor (the Plaintiff) of the property consented to the registration of a lien holder's caveat over the property in favour of the Bank as security for the borrower's indebtedness, which caveat was registered on 14 April 2021. A Settlement Agreement dated 7 May 2021 was subsequently executed between the Bank, the borrower, the guarantors and the Plaintiff, requiring full settlement of the outstanding sums by 31 December 2021, subject to several extensions, including to allow time for a proposed sale of the property.

The borrower, the guarantors and the Plaintiff failed to comply with the settlement terms and to discharge the outstanding indebtedness. As a result of continued non-payment, the Bank commenced foreclosure proceedings against the property. The Plaintiff alleges that the foreclosure prevented completion of a proposed sale of the property at RM11 million and caused financial losses.

The Plaintiff commenced this action seeking general damages of RM4 million, together with aggravated and exemplary damages and costs. The Bank disputes the claim on the basis that any proceeds from a sale of the property were contractually required to be applied towards the borrower's liabilities, that no actual loss has crystallised, and that the alleged damages are speculative. The matter remains pending before the High Court, with interlocutory applications fixed for hearing on 3 April 2026 and trial scheduled for August and September 2026.

Subsequent to the end of financial year, the case was withdrawn by the Plaintiff without liberty to file afresh and with no order as to costs on 4 March 2026.

42. CAPITAL COMMITMENTS

Capital expenditure approved but not provided for in the financial statements are as follows:

	Group		Bank	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Capital expenditure				
Approved and contracted for	372,427	373,812	372,427	373,812

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

43. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control or jointly 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 Group and of the Bank are:

43.1 Subsidiaries

Details of the subsidiaries are shown in Note 15.

43.2 Key Management Personnel

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

Remuneration of Directors and other members of key management are as follows:

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Short-term employee benefits				
Fees	2,552	2,735	2,216	2,329
Salary	8,288	9,579	8,288	9,579
Allowances	1,242	1,227	1,242	1,227
EPF contribution	3,176	4,216	3,176	4,216
Bonuses	7,300	14,675	7,300	14,675
Other emoluments	7	14	7	14
	22,565	32,446	22,229	32,040

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

43. RELATED PARTY TRANSACTIONS (CONTINUED)

43.2 Key Management Personnel (continued)

Included in the total compensation for key management personnel are the following items:

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Directors' remuneration				
From the Bank	2,216	2,329	2,216	2,329
From subsidiaries	225	198	-	-
	<u>2,441</u>	<u>2,527</u>	<u>2,216</u>	<u>2,329</u>

43.3 Transactions with subsidiaries

All related party transactions within the Bank Rakyat group are conducted on normal commercial terms which are not more favourable than those generally available to the public.

	Bank	
	2025 RM'000	2024 RM'000
Income earned		
Income from financing and advances	(15,161)	(18,159)
Rental income	(627)	(627)
Expenditure incurred		
Profit expenses	2,876	4,535
Management fee expenses	4,118	3,845
Rental expenses	12,300	7,421
Allowance for impairment on financing	(166)	(1,174)
	<u>3,340</u>	<u>(4,159)</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

43. RELATED PARTY TRANSACTIONS (CONTINUED)

43.3 Transactions with subsidiaries (continued)

Movement of allowance for impairment on financing is as follows:

Bank	12-month ECL Stage 1 RM'000
At 1 January 2024	5,900
Changes in credit risk	(1,174)
At 31 December 2024/1 January 2025	<u>4,726</u>
Changes in credit risk	(166)
At 31 December 2025	<u>4,560</u>

44. FINANCING FACILITIES WITH CONNECTED PARTIES

	Group and Bank	
	2025	2024
	RM'000	RM'000
Outstanding exposures with connected parties	4,014,965	3,685,253
% of outstanding exposures to connected parties as a proportion of total exposure	3.15%	3.10%
% of outstanding exposures financing exposures with connected parties which is non-performing or in default	0.00%	0.01%

The above disclosure on Financing Facilities with Connected Parties is presented in accordance with para 14.1 as per BNM's policy on Financing Facilities with Connected Parties, which became effective on 13 July 2016.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

45. FINANCIAL INSTRUMENTS

45.1 Net gains and losses arising from financial instruments

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Net gains/(losses) arising on:				
Financial assets measured at fair value through profit or loss				
Income ^	432	635	432	635
Dividend	-	10,170	-	10,170
Disposal	351	729	351	729
	<u>783</u>	<u>11,534</u>	<u>783</u>	<u>11,534</u>
Financial assets measured at fair value through other comprehensive income				
Income ^	809,059	801,547	809,059	801,547
Disposal	157,258	62,643	157,258	62,643
Revaluation on:				
Equity instruments	-	13,610	-	13,610
Debt instruments	319,981	15,951	319,981	15,951
	<u>1,286,298</u>	<u>893,751</u>	<u>1,286,298</u>	<u>893,751</u>
Financial assets measured at amortised cost: ^				
Income from:				
Financing and advances	5,388,130	5,261,195	5,403,551	5,279,353
Deposits and placements with banks and financial institutions	35,999	27,265	35,999	27,265
Financial investments at amortised cost	463,991	460,490	463,991	460,490
	<u>5,888,120</u>	<u>5,748,950</u>	<u>5,903,541</u>	<u>5,767,108</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

45. FINANCIAL INSTRUMENTS (CONTINUED)

45.1 Net gains and losses arising from financial instruments (continued)

	Group		Bank	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Financial liabilities measured at amortised cost: ^				
Income attributable to depositors	(3,162,987)	(3,146,791)	(3,036,590)	(3,059,774)
Income attributable to investment account holders	(2,335)	(1,344)	(2,335)	(1,344)
Income attributable to deposits and placements from banks and other financial institutions	(129,125)	(91,553)	(129,125)	(91,553)
Profit expense on financing sold with recourse to Cagamas	(97,239)	(63,003)	(97,239)	(63,003)
Profit expense on debt securities issued	(249,976)	(209,664)	(249,976)	(209,664)
Profit expense on cashline facility	(7,300)	(9,712)	(7,300)	(9,712)
	<u>(3,648,962)</u>	<u>(3,522,067)</u>	<u>(3,522,565)</u>	<u>(3,435,050)</u>
	<u>3,526,239</u>	<u>3,132,168</u>	<u>3,668,057</u>	<u>3,237,343</u>
Net losses on impairment of financial instruments:				
Financial assets at:				
Amortised cost	(171,758)	(141,592)	(171,590)	(140,418)
Fair value through other comprehensive income	(390)	(493)	(390)	(493)
	<u>(172,148)</u>	<u>(142,085)</u>	<u>(171,980)</u>	<u>(140,911)</u>

^ Profit income and expenses for these financial instruments are calculated using the effective profit rate method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

46. FINANCIAL RISK MANAGEMENT

46.1 Overview

The Bank's business activities involve the use of financial instruments that expose the Bank to a variety of financial risks with the following as the primary risks:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk
- (iv) Operational risk

46.2 Risk Management Framework

Risk Management Framework articulates the objectives, guiding principles and governance structure for risk management processes in the Bank. This enables the identification, assessment and measurement control and continuous monitoring of all material risks on a group-and bank-wide basis, supported by robust management information system that facilitates timely and reliable reporting of risks and the integration of information across the Bank.

Risk Management within the Bank is guided by the following principles:

- Alignment of risk taking activities with the Bank's risk appetite;
- Risk aware decision making with clear understanding of risks and their impacts on profitability and sustainability;
- Accountability through ownership of risks, controls, and profitability inherent in the Bank's business and support functions; and
- Integration of risk management, compliance and ethical business practices into the culture of the Bank.

The Bank's Risk Appetite Statement is as follows:

The Bank's business strategy and risk-taking activities should always be within the capacity of the Bank. This is achieved by strengthening the following seven dimensions - Robust Risk and Compliance Culture; Guarding Reputational as an Islamic Financial Institution; Maintaining Adequate Capital; Quality Assets; Funding Certainty and Adequate Liquidity Cover; Ensuring Operational Resilience; Managing Risk in Technology and Safeguarding Sustainability-Related Risks and Model Risk.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.2 Risk Management Framework (continued)

46.2.1 Risk governance

The Bank manages its risks in accordance with the “Three Lines of Defence Model”, which places accountability and ownership to the source of risk, whilst ensuring sufficient level of independent oversight.

The “Three Lines of Defence” consists of the following components:

(i) First Line of Defence - Informed Decision Making by Business Units

The business units and embedded risk functions are responsible to identify, manage and report their own risks. At this stage risk awareness is instilled starting at risk taking units so that Risk Management is incorporated into every aspect of work conducted.

(ii) Second Line of Defence - Oversight by Risk Management and Compliance

Risk Management and Compliance supports business units, as well as review business and operations within approved risk appetite and in compliance to regulations and report key risks to the Management and Board of Directors. In doing so, Risk Management and Compliance provides support to Management and Board of Directors in fulfilling their oversight functions.

(iii) Third Line of Defence - Independent Assurance by Internal Audit

Internal Audit conducts quality assurance review, to ensure that the risk-taking activities are in line with established standards. Internal Audit provides recommendations for improvement where necessary. Its functions complement the support extended to the Management and Board Audit Committee in the risk oversight functions.

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.2 Risk Management Framework (continued)

46.2.1 Risk governance (continued)

Roles and responsibilities of the oversight committee

Roles and responsibilities of the Board Risk Committee ("BRC"):

- (a) Review and recommend risk appetite, strategies, risk management framework and policies as well as any subsequent revision for the Board's approval;
- (b) Ensure the capital adequacy of the Bank commensurates with the various types of risks;
- (c) Review and appraise the Board on risk exposure, risk portfolio composition, and risk management activities;
- (d) Ensure the adequacy of infrastructure and resources to manage various types of risks;
- (e) Appraise the performance of the Group Chief Risk Officer; and
- (f) Periodically meet with Audit & Examination Committee ("AEC") to ensure effective exchange of information to enable effective coverage of all risks, including emerging risk issues.

Roles and responsibilities of Management Risk Committee ("MRC"):

- (a) Establish clear guidance and recommend business and risk strategy, including risk limits, for business units to ensure that risk-taking activities remain within the risk appetite;
- (b) Evaluate the sensitivities and reasonableness of key assumptions used in the process of assessing material risks and capital;
- (c) Ensure establishment, implementation, communication and enforcement of risk management framework and policies;
- (d) Ensure adequate and effective risk monitoring, reporting, controls and tolerable risk limits while managing risk exposure; and

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.2 Risk Management Framework (continued)

46.2.1 Risk governance (continued)

Roles and responsibilities of the oversight committee (continued)

Roles and responsibilities of Management Risk Committee ("MRC") (continued):

(e) The role of MRC is supported by dedicated risk committees as follows:

- Credit Risk Committee;
- Operational Risk Management Committee;
- Any other committees that will be established for risk management purposes.

Roles and responsibilities of Credit Risk Committee:

(a) Collectively responsible to oversee management of credit risk through the following;

Based on periodic reports submitted by Risk Management and Business Units, to monitor on:

- Overall asset quality of the Bank's credit portfolio; and
- Credit concentration risk including but not limited to customers' segmentation, industry sectors limit, Single Counterparty Exposure Limit (SCEL) and large exposure customers.

(b) According to governance set by the Bank, to deliberate/ review on;

- Development/ review of credit related policies/ strategy. Where relevant, oversee implementation of credit related policies/ strategy; and
- Credit-related tools/ models such as development or back testing of credit scorecard.

(c) Review and recommend appropriate measures on effective management of problem credits and adequacy of the Bank's credit practices;

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.2 Risk Management Framework (continued)

46.2.1 Risk governance (continued)

Roles and responsibilities of the oversight committee (continued)

Roles and responsibilities of Credit Risk Committee: (continued)

- (d) Ensure adequate infrastructure, resources and system are in place for management of credit risk; and
- (e) Where relevant, to deliberate material regulatory requirements and/ or highlights of the regulators on credit risk related issues concerning the Bank.

Roles and responsibilities of Operational Risk Management Committee:

- (a) Review and recommend operational risk management strategies, policies, guidelines and procedures;
- (b) Review and assess the adequacy of operational risk management framework, policies, guidelines and procedures in identifying, assessing, controlling and monitoring of operational risk and the extent to which these are operating effectively;
- (c) Ensure that infrastructure, resources and systems are in place to effectively manage operational risks;
- (d) Review operational risk profiles and periodic reports, including progress and follow-up actions; and
- (e) Monitor the identified operational risks, key risk indicators and loss incidents in the business and functional units' operations.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.2 Risk Management Framework (continued)

46.2.1 Risk governance (continued)

Roles and responsibilities of the oversight committee (continued)

Roles and responsibilities of Financing Review Committee:

- (a) Direct, monitor, review and consider such issues as may materially impact on the present and future quality of the Bank's financing book;
- (b) Conduct post-mortem on impaired financing and to learn weaknesses in existing credit policies and processes;
- (c) Ensure the procedures and resources are effective to identify and manage irregular and problem credits, minimise credit loss and maximise recoveries; and
- (d) Review and recommend any enhancement of credit related policies, processes and procedures.

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk

Credit risk is the risk of a counterparty failing to perform its contractual obligations through the Bank's financing, hedging, trading and investing activities.

The Bank's retail and corporate credit exposures are governed by underwriting criteria outlined in credit policies and product guidelines. The Bank's credit processes are in line with industry best practices which emphasizes on individual accountability with clear lines of responsibility and segregation of duties where credit administration, early monitoring and recovery are independent from business units.

46.3.1 Management of credit risk

The Bank's credit risk management includes establishment of comprehensive credit risk policies, guidelines and procedures that document financing standards, credit risk rating, acceptable collateral and valuation, and compliance with regulatory and statutory requirements. The policies are periodically reviewed to ensure their continuous relevance.

Risk Management is responsible to formulate and review the credit risk policies, guidelines and procedures as well as credit risk monitoring. This is to ensure that risk management arrangements are operating effectively and remain commensurate with the Bank's size, nature, complexity and risk profile.

In ensuring effective monitoring of credit, Credit Risk Portfolio Analysis Report which provides insights on overall credit risk is presented to the Senior Management and Board periodically. With this information, Board and Senior Management are able to effectively identify adverse credit risk trends, take corrective actions and formulate business strategies accordingly.

46.3.2 Financing to retail customers

Financing granted to retail customers is individually underwritten by assessing historical payment track record and payment capacity of the customer. This process is governed by Credit Policy (Retail), Operational Procedures and assessed using credit scorecard. Both Credit Policy (Retail) and credit scorecard are developed by Risk Management while Operational Procedures are developed by Product Division and Business Units within Retail Banking and are independently reviewed by control functions including Risk Management, Compliance and Shariah.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.2 Financing to retail customers (continued)

The credit approving authorities have the responsibility to ensure that credit risk is properly assessed and financings are only be granted according to suitability, affordability assessment and circumstances of the customers.

Risk Management is also responsible to assess new/variation of financing product or program to ensure that the product/program offered to customers is beneficial to both customers and Bank whilst mitigating the inherent risks.

46.3.3 Financing to corporate customers

Granting of credit to corporate customers is individually underwritten as guided by the Bank's risk appetite and policies. Under exceptional circumstances such as through financing programs, approving authority is delegated to business units to reduce turnaround time of credit processes. This is guided through simplified Risk Assessment Template (RAT).

46.3.4 Purchase of investment securities

Credit qualities of financial instruments are assessed based on ratings from external credit ratings agencies.

Portfolio review and monitoring is conducted to ensure the exposure are effectively managed and within the Bank's risk appetite.

46.3.5 Impaired financing and investment securities

Individually impaired financing and investment securities are financing and advances and investment securities (other than those carried at fair value through profit or loss) for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and profits according to the contractual terms of the financing/investment security agreement(s).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.6 Neither past due nor impaired financing and investment securities

These are financing and investment securities from which contractual payment of profit or principal have been performing and not defaulted since there is no objective evidence of past due nor impairment.

46.3.7 Past due but not impaired financing and investment securities

Past due but not impaired financing and investment securities, other than those carried at fair value through profit or loss, are those for which contractual profits or principal payments are past due, more than 1 day but less than three (3) months.

46.3.8 Financing with renegotiated terms

Financing with renegotiated terms are financing that have been restructured or rescheduled due to deterioration in the customer's financial position.

46.3.9 Allowances for impairment

The Bank establishes an allowance for impairment loss on assets carried at amortised cost and fair value through other comprehensive income, which represents an estimation of expected losses in the financing and investment security portfolio.

The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective financing loss allowance established for groups of homogenous assets. Both components of allowance incorporates historical, current, and forecasted information in estimating the expected losses.

Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.10 Write-off policy

The Bank writes-off a financing or an investment security, and any related allowances for impairment losses, when the Bank determines that the financing or investment security is uncollectible. This determination is made after exhaustive recovery exercise and considering information such as the occurrence of significant changes in the customer's/issuer's financial position such that the customer/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

46.3.11 Collateral on financing and advances

In mitigating credit risk on financing and advances granted to customers, collaterals are obtained as follows:

- (i) House financing - charges over residential properties.
- (ii) Commercial property financing - charges over the properties being financed.
- (iii) Vehicle financing - ownership claims over the vehicles being financed.
- (iv) Ar Rahn financing - charges over pledged gold or other valuables
- (v) Other financing and advances - charges over business assets such as premises, trade receivables or deposits.

46.3.12 Credit grading for investment securities

The credit qualities and classification of financial instruments are assessed based on ratings from external credit ratings agencies and independently assessed by Credit Assessment prior to approval by relevant approving authorities.

46.3.13 Maximum exposure to credit risk

The following table presents the Bank's credit exposure of on-balance sheet and off-balance sheet financial instruments.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.13 Maximum exposure to credit risk (continued)

For on-balance sheet assets, the exposure to credit risk equals the carrying amount.

For credit commitments, maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Group	
	2025	2024
	RM'000	RM'000
Assets		
Cash and short-term funds	1,495,812	1,677,256
Deposits and placements with financial institutions	606,718	590,242
Financial investments at fair value through other comprehensive income	21,520,342	20,662,157
Financial investments at amortised cost	11,654,255	11,863,734
Financing and advances	91,419,589	83,790,814
Trade receivables	1,905	1,455
Other receivables	941,301	877,531
	<u>127,639,922</u>	<u>119,463,189</u>
Commitments		
Undrawn financing	<u>3,467,602</u>	<u>2,808,027</u>
Total maximum exposure to credit risk	<u>131,107,524</u>	<u>122,271,216</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.13 Maximum exposure to credit risk (continued)

	Bank	
	2025	2024
	RM'000	RM'000
Assets		
Cash and short-term funds	1,490,164	1,677,217
Deposits and placements with financial institutions	606,718	590,242
Financial investments at fair value through other comprehensive income	21,520,342	20,662,157
Financial investments at amortised cost	11,654,255	11,863,734
Financing and advances	91,746,277	84,156,265
Other receivables	932,316	868,223
	<u>127,950,072</u>	<u>119,817,838</u>
Commitments		
Undrawn financing	<u>3,467,602</u>	<u>2,808,027</u>
Total maximum exposure to credit risk	<u>131,417,674</u>	<u>122,625,865</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.14 Credit risk exposure on financing and advances

	Group	
	2025	2024
	RM'000	RM'000
At amortised cost		
Neither past due nor impaired		
0 month	88,950,915	82,125,649
Past due but not impaired		
1 month	1,760,924	1,257,110
2 months	897,999	909,035
3 months	509	-
	2,659,432	2,166,145
Past due and impaired		
Less than 4 months	353,979	288,829
4 months to 6 months	265,899	276,383
7 months to 9 months	168,850	139,751
More than 9 months	937,491	965,455
	1,726,219	1,670,418
Gross financing and advances	93,336,566	85,962,212
Less:		
Stage 1 - 12-month ECL	(364,694)	(386,211)
Stage 2 - lifetime ECL not credit impaired	(557,652)	(715,797)
Stage 3 - lifetime ECL credit impaired	(994,631)	(1,069,390)
Net financing and advances	91,419,589	83,790,814

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.14 Credit risk exposure on financing and advances (continued)

	Bank	
	2025	2024
	RM'000	RM'000
At amortised cost		
Neither past due nor impaired		
0 month	<u>89,283,279</u>	<u>82,495,826</u>
Past due but not impaired		
1 month	1,760,924	1,257,110
2 months	896,881	909,035
3 months	509	-
	<u>2,658,314</u>	<u>2,166,145</u>
Past due and impaired		
Less than 4 months	353,979	288,829
4 months to 6 months	265,899	276,383
7 months to 9 months	168,850	139,751
More than 9 months	937,491	965,455
	<u>1,726,219</u>	<u>1,670,418</u>
Gross financing and advances	93,667,812	86,332,389
Less:		
Stage 1 - 12-month ECL	(369,252)	(390,937)
Stage 2 - lifetime ECL not credit impaired	(557,652)	(715,797)
Stage 3 - lifetime ECL credit impaired	<u>(994,631)</u>	<u>(1,069,390)</u>
Net financing and advances	<u>91,746,277</u>	<u>84,156,265</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.15 Credit risk exposure on investment securities

Group 2025	Financial investments at fair value through other compre- hensive income RM'000	Financial investments at amortised cost RM'000	Total RM'000
Rated securities			
Islamic debt securities			
Grade AAA	4,366,160	793,889	5,160,049
Grade AA+	231,676	-	231,676
Grade AA	411,092	25,034	436,126
Grade AA-	144,943	36,183	181,126
Grade AA1	939,279	20,187	959,466
Grade AA2	465,335	5,157	470,492
Grade AA3	384,346	15,515	399,861
Grade A+	50,083	51,200	101,283
Grade A1	-	25,222	25,222
Grade A	150,445	-	150,445
	7,143,359	972,387	8,115,746
Cagamas sukuk			
Grade AAA	1,605,077	197,946	1,803,023
	8,748,436	1,170,333	9,918,769
Unrated securities			
Government investment issues	5,218,022	7,975,633	13,193,655
Government sukuk	7,553,884	2,458,601	10,012,485
Islamic commercial paper	-	49,688	49,688
	12,771,906	10,483,922	23,255,828
Shares			
Unquoted shares	115,189	-	115,189
	21,635,531	11,654,255	33,289,786

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.15 Credit risk exposure on investment securities (continued)

Bank 2025	Financial investments at fair value through other compre- hensive income RM'000	Financial investments at amortised cost RM'000	Total RM'000
Rated securities			
Islamic debt securities			
Grade AAA	4,366,160	793,889	5,160,049
Grade AA+	231,676	-	231,676
Grade AA	411,092	25,034	436,126
Grade AA-	144,943	36,183	181,126
Grade AA1	939,279	20,187	959,466
Grade AA2	465,335	5,157	470,492
Grade AA3	384,346	15,515	399,861
Grade A+	50,083	51,200	101,283
Grade A1	-	25,222	25,222
Grade A	150,445	-	150,445
	7,143,359	972,387	8,115,746
Cagamas sukuk			
Grade AAA	1,605,077	197,946	1,803,023
	8,748,436	1,170,333	9,918,769
Unrated securities			
Government investment issues	5,218,022	7,975,633	13,193,655
Government sukuk	7,553,884	2,458,601	10,012,485
Islamic commercial paper	-	49,688	49,688
	12,771,906	10,483,922	23,255,828
Shares			
Unquoted shares	115,181	-	115,181
	21,635,523	11,654,255	33,289,778

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.15 Credit risk exposure on investment securities (continued)

Group 2024	Financial investments at fair value through other compre- hensive income RM'000	Financial investments at amortised cost RM'000	Total RM'000
Rated securities			
Islamic debt securities			
Grade AAA	4,130,158	919,358	5,049,516
Grade AA+	195,349	-	195,349
Grade AA	439,448	24,991	464,439
Grade AA-	175,317	36,707	212,024
Grade AA1	646,394	106,375	752,769
Grade AA2	324,786	30,265	355,051
Grade AA3	289,979	26,002	315,981
Grade A+	15,332	-	15,332
	<u>6,216,763</u>	<u>1,143,698</u>	<u>7,360,461</u>
Cagamas sukuk			
Grade AAA	575,941	228,939	804,880
Negotiable Islamic debt certificates			
Grade AA1	-	99,756	99,756
	<u>6,792,704</u>	<u>1,472,393</u>	<u>8,265,097</u>
Unrated securities			
Government investment issues	5,614,196	7,827,210	13,441,406
Government sukuk	8,255,257	2,514,494	10,769,751
Islamic commercial paper	-	49,637	49,637
	<u>13,869,453</u>	<u>10,391,341</u>	<u>24,260,794</u>
Shares			
Unquoted shares	115,189	-	115,189
	<u>20,777,346</u>	<u>11,863,734</u>	<u>32,641,080</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.15 Credit risk exposure on investment securities (continued)

Bank 2024	Financial investments at fair value through other compre- hensive income RM'000	Financial investments at amortised cost RM'000	Total RM'000
Rated securities			
Islamic debt securities			
Grade AAA	4,130,158	919,358	5,049,516
Grade AA+	195,349	-	195,349
Grade AA	439,448	24,991	464,439
Grade AA-	175,317	36,707	212,024
Grade AA1	646,394	106,375	752,769
Grade AA2	324,786	30,265	355,051
Grade AA3	289,979	26,002	315,981
Grade A+	15,332	-	15,332
	<u>6,216,763</u>	<u>1,143,698</u>	<u>7,360,461</u>
Cagamas sukuk			
Grade AAA	575,941	228,939	804,880
Negotiable Islamic debt certificates			
Grade AA1	-	99,756	99,756
	<u>6,792,704</u>	<u>1,472,393</u>	<u>8,265,097</u>
Unrated securities			
Government investment issues	5,614,196	7,827,210	13,441,406
Government sukuk	8,255,257	2,514,494	10,769,751
Islamic commercial paper	-	49,637	49,637
	<u>13,869,453</u>	<u>10,391,341</u>	<u>24,260,794</u>
Shares			
Unquoted shares	115,181	-	115,181
	<u>20,777,338</u>	<u>11,863,734</u>	<u>32,641,072</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.16 Maximum exposure to credit risk

The following analysis represents the Group's maximum exposure to credit risk of on-balance sheet financial assets and off-balance sheet exposure, excluding any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For off-balance sheet exposure, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if obligations of the instruments issued are called upon and/or the full amount of the undrawn credit facilities granted to customers.

	Group	
	2025	2024
	RM'000	RM'000
Credit exposure for on-balance sheet sheet financial assets		
Cash and short-term funds	1,495,812	1,677,256
Deposits and placements with financial institutions	606,718	590,242
Financial investments portfolio *	33,174,598	32,525,891
Financing and advances	75,424,233	70,751,197
Trade receivables	1,905	1,455
Other assets	941,301	877,531
Credit exposure for on-balance sheet financial assets		
Undrawn financing	3,467,602	2,808,027
Total maximum credit risk exposure	<u>115,112,169</u>	<u>109,231,599</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.16 Maximum exposure to credit risk (continued)

	Bank	
	2025	2024
	RM'000	RM'000
Credit exposure for on-balance sheet financial assets		
Cash and short-term funds	1,490,164	1,677,217
Deposits and placements with financial institutions	606,718	590,242
Financial investments portfolio *	33,174,598	32,525,891
Financing and advances	75,755,479	71,121,374
Other assets	932,316	868,223
Credit exposure for off-balance sheet financial assets		
Undrawn financing	3,467,602	2,808,027
Total maximum credit risk exposure	<u>115,426,877</u>	<u>109,590,974</u>

* Financial investment portfolio consists of financial investments at fair value through other comprehensive income and financial investments at amortised costs, excluding equity investments.

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk

Liquidity risk arises from mismatches in the timing of cash flows due to the inability to meet maturing or regulatory obligations and customers' demands for funds when required, which may adversely affect daily operations, Bank's reputation and incur unacceptable losses.

46.4.1 Management of liquidity risk

The Bank adopts various liquidity risk measurement tools in managing the cash flows for daily movement as well as medium and long-term positions to ensure sufficient funding sources to meet obligations.

It is important for the Bank to maintain diversification strategy of funding sources and providers to ensure stability of funding structure and adequate standby facilities while managing excessive concentration towards key depositors. The Bank maintains sufficient high-quality liquid assets to withstand against any unforeseen liquidity stress.

In addition, a liquidity stress testing is conducted based on sensitivity analysis for various stress scenarios covering the Bank's specific and market-wide crisis and combined scenario. The stress scenarios would provide valuable assessment on the impact from adverse liquidity environment and the Bank's vulnerable portfolios.

The Bank has established liquidity contingency funding plan which entails the early warning indicators as well as strategies and actions to be taken by the liquidity crisis management team arising from different liquidity crisis scenarios.

The Bank's liquidity risk management framework, policies and procedures are reviewed periodically in order to manage effective implementation of risk management policies and to ensure liquidity risk position are within the Bank's risk appetite and approved limits.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.2 Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers.

For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade securities for which there is an active and liquid market.

Details of the reported Bank ratio of net liquid assets to deposits from customers at the end of the reporting period and during the year were as follows:

	Bank	
	2025	2024
At 31 December	40.29%	32.62%
Average for the year	41.57%	32.33%
Maximum for the year	43.23%	33.20%
Minimum for the year	40.29%	31.61%

46.4.3 Liquidity risk of assets and liabilities

The main thrust of liquidity management is the projection of up to one year of the maturity profile of the Bank's assets, liabilities and off-balance sheet commitments from a given position.

The focus is on the ability of the Bank to match its short-term liquidity requirement arising from maturing obligations with maturing assets, followed by a medium-term assessment of liquidity up to one year.

The primary basis for determining the appropriate time bands is the contractual maturity, which is when the cash flows crystallise.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities

Group 2025	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash, deposits and placements with financial institutions	1,075,246	420,566	-	-	606,718	-	-	2,102,530
Investment securities	-	138,031	558,178	499,438	1,194,910	30,784,040	115,189	33,289,786
Financing and advances	1,352,801	788,278	2,472,515	3,708,546	6,748,446	78,270,538	(1,921,535)	91,419,589
Trade receivables	1,487	1,495	-	-	-	-	(1,077)	1,905
Other assets	-	-	705,573	-	-	-	235,728	941,301
	2,429,534	1,348,370	3,736,266	4,207,984	8,550,074	109,054,578	(1,571,695)	127,755,111

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group (continued) 2025	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	19,811,666	17,754,331	19,104,820	13,670,954	12,373,184	4,835,779	-	87,550,734
Investment accounts of customers	939,686	-	-	-	-	-	-	939,686
Deposits and placements from banks and financial institutions	1,977,030	480,000	100,000	150,000	-	-	-	2,707,030
Obligation on financial assets sold under repurchase agreements	401,669	-	900,717	-	-	-	-	1,302,386
Recourse obligations on financing sold to Cagamas	477,261	-	-	385,000	-	2,465,017	-	3,327,278
Debt securities issued	-	-	-	302,050	302,949	5,937,468	-	6,542,467
Cashline facility	-	1,001,556	-	-	-	-	-	1,001,556
Trade payables	-	-	2,884	-	-	-	-	2,884

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group (continued) 2025	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities (continued)								
Other liabilities	1,539	9,722	1,273,239	24,694	35,039	96,617	196,293	1,637,143
	23,608,851	19,245,609	21,381,660	14,532,698	12,711,172	13,334,881	196,293	105,011,164
Net maturity mismatch	(21,179,317)	(17,897,239)	(17,645,394)	(10,324,714)	(4,161,098)	95,719,697	(1,767,988)	22,743,947
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	327,644	-	-	-	-	-	-	327,644
Claims for damages from litigation taken against the Bank	-	-	-	-	-	14,070	-	14,070
Undrawn financing	3,467,602	-	-	-	-	-	-	3,467,602
	3,795,246	-	-	-	-	14,070	-	3,809,316

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group 2024	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash, deposits and placements with financial institutions	1,007,504	669,752	-	590,242	-	-	-	2,267,498
Investment securities	5,137	161,089	253,141	635,734	1,110,097	30,360,693	115,189	32,641,080
Financing and advances	979,997	852,483	2,398,528	3,536,116	6,470,863	71,764,430	(2,211,603)	83,790,814
Trade receivables	1,562	1,054	-	-	-	-	(1,161)	1,455
Other assets	-	-	646,592	-	-	-	230,939	877,531
	1,994,200	1,684,378	3,298,261	4,762,092	7,580,960	102,125,123	(1,866,636)	119,578,378

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group (continued) 2024	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities (continued)								
Other liabilities	-	4,800	1,337,225	14,400	28,800	7,940	318,721	1,711,886
	20,820,507	18,138,898	20,135,723	12,915,865	13,973,770	11,964,659	318,721	98,268,143
Net maturity mismatch	(18,826,307)	(16,454,520)	(16,837,462)	(8,153,773)	(6,392,810)	90,160,464	(2,185,357)	21,310,235
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	227,430	-	-	-	-	-	-	227,430
Claims for damages from litigation taken against the Bank	-	-	-	-	-	111,017	-	111,017
Undrawn financing	2,808,027	-	-	-	-	-	-	2,808,027
	3,035,457	-	-	-	-	111,017	-	3,146,474

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2025	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash, deposits and placements with financial institutions	1,069,598	420,566	-	-	606,718	-	-	2,096,882
Investment securities	-	138,031	558,178	499,438	1,194,910	30,784,040	115,181	33,289,778
Financing and advances	1,352,801	788,278	2,472,515	3,708,546	6,748,446	78,597,226	(1,921,535)	91,746,277
Other assets	-	-	-	-	-	-	932,316	932,316
	2,422,399	1,346,875	3,030,693	4,207,984	8,550,074	109,381,266	(874,038)	128,065,253

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank (continued) 2025	Up to	More than	More than	More than	More than	More than	No	Total RM'000
	1 week RM'000	1 week- 1 month RM'000	1 month- 3 months RM'000	3 months- 6 months RM'000	6 months- 1 year RM'000	1 year RM'000	specific maturity RM'000	
Liabilities								
Deposits from customers	19,811,666	17,754,331	19,104,820	13,670,954	12,373,184	4,835,779	-	87,550,734
Investment accounts of customers	939,686	-	-	-	-	-	-	939,686
Deposits and placements from banks and financial institutions	1,977,030	480,000	100,000	150,000	-	-	-	2,707,030
Obligation on financial assets sold under repurchase agreements	401,669	-	900,717	-	-	-	-	1,302,386
Recourse obligations on financing sold to Cagamas	477,261	-	-	385,000	-	2,465,017	-	3,327,278
Debt securities issued	-	-	-	302,050	302,949	5,937,468	-	6,542,467

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank (continued) 2025	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities (continued)								
Cashline facility	-	1,001,556	-	-	-	-	-	1,001,556
Other liabilities	1,539	9,722	1,273,239	24,694	35,039	96,617	313,146	1,753,996
	23,608,851	19,245,609	21,378,776	14,532,698	12,711,172	13,334,881	313,146	105,125,133
Net maturity mismatch	(21,186,452)	(17,898,734)	(18,348,083)	(10,324,714)	(4,161,098)	96,046,385	(1,187,184)	22,940,120
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	327,644	-	-	-	-	-	-	327,644
Claims for damages from litigation taken against the Bank	-	-	-	-	-	14,070	-	14,070
Undrawn financing	3,467,602	-	-	-	-	-	-	3,467,602
	3,795,246	-	-	-	-	14,070	-	3,809,316

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2024	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash, deposits and placements with financial institutions	1,007,465	669,752	-	590,242	-	-	-	2,267,459
Investment securities	5,137	161,089	253,141	635,734	1,110,097	30,360,693	115,181	32,641,072
Financing and advances	979,997	852,483	2,398,528	3,536,116	6,470,863	72,094,402	(2,176,124)	84,156,265
Other assets	-	-	668,711	-	-	-	199,512	868,223
	1,992,599	1,683,324	3,320,380	4,762,092	7,580,960	102,455,095	(1,861,431)	119,933,019

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank (continued) 2024	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	18,379,535	16,328,084	17,480,174	12,663,737	13,184,970	6,056,712	-	84,093,212
Investment accounts of customers	469,901	-	-	-	-	-	-	469,901
Deposits and placements from banks and financial institutions	1,669,175	200,000	300,000	200,000	-	-	-	2,369,175
Obligation on financial assets sold under repurchase agreements	301,896	401,968	301,278	-	-	-	-	1,005,142
Recourse obligations on financing sold to Cagamas	-	-	715,000	-	160,000	1,000,007	-	1,875,007
Debt securities issued	-	-	-	37,728	600,000	4,900,000	-	5,537,728
Cashline facility	-	1,204,046	-	-	-	-	-	1,204,046

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank (continued) 2024	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities (continued)								
Other liabilities	6,646	14,167	1,364,991	55,833	63,171	7,940	336,632	1,849,380
	20,827,153	18,148,265	20,161,443	12,957,298	14,008,141	11,964,659	336,632	98,403,591
Net maturity mismatch	(18,834,554)	(16,464,941)	(16,841,063)	(8,195,206)	(6,427,181)	90,490,436	(2,198,063)	21,529,428
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	227,430	-	-	-	-	-	-	227,430
Claims for damages from litigation taken against the Bank	-	-	-	-	-	111,017	-	111,017
Undrawn financing	2,808,027	-	-	-	-	-	-	2,808,027
	3,035,457	-	-	-	-	111,017	-	3,146,474

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.5 Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities as at 31 December 2025 and 31 December 2024. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial positions as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and profit analysis. The Group and the Bank manage profit liquidity risk based on discounted expected cash flows.

Group 2025	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	19,810,864	17,784,769	19,219,242	15,028,762	11,549,483	5,818,058	-	89,211,178
Investment accounts of customers	939,686	-	-	-	-	-	-	939,686
Deposits and placements from banks and financial institutions	1,978,733	482,802	100,457	150,294	-	-	-	2,712,286
Obligation on financial assets sold under repurchase agreements	402,576	-	903,282	-	-	-	-	1,305,858
Recourse obligations on financing sold to Cagamas	477,261	-	-	385,000	-	2,465,017	-	3,327,278
Debt securities issued	-	-	-	302,050	302,949	5,937,468	-	6,542,467
Trade payables	-	-	2,884	-	-	-	-	2,884
Cashline facility	1,539	8,875	1,296,178	22,154	503,311	502,083	-	1,005,394
Other liabilities	23,610,659	18,276,446	21,522,043	15,888,260	12,385,702	14,788,906	290,894	1,715,879
							290,894	106,762,910

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.5 Contractual maturity of financial liabilities on an undiscounted basis (continued)

Group 2024	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	18,403,465	18,689,848	15,317,229	14,427,443	12,003,238	7,360,760	-	86,201,983
Investment accounts of customers	469,901	-	-	-	-	-	-	469,901
Deposits and placements from banks and financial institutions	1,669,695	200,920	300,952	200,042	-	-	-	2,371,609
Obligation on financial assets sold under repurchase agreements	302,022	404,873	302,526	-	-	-	-	1,009,421
Recourse obligations on financing sold to Cagamas	-	5,682	13,916	13,019	26,039	1,816,351	-	1,875,007
Debt securities issued	-	-	-	111,774	712,791	5,480,711	-	6,305,276
Trade payables	-	-	2,046	-	-	-	-	2,046
Cashline facility	-	302,056	907,439	-	-	-	-	1,209,495
Other liabilities	-	1,864	1,332,318	5,593	11,186	48,333	318,722	1,718,016
	20,845,083	19,605,243	18,176,426	14,757,871	12,753,254	14,706,155	318,722	101,162,754

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.5 Contractual maturity of financial liabilities on an undiscounted basis (continued)

	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Bank 2025								
Liabilities								
Deposits from customers	19,810,864	17,784,769	19,219,242	15,028,762	11,549,483	5,818,058	-	89,211,178
Investment accounts of customers	939,686	-	-	-	-	-	-	939,686
Deposits and placements from banks and financial institutions	1,978,733	482,802	100,457	150,294	-	-	-	2,712,286
Obligation on financial assets sold under repurchase agreements	402,576	-	903,282	-	-	-	-	1,305,858
Recourse obligations on financing sold to Cagamas	477,261	-	-	385,000	-	2,465,017	-	3,327,278
Debt securities issued	-	-	-	302,050	302,949	5,937,468	-	6,542,467
Cashline facility	-	-	-	-	503,311	502,083	-	1,005,394
Other liabilities	1,539	9,945	1,295,937	25,362	36,375	105,326	290,894	1,765,378
	23,610,659	18,277,516	21,518,918	15,891,468	12,392,118	14,827,952	290,894	106,809,525

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.5 Contractual maturity of financial liabilities on an undiscounted basis (continued)

Bank 2024	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	18,403,465	18,689,848	15,317,229	14,427,443	12,003,238	7,360,760	-	86,201,983
Investment accounts of customers	469,901	-	-	-	-	-	-	469,901
Deposits and placements from banks and financial institutions	1,669,695	200,920	300,952	200,042	-	-	-	2,371,609
Obligation on financial assets sold under repurchase agreements	302,022	404,873	302,526	-	-	-	-	1,009,421
Recourse obligations on financing sold to Cagamas	-	5,682	13,916	13,019	26,039	1,816,351	-	1,875,007
Debt securities issued	-	-	-	111,774	712,791	5,480,711	-	6,305,276
Cashline facility	-	302,056	907,439	-	-	-	-	1,209,495
Other liabilities	6,646	11,231	1,359,120	47,026	45,557	48,333	336,633	1,854,546
	20,851,729	19,614,610	18,201,182	14,799,304	12,787,625	14,706,155	336,633	101,297,238

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk

Market risk is defined as risk of losses in on and off-balance sheet positions arising from movements in market such as equity prices, benchmark rates, foreign-exchange rates, commodity prices, and other indicators whose values are set in a public market. Changes in market rates can affect the Bank's net earnings and also the economic value of the Bank's equity.

The Bank manages and controls market risk exposure in order to optimize return on risk while maintaining a market profile consistent with the Bank's strategic plan.

The Bank has established the market risk policy, strategy and processes which are periodically reviewed and updated to take into account changes in activities and market structure to ensure effective implementation of risk management policies.

46.5.1 Management of market risk

The Bank manages market risk by segregating exposure to market risk between trading and non-trading portfolios. Trading portfolios are held by the treasury department which consists of financial assets that are managed on a fair value basis.

The risk measurement techniques employed by the Bank to measure and quantify the market value changes and the level of market risk comprise of Value-at-Risk ("VaR"), Modified Duration and Present Value of One Basis Point ("PV01").

46.5.2 Profit rate risk

Investment in debt securities and financing are exposed to risk of change in profit rates that would result in changes in cash flows. On the other hand, investment in equity securities and other short-term receivables and payables are not significantly exposed to profit rate risk.

Among other efforts in mitigating this risk is by diversifying investment mainly in fixed-income securities with different durations.

The sensitivity of the Bank's financial assets and liabilities to the profit rate risk is measured and monitored proactively using multiple measurement techniques such as Economic Value Equity ("EVE"), Earnings at Risk ("EaR") and Repricing Gap Analysis.

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.2 Profit rate risk (continued)

Profit rate risk in the banking book portfolio is managed and controlled using the EaR and EVE.

The table below indicates the Bank's profit rate sensitivity to a 100 basis point parallel shift.

	Increase by 100 bp RM'000	Decrease by 100 bp RM'000
Group and Bank		
2025		
Impact on EaR	70,491	(70,491)
Impact on EVE	<u>(1,638,500)</u>	<u>1,638,500</u>
2024		
Impact on EaR	42,072	(42,072)
Impact on EVE	<u>(1,585,791)</u>	<u>1,585,791</u>

46.5.3 Exposure to profit rate

Among other controls to ensure that market risk exposures remain within tolerable levels include stress testing, new product approval procedures and listing of permissible instruments that can be traded.

Periodic stress testing and control assessment are conducted to address the plausible market events relating to the threat of market failure that could disrupt the Bank's profitability and capital adequacy in ensuring its resiliency.

46.5.4 Risk measurement approach

The tables in Note 46.5.5 indicate the effective profit rates at the reporting date and the Group's and the Bank's sensitivity to profit rates by time band based on maturity date.

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments

Group 2025	←		Non-trading book				Trading book RM'000	Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000		
Assets								
Cash, deposits and placements with financial institutions	420,565	-	606,718	-	-	-	1,075,247	2,102,530
Financial investments at fair value through other comprehensive income	117,583	447,425	1,289,563	7,371,277	12,295,498	-	114,185	21,635,531
Financial investments at amortised cost	20,448	110,755	404,785	4,964,768	6,153,610	-	(111)	11,654,255
Financing and advances								
- Non-impaired	71,344,920	254,662	1,219,010	7,257,493	11,865,735	-	(275,672)	91,666,148
- Impaired, net of allowances	-	-	-	-	-	-	(190,758)	(190,758)
Other non-profit sensitive balances	-	-	-	-	-	-	4,170,968	4,170,968
	71,903,516	812,842	3,520,076	19,593,538	30,314,843	-	4,893,859	131,038,674

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued) 2025	←		Non-trading book				→		Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000		
Liabilities									
Deposits from customers	29,932,945	19,104,820	26,044,137	11,775,985	692,847	-	-	87,550,734	
Investment accounts of customers	310,096	-	-	629,590	-	-	-	939,686	
Deposits and placements from banks and financial institutions	2,457,030	100,000	150,000	-	-	-	-	2,707,030	
Obligation on financial assets sold under resale agreements	401,669	900,717	-	-	-	-	-	1,302,386	
Recourse obligations on financing sold to Cagamas	477,261	-	385,000	2,465,017	-	-	-	3,327,278	
Debt securities issued	-	-	605,000	4,399,537	1,537,930	-	-	6,542,467	
Cashline facility	300,288	701,268	-	-	-	-	-	1,001,556	
Other non-profit sensitive balances	-	-	-	-	-	1,651,202	-	1,651,202	
	33,879,289	20,806,805	27,184,137	19,270,129	2,230,777	1,651,202	-	105,022,339	

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000		
Group (continued) 2025	38,024,227	(19,993,963)	(23,664,061)	323,409	28,084,066	3,242,657	-	26,016,335
On-balance sheet profit sensitivity gap								
Total profit sensitivity gap	38,024,227	(19,993,963)	(23,664,061)	323,409	28,084,066	3,242,657	-	26,016,335

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	Non-trading book					Trading book RM'000	Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000		
Group (continued) 2024							
Assets							
Cash, deposits and placements with financial institutions	669,752	-	590,242	-	-	-	2,267,498
Financial investments at fair value through other comprehensive income	35,801	198,409	1,432,114	8,137,073	10,858,761	115,180	20,777,346
Financial investments at amortised cost	130,421	54,733	313,801	5,096,557	6,268,222	-	11,863,734
Financing and advances							
- Non-impaired	64,215,726	97,865	115,832	2,818,594	13,396,837	3,646,940	84,291,794
- Impaired, net of allowances	-	-	-	-	-	(500,980)	(500,980)
Other non-profit sensitive balances							
	65,051,700	351,007	2,451,989	16,052,224	30,523,820	8,489,610	122,920,358

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued) 2024	←			Non-trading book			→			Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000			
Liabilities										
Deposits from customers	29,821,664	15,175,664	25,848,575	12,008,883	1,238,426	-	-	-	84,093,212	
Investment accounts of customers	469,901	-	-	-	-	-	-	-	469,901	
Deposits and placements from banks and financial institutions	1,869,175	300,000	200,000	-	-	-	-	-	2,369,175	
Obligation on financial assets sold under resale agreements	703,864	301,278	-	-	-	-	-	-	1,005,142	
Recourse										
obligations on financing sold to Cagamas	-	715,000	160,000	1,000,007	-	-	-	-	1,875,007	
Debt securities issued	-	-	603,981	4,280,977	652,770	-	-	-	5,537,728	
Cashline facility	502,165	701,881	-	-	-	-	-	-	1,204,046	
Other non-profit sensitive balances	-	-	-	-	-	1,722,502	-	-	1,722,502	
	33,366,769	17,193,823	26,812,556	17,289,867	1,891,196	1,722,502	-	-	98,276,713	

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	Non-trading book				Trading book RM'000	Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000		
Group (continued) 2024	31,684,931	(16,842,816)	(24,360,567)	(1,237,643)	28,632,624	6,767,108
On-balance sheet profit sensitivity gap	31,684,931	(16,842,816)	(24,360,567)	(1,237,643)	28,632,624	6,767,108
Total profit sensitivity gap	31,684,931	(16,842,816)	(24,360,567)	(1,237,643)	28,632,624	6,767,108

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank 2025	Non-trading book					Trading book RM'000	Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000		
Assets							
Cash, deposits and placements with financial institutions	420,565	-	606,718	-	-	-	2,096,882
Financial investments at fair value through other comprehensive income	117,583	447,425	1,289,563	7,371,277	12,295,498	-	21,635,523
Financial investments at amortised cost	20,448	110,755	404,785	4,964,768	6,153,610	-	11,654,255
Financing and advances							
- Non-impaired	71,344,920	254,662	1,219,010	7,257,493	11,865,735	-	91,941,593
- Impaired, net of allowances	-	-	-	-	-	-	(195,316)
Other non-profit sensitive balances	-	-	-	-	-	-	3,605,003
	71,903,516	812,842	3,520,076	19,593,538	30,314,843	-	130,737,940

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	←		Non-trading book				→	
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Bank (continued)								
2025								
Liabilities								
Deposits from customers	29,932,945	19,104,820	26,044,137	11,775,985	692,847	-	-	87,550,734
Investment accounts of customers	310,096	-	-	629,590	-	-	-	939,686
Deposits and placements from banks and financial institutions	2,457,030	100,000	150,000	-	-	-	-	2,707,030
Obligation on financial assets sold under resale agreements	401,669	900,717	-	-	-	-	-	1,302,386
Recourse obligations on financing sold to Cagamas	477,261	-	385,000	2,465,017	-	-	-	3,327,278
Debt securities issued	-	-	605,000	4,399,537	1,537,930	-	-	6,542,467
Cashline facility	300,288	701,268	-	-	-	-	-	1,001,556
Other non-profit sensitive balances	-	-	-	-	-	1,753,996	-	1,753,996
	33,879,289	20,806,805	27,184,137	19,270,129	2,230,777	1,753,996	-	105,125,133

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	Non-trading book						Trading book RM'000	Total RM'000	
	←	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000			
Bank (continued) 2025	Up to 1 month RM'000	38,024,227	(19,993,963)	(23,664,061)	323,409	28,084,066	2,839,129	-	25,612,807
On-balance sheet profit sensitivity gap		38,024,227	(19,993,963)	(23,664,061)	323,409	28,084,066	2,839,129	-	25,612,807
Total profit sensitivity gap		38,024,227	(19,993,963)	(23,664,061)	323,409	28,084,066	2,839,129	-	25,612,807

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	Non-trading book					Trading book RM'000	Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000		
Bank (continued)							
2024							
Assets							
Cash, deposits and placements with financial institutions	669,752	-	590,242	-	-	-	2,267,459
Financial investments at fair value through other comprehensive income	35,801	198,409	1,432,114	8,137,073	10,858,761	115,180	20,777,338
Financial investments at amortised cost	130,421	54,733	313,801	5,096,557	6,268,222	-	11,863,734
Financing and advances							
- Non-impaired	64,215,726	97,865	115,832	2,818,594	13,767,014	3,646,940	84,661,971
- Impaired, net of allowances	-	-	-	-	-	(505,706)	(505,706)
Other non-profit sensitive balances	-	-	-	-	-	3,559,489	3,559,489
	65,051,700	351,007	2,451,989	16,052,224	30,893,997	7,823,368	122,624,285

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank (continued) 2024	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000		
Liabilities								
Deposits from customers	29,821,664	15,175,664	25,848,575	12,008,883	1,238,426	-	84,093,212	
Investment accounts of customers	469,901	-	-	-	-	-	469,901	
Deposits and placements from banks and financial institutions	1,869,175	300,000	200,000	-	-	-	2,369,175	
Obligation on financial assets sold under resale agreements	703,864	301,278	-	-	-	-	1,005,142	
Recourse obligations on financing sold to Cagamas	-	715,000	160,000	1,000,007	-	-	1,875,007	
Debt securities issued	-	-	603,981	4,280,977	652,770	-	5,537,728	
Cashline facility	502,165	701,881	-	-	-	-	1,204,046	
Other non-profit sensitive balances	-	-	-	-	-	1,849,380	1,849,380	
	33,366,769	17,193,823	26,812,556	17,289,867	1,891,196	-	98,403,591	

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	← Non-trading book →				Trading book RM'000	Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000		
Bank (continued) 2024	31,684,931	(16,842,816)	(24,360,567)	(1,237,643)	-	24,220,694
On-balance sheet profit sensitivity gap						
Total profit sensitivity gap	31,684,931	(16,842,816)	(24,360,567)	(1,237,643)	-	24,220,694

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.6 Operational risk

The Bank defines operational risk as the risk of loss or non-achievement of business objectives due to inadequate or failed internal processes, people and system, or from external events.

The Bank's Operational Risk Management ("ORM") Framework sets out the governance and oversight structure, roles and relationships of the three lines of defense mechanism as well as the high level principles and methodologies for operational risk identification, assessment, control and monitoring.

The framework recognises the relationships between operational risk and other risk types such as strategic, credit, market and reputation risks; and is cascaded to also govern the management of operational risk sub-types i.e. legal and compliance risk, Shariah non-compliance risk, information technology risk and outsourcing risk.

The Bank has no appetite for losses arising from inadequate internal controls, systems, and processes; which can be elaborated as zero appetite for:

- Failure to maintain a sound and proportionate system of internal controls to manage the expected operational risk losses and avoid the unexpected operational risk losses;
- Regulatory censures, fines or prosecution relating to the laws and regulations applicable to the Bank; and
- Failure to comply with Shariah rules and parameters as set out by the Shariah Committee ("SC") and/or the Shariah Advisory Council of Bank Negara Malaysia.

The Bank continuously monitors its operational risk exposure to ensure the level of exposure is within the acceptable tolerance. This is conducted by means of the established governance and oversight structure as well as through the day-to-day operational risk management processes.

ORM processes are undertaken through the implementation of tools such as Risk and Control Self-Assessment ("RCSA"), Key Risk Indicator ("KRI"), Loss Event Data ("LED") collection and Scenario Analysis assessment.

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.6 Operational risk (continued)

RCSA is a tool used to identify and assess the risks in key business processes, evaluate the effectiveness of internal controls and provide the basis for determining risk responses/strategies in pursuing business objectives. In ensuring effectiveness of control implementation, control testing conducted on periodically basis as to provide assurance on adequacy of control implemented in mitigating the operational risk within bankwide.

KRI provides early warning signal of any increase in risk exposure and/or occurrence of control failures.

To support operational risk analytics, the Bank collects LED based on BNM's Operational Risk Integrated Online Network ("ORION") requirements. Starting in November 2024, BNM has transitioned from the ORION platform to the Operating Risk Reporting ("ORR") platform. The ORR platform helps manage operational risk by offering robust tools for risk identification, assessment, monitoring and reporting. It enhances data accuracy and timeliness, allowing for more effective risk mitigation strategies.

ORM has established Management Action Trigger ("MAT") to monitor actual loss for LED reports submitted to BNM. The objective of MAT is to develop a thresholds that helps identify when ORM exceeds the acceptable operational loss limit. This thresholds will serve as a critical tool for monitoring operational performance and ensuring that risks are managed effectively, ultimately supporting the organization's commitment to mitigating non-compliance.

ORM has also performed thematic review analysis where the analysis is conducted to review internal process and the identify gap in the process and enhanced control implementation in addressing the gaps. From the analysis, introduction of new process improvement for handling crisis incidents in internet banking transactions has been developed in 2024. Given that internet banking is particularly vulnerable to hacking due to the accessibility of sensitive information, ORM has enhanced the Bank's crisis management process to effectively address incidents associated with internet banking transactions. The objective is to refine and effectively manage any unplanned incidents that may arise in the future.

For forward-looking approach tool, scenario analysis/stress testing performed is to identify future potential operational risks through baseline scenario and measure the frequency and severity of impact within the Bank. The assessment also conducted to develop exceptional but plausible scenarios and worst-case scenarios and further assessment performed to translate the chosen scenarios into estimations of financial impact and non-financial operational impacts.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.7 Capital management

The objective of capital management is to maintain a strong capital position to support business growth, to maintain investors, depositors, customers and market confidence and to provide cushion for any potential losses. In line with this objective, the Bank manages its capital actively and ensures that the capital adequacy ratios which take into account the risk profile of the Bank, are above the regulatory minimum requirement.

Capital adequacy and the use of regulatory capital are monitored monthly by the Bank's management, employing techniques based on the Capital Framework for Development Financial Institutions by Bank Negara Malaysia. The required information is filed with Bank Negara Malaysia on a monthly basis.

The Bank maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with Bank Negara Malaysia which takes into account the risk profile of the Bank. The regulatory capital requirements are strictly observed when managing economic capital.

The Bank's regulatory capital comprises two tiers:

- (i) Tier 1 capital: share capital, statutory reserve, capital reserve and retained profits; and
- (ii) Tier 2 capital: subordinated sukuk, collective impairment allowances on non-impaired financing and regulatory reserve.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognised in the statements of financial position.

The Bank's policy is to maintain a strong capital base so as to ensure investors', creditors' and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.7 Capital management (continued)

46.7.1 Capital adequacy ratio

The Bank is required to comply with the core capital ratio and risk-weighted capital adequacy ratio prescribed by Bank Negara Malaysia. The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Framework for Development Financial Institutions (Capital Component & Risk-Weighted Asset).

	Bank	
	2025	2024
Before proposed dividend		
Core capital ratio	24.159%	24.906%
Risk-weighted capital adequacy ratio	25.575%	26.630%
After proposed dividend		
Core capital ratio	23.636%	24.369%
Risk-weighted capital adequacy ratio	25.052%	26.093%

The above ratios are derived by taking into account the core capital and capital base against the risk-weighted assets of the Bank. Components of the capital are as follows:

	Bank	
	2025	2024
	RM'000	RM'000
Tier I capital		
Paid-up share capital	2,986,030	2,986,030
Retained profits	12,868,591	12,099,401
Other reserves	9,137,863	8,678,053
Less: Deferred tax assets	(38,000)	(99,000)
Total Tier I capital (core)	24,954,484	23,664,484

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.7 Capital management (continued)

46.7.1 Capital adequacy ratio (continued)

The above ratios are derived by taking into account the core capital and capital base against the risk-weighted assets of the Bank. Components of the capital are as follows (continued):

	Bank	
	2025	2024
	RM'000	RM'000
Tier II capital		
Subordinated sukuk	300,000	300,000
Collective impairment *	926,904	1,106,734
Regulatory reserve	329,672	329,672
Total Tier II capital	<u>1,556,576</u>	<u>1,736,406</u>
Total capital	26,511,060	25,400,890
Less:		
Investment in subsidiaries	(93,644)	(93,644)
Assets classified as held for distribution	-	(5,100)
Total capital base	<u>26,417,416</u>	<u>25,302,146</u>

* This is a surplus amount allowable after taking into account the collective impairment allowance on impaired financing of the Bank.

Assets in various categories are risk-weighted as follows:

	Bank	
	2025	2024
	RM'000	RM'000
Total assets assigned 20% risk-weighted	566,061	432,927
Total assets assigned 50% risk-weighted	3,136,706	2,638,704
Total assets assigned 100% risk-weighted	97,917,853	90,757,339
Off-Balance Sheet claims assigned 100% risk-weighted	1,673,075	1,184,838
	<u>103,293,695</u>	<u>95,013,808</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

47. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which the financial asset could be exchanged or a financial liability could be settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the best estimates of fair values as at the end of the reporting period.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on appropriate methodologies and assumptions on risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

Fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of MFRS 132, *Financial Instruments: Disclosure and Presentation* which requires the fair value information to be disclosed.

47.1 Valuation of financial instruments

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

- (i) Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- (ii) Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- (iii) Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.1 Valuation of financial instruments (continued)

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments, the Group and the Bank determine fair values using valuation techniques.

There were no financial liabilities of the Group and the Bank at the end of the reporting period that were measured at fair value.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.2 Valuation of financial instruments at fair value

Group 2025	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Financial investments at fair value through other comprehensive income					
Islamic debt securities	7,143,359	7,143,359	-	7,143,359	-
Government investment issues	5,218,022	5,218,022	-	5,218,022	-
Government sukuk	7,553,884	7,553,884	-	7,553,884	-
Cagamas sukuk	1,605,077	1,605,077	-	1,605,077	-
Unquoted shares	115,189	115,189	-	-	115,189
	21,635,531	21,635,531	-	21,520,342	115,189

**Group
2024**

**Financial investments
at fair value through
other comprehensive
income**

Islamic debt securities	6,216,763	6,216,763	-	6,216,763	-
Government investment issues	5,614,196	5,614,196	-	5,614,196	-
Government sukuk	8,255,257	8,255,257	-	8,255,257	-
Cagamas sukuk	575,941	575,941	-	575,941	-
Unquoted shares	115,189	115,189	-	-	115,189
	20,777,346	20,777,346	-	20,662,157	115,189

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.2 Valuation of financial instruments at fair value (continued)

Bank 2025	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Financial investments at fair value through other comprehensive income					
Islamic debt securities	7,143,359	7,143,359	-	7,143,359	-
Government investment issues	5,218,022	5,218,022	-	5,218,022	-
Government sukuk	7,553,884	7,553,884	-	7,553,884	-
Cagamas sukuk	1,605,077	1,605,077	-	1,605,077	-
Unquoted shares	115,181	115,181	-	-	115,181
	21,635,523	21,635,523	-	21,520,342	115,181
Bank 2024					
Financial investments at fair value through other comprehensive income					
Islamic debt securities	6,216,763	6,216,763	-	6,216,763	-
Government investment issues	5,614,196	5,614,196	-	5,614,196	-
Government sukuk	8,255,257	8,255,257	-	8,255,257	-
Cagamas sukuk	575,941	575,941	-	575,941	-
Unquoted shares	115,181	115,181	-	-	115,181
	20,777,338	20,777,338	-	20,662,157	115,181

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)****47.2 Valuation of financial instruments at fair value (continued)**

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial instruments which are recorded at fair value:

	Group	
	2025	2024
	RM'000	RM'000
Financial investments at fair value through other comprehensive income		
Unquoted shares		
At 1 January	115,189	101,582
Unrealised gains recognised in other comprehensive income	-	13,607
At 31 December	<u>115,189</u>	<u>115,189</u>
	Bank	
	2025	2024
	RM'000	RM'000
Financial investments at fair value through other comprehensive income		
Unquoted shares		
At 1 January	115,181	101,574
Unrealised gains recognised in other comprehensive income	-	13,607
At 31 December	<u>115,181</u>	<u>115,181</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required)

Set out below is a comparison of the carrying amount and fair value of financial instruments that are not measured at fair value in the financial statements.

	Carrying amount 2025 RM'000	Fair value 2025 RM'000	Carrying amount 2024 RM'000	Fair value 2024 RM'000
Group				
Financial assets				
Cash and short-term funds	1,495,812	1,495,812	1,677,256	1,677,256
Deposits and placements with financial institutions	606,718	606,718	590,242	590,242
Financial investments at amortised cost	11,654,255	11,654,255	11,863,734	11,737,193
Financing and advances	91,419,589	92,975,374	83,790,814	86,225,685
Trade receivables	1,905	1,905	1,455	1,455
Other receivables and deposits	941,301	941,301	877,531	877,531
Financial liabilities				
Deposits from customers	87,550,734	87,801,831	84,093,212	84,474,898
Investment accounts of customers	939,686	939,686	469,901	469,901
Deposits and placements from banks and financial institutions	2,707,030	2,707,030	2,369,175	2,369,175
Obligation on financial assets sold under resale agreements	1,302,386	1,302,386	1,005,142	1,005,142
Recourse obligations on financing sold to Cagamas	3,327,278	3,327,278	1,875,007	1,836,645
Debt securities issued	6,542,467	6,542,467	5,537,728	5,048,389
Trade payables	2,884	2,884	2,046	2,046
Cashline facility	1,001,556	1,001,556	1,204,046	1,204,046
Other liabilities	1,465,606	1,465,606	1,606,361	1,606,361

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount 2025 RM'000	Fair value 2025 RM'000	Carrying amount 2024 RM'000	Fair value 2024 RM'000
Bank				
Financial assets				
Cash and short-term funds	1,490,164	1,490,164	1,677,217	1,677,217
Deposits and placements with financial institutions	606,718	606,718	590,242	590,242
Financial investments at amortised cost	11,654,255	11,654,255	11,863,734	11,737,193
Financing and advances	91,746,277	93,328,260	84,156,265	86,225,685
Other receivables and deposits	932,316	932,316	868,223	868,223
Financial liabilities				
Deposits from customers	87,550,734	87,801,831	84,093,212	84,474,898
Investment accounts of customers	939,686	939,686	469,901	469,901
Deposits and placements from banks and financial institutions	2,707,030	2,707,030	2,369,175	2,369,175
Obligation on financial assets sold under resale agreements	1,302,386	1,302,386	1,005,142	1,005,142
Recourse obligations on financing sold to Cagamas	3,327,278	3,327,278	1,875,007	1,836,645
Debt securities issued	6,542,467	6,542,467	5,537,728	5,048,389
Cashline facility	1,001,556	1,001,556	1,204,046	1,204,046
Other liabilities	1,568,083	1,568,083	1,731,711	1,731,711

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

Group	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2025					
Financial assets					
Cash and short-term funds	1,495,812	1,495,812	-	-	1,495,812
Deposits and placements with financial institutions	606,718	606,718	-	-	606,718
Financial investments at amortised cost:					
Government sukuk	2,458,601	2,463,809	-	2,463,809	-
Government investment issues	7,975,633	8,030,059	-	8,030,059	-
Islamic debt securities	972,387	978,873	-	978,873	-
Cagamas sukuk	197,946	198,897	-	198,897	-
Islamic commercial paper	49,688	49,688	-	49,688	-
Financing and advances	91,419,589	92,975,374	-	-	92,975,374
Trade receivables	1,905	1,905	-	-	1,905
Other receivables and deposits	941,301	941,301	-	-	941,301
	106,119,580	107,742,436	-	11,721,326	96,021,110

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group (continued)					
2025					
Financial liabilities					
Deposits from customers	87,550,734	87,801,831	-	-	87,801,831
Investment accounts of customers	939,686	939,686	-	-	939,686
Deposits and placements from banks and financial Institutions	2,707,030	2,707,030	-	-	2,707,030
Obligation on financial assets sold under resale agreements	1,302,386	1,302,386	-	-	1,302,386
Recourse obligations on financing sold to Cagamas	3,327,278	3,316,006	-	-	3,316,006
Debt securities issued	6,542,467	4,455,360	-	4,455,360	-
Trade payables	2,884	2,884	-	-	2,884
Cashline facility	1,001,556	1,001,556	-	-	1,001,556
Other liabilities	1,465,606	1,465,606	-	-	1,465,606
	104,839,627	102,992,345	-	4,455,360	98,536,985

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

Group	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2024					
Financial assets					
Cash and short-term funds	1,677,256	1,677,256	-	-	1,677,256
Deposits and placements with financial institutions	590,242	590,242	-	-	590,242
Financial investments at amortised cost:					
Government sukuk	2,514,494	2,474,484	-	2,474,484	-
Government investment issues	7,827,210	7,739,042	-	7,739,042	-
Islamic debt securities	1,143,698	1,120,374	-	1,120,374	-
Cagamas sukuk	228,939	228,353	-	228,353	-
Negotiable Islamic debt certificates	99,756	99,756	-	-	99,756
Financing and advances	83,790,814	86,225,685	-	-	86,225,685
Trade receivables	1,455	1,455	-	-	1,455
Other receivables and deposits	877,531	877,531	-	-	877,531
	98,751,395	101,034,178	-	11,562,253	89,471,925

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group (continued)					
2024					
Financial liabilities					
Deposits from customers	84,093,212	84,474,898	-	-	84,474,898
Investment accounts of customers	469,901	469,901	-	-	469,901
Deposits and placements from banks and financial Institutions	2,369,175	2,369,175	-	-	2,369,175
Obligation on financial assets sold under resale agreements	1,005,142	1,005,142	-	-	1,005,142
Recourse obligations on financing sold to Cagamas	1,875,007	1,836,645	-	-	1,836,645
Debt securities issued	5,537,728	5,048,389	-	5,048,389	-
Trade payables	2,046	2,046	-	-	2,046
Cashline facility	1,204,046	1,204,046	-	-	1,204,046
Other liabilities	1,606,361	1,606,361	-	-	1,606,361
	98,162,618	98,016,603	-	5,048,389	92,968,214

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank					
2025					
Financial assets					
Cash and short-term funds	1,490,164	1,490,164	-	-	1,490,164
Deposits and placements with financial institutions	606,718	606,718	-	-	606,718
Financial investments at amortised cost:					
Government sukuk	2,458,601	2,463,809	-	2,463,809	-
Government investment issues	7,975,633	8,030,059	-	8,030,059	-
Islamic debt securities	972,387	978,873	-	978,873	-
Cagamas sukuk	197,946	198,897	-	198,897	-
Islamic commercial papers	49,688	49,688	-	49,688	-
Financing and advances	91,746,277	93,328,260	-	-	93,328,260
Other receivables and deposits	932,316	932,316	-	-	932,316
	106,429,730	108,078,784	-	11,721,326	96,357,458

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank (continued)					
2025					
Financial liabilities					
Deposits from customers	87,550,734	87,801,831	-	-	87,801,831
Investment accounts of customers	939,686	939,686	-	-	939,686
Deposits and placements from banks and financial Institutions	2,707,030	2,707,030	-	-	2,707,030
Obligation on financial assets sold under resale agreements	1,302,386	1,302,386	-	-	1,302,386
Recourse obligations on financing sold to Cagamas	3,327,278	3,316,006	-	-	3,316,006
Debt securities issued	6,542,467	4,455,360	-	4,455,360	-
Cashline facility	1,001,556	1,001,556	-	-	1,001,556
Other liabilities	1,568,083	1,568,083	-	-	1,568,083
	104,939,220	103,091,938	-	4,455,360	98,636,578

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank (continued)					
2024					
Financial assets					
Cash and short-term funds	1,677,217	1,677,217	-	-	1,677,217
Deposits and placements with financial institutions	590,242	590,242	-	-	590,242
Financial investments at amortised cost:					
Government sukuk	2,514,494	2,474,484	-	2,474,484	-
Government investment issues	7,827,210	7,739,042	-	7,739,042	-
Islamic debt securities	1,143,698	1,120,374	-	1,120,374	-
Cagamas sukuk	228,939	228,353	-	228,353	-
Negotiable Islamic debt certificates	99,756	99,756	-	-	99,756
Financing and advances	84,156,265	86,225,685	-	-	86,225,685
Other receivables and deposits	868,223	868,223	-	-	868,223
	99,106,044	101,023,376	-	11,562,253	89,461,123

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank (continued)					
2024					
Financial liabilities					
Deposits from customers	84,093,212	84,474,898	-	-	84,474,898
Investment accounts of customers	469,901	469,901	-	-	469,901
Deposits and placements from banks and financial Institutions	2,369,175	2,369,175	-	-	2,369,175
Obligation on financial assets sold under resale agreements	1,005,142	1,005,142	-	-	1,005,142
Recourse obligations on financing sold to Cagamas	1,875,007	1,836,645	-	-	1,836,645
Debt securities issued	5,537,728	5,048,389	-	5,048,389	-
Cashline facility	1,204,046	1,204,046	-	-	1,204,046
Other liabilities	1,731,711	1,731,711	-	-	1,731,711
	98,285,922	98,139,907	-	5,048,389	93,091,518

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

47.3.1 Cash and short-term funds

The carrying amounts of cash and short-term funds approximate fair values due to the relatively short maturity of the financial instruments. This is similar to deposits and placements with financial institutions maturing within one month that have a relatively short maturity period.

47.3.2 Deposits and placements with financial institutions

The fair values of deposits and placements with financial institutions are not materially sensitive to changes in market profit rate because of their limited term to maturity.

47.3.3 Financial investments at amortised cost

Financial investments at amortised cost, financial assets purchased under resale agreement and obligation on financial assets sold under resale agreements are carried at amortised cost at the end of the reporting period. Fair values for these financial instruments are estimated based on broker quotes from Bond Pricing Agency Malaysia.

47.3.4 Financing and advances

Financing and advances are carried at amortised cost at the end of the reporting period. Fair valuation of these financial instruments are estimated based on discounted payment to be received in the future using the effective profit rate offered for similar financing at the reporting date.

47.3.5 Trade and other receivables

The carrying amounts of trade and other receivables reported in the statements of financial position approximate their fair values due to the relatively short-term maturity of these instruments.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

47.3.6 Deposits from customers

The fair values of deposits payable on demand (demand and savings deposits), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts.

The fair values of deposits with remaining maturities of more than one year are estimated using discounted cash flows based on effective profit rates for similar deposits from customers at the reporting date.

However, since all deposits received can be classified as Islamic deposits, their fair values are deemed to approximate their carrying amounts as profit rates are determined at the end of the maturity period based on the sharing of profits generated from investments of the deposits.

47.3.7 Deposits and placements from banks and financial institutions

The fair values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments.

47.3.8 Recourse obligations on financing sold to Cagamas

The fair values for recourse obligations sold to Cagamas that have remaining maturity of less than one year are estimated to approximate their carrying amounts. For remaining maturity of more than one year, they are estimated using discounted cash flows based on prevailing Cagamas rates at the reporting date.

47.3.9 Debt securities issued

Debt securities issued are measured at amortised cost at the end of the reporting period. The fair value of the securities are derived by referring to the present value of the expected amount due in the future by applying the effective profit rate for the debt securities at the reporting date.

47.3.10 Trade and other liabilities

The carrying amounts of trade and other liabilities reported in the statements of financial position approximate their fair values due to the relatively short-term maturity of these instruments.

