



**ALLIANCE ISLAMIC BANK**

**Alliance Islamic Bank Berhad** 200701018870 (776882-V)

**BASEL II PILLAR 3 REPORT**

**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

**ALLIANCE ISLAMIC BANK BERHAD**  
**200701018870 (776882-V)**

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**Overview**

The Bank's Pillar 3 Disclosure is governed by the Bank's Pillar 3 Disclosure Policy. This policy outlines the minimum disclosure standards, approach for determining the appropriateness of information disclosed and internal controls over the disclosure process.

**1.0 Scope of Application**

The Pillar 3 Disclosure provided in this document is in respect of the Bank, which is involved in Islamic banking financial services.

There are no significant restrictions or other major impediments on transfer of funds or regulatory capital between the Bank and its holding company, Alliance Bank Malaysia Berhad.

There were no capital deficiencies in the Bank as at the financial period end.

The capital adequacy information is computed in accordance with Capital Adequacy Framework for Islamic Banks. The Bank has adopted the Standardised Approach for credit risk and market risk; and the Basic Indicator Approach for operational risk.

## **2.0 Capital**

The capital management of the Bank is under the purview of Alliance Bank Group's ("the Group") capital management with the objectives:

- (i) To maintain sufficient capital to meet the regulatory capital requirements as set forth by BNM;
- (ii) To maintain sufficient capital to support the Bank's risk appetite and facilitate future business growth; and
- (iii) To meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

In line with this, the Bank aims to maintain capital adequacy ratios that are above the regulatory requirement, while balancing shareholders' desire for sustainable returns and prudential standards.

The Bank carries out stress testing to estimate the potential impact of extreme but plausible events on the Bank's earnings, statement of financial position and capital. The results of the stress tests are to facilitate the formulation of contingency plans where warranted. The results of the stress tests are tabled to the Group Risk Management Committee for approval.

**2.0 Capital (cont'd.)**

**2.1 Capital Adequacy Ratios**

The capital adequacy ratios of the Bank are as follows:

	<b>30 September 2019</b>	31 March 2019
<u>Before deducting proposed dividends</u>		
CET I Capital ratio	11.092%	11.690%
Tier I capital ratio	12.258%	12.950%
Total capital ratio	<u>14.950%</u>	<u>15.762%</u>
<u>After deducting proposed dividends</u>		
CET I Capital ratio	10.852%	11.339%
Tier I capital ratio	12.018%	12.599%
Total capital ratio	<u>14.710%</u>	<u>15.411%</u>

The Bank's capital ratios comply with the prescribed capital adequacy ratios under BNM's Capital Adequacy Framework for Islamic Banks.

**2.2 Capital Structure**

The following tables present the components of Common Equity Tier I ("CET I"), Tier I and Tier II capital:

	<b>30 September 2019 RM'000</b>	31 March 2019 RM'000
<b><u>CET I Capital</u></b>		
Paid-up share capital	400,000	400,000
Retained profits	529,578	522,931
Regulatory reserve	15,630	9,060
Financial investments at fair value through other comprehensive income (FVOCI) reserves	44,519	18,795
	<u>989,727</u>	<u>950,786</u>
Less: Regulatory adjustments		
- Intangibles assets	(893)	(897)
- Deferred tax assets	(5,673)	(11,156)
- 55% of FVOCI reserves	(24,485)	(10,337)
- Regulatory reserves	(15,630)	(9,060)
Total CET I Capital	<u>943,046</u>	<u>919,336</u>
Additional Tier 1 Sukuk Wakalah	99,191	99,113
Total Tier I Capital	<u>1,042,237</u>	<u>1,018,449</u>
<b><u>Tier II Capital</u></b>		
Subordinated Sukuk Murabahah	129,684	129,634
Expected credit loss * and regulatory reserves	99,147	91,478
Total Tier II Capital	<u>228,831</u>	<u>221,112</u>
<b>Total Capital</b>	<u>1,271,068</u>	<u>1,239,561</u>

\* Expected credit loss for stage 1 and stage 2 only.

2.0 Capital (cont'd.)

2.3 Risk Weighted Assets ("RWA") and Capital Requirements

Regulatory Capital Requirements

The following table presents the minimum regulatory capital requirement of the Bank:

30 September 2019 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000								
<b>(i) Credit Risk</b>												
On-balance sheet exposures:												
Sovereigns/Central banks	2,117,275	2,117,275	-	-								
Public sector entities	100,842	100,842	20,168	1,613								
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks	-	-	-	-								
Takaful Companies, Securities Firm and Fund Managers	6,965	6,965	6,965	557								
Corporates	4,178,661	4,071,997	3,170,711	253,657								
Regulatory retail	2,536,072	2,461,094	2,042,293	163,383								
Residential Real Estate ("RRE") financing	4,295,136	4,294,148	1,923,980	153,919								
Higher risk assets	1,582	1,582	2,373	190								
Other assets	57,430	57,430	57,430	4,594								
Defaulted exposures	103,485	102,735	98,533	7,883								
Total on-balance sheet exposures	<u>13,397,448</u>	<u>13,214,068</u>	<u>7,322,453</u>	<u>585,796</u>								
Off-balance sheet exposures:												
Credit-related off-balance sheet exposures	788,223	739,487	608,649	48,692								
Defaulted exposures	433	433	637	51								
Total off-balance sheet exposures	<u>788,656</u>	<u>739,920</u>	<u>609,286</u>	<u>48,743</u>								
Total on and off-balance sheet exposures	<u>14,186,104</u>	<u>13,953,988</u>	<u>7,931,739</u>	<u>634,539</u>								
<b>(ii) Market Risk (Note 4.0)</b>												
	<table border="1"> <thead> <tr> <th>Long Position</th> <th>Short Position</th> </tr> </thead> <tbody> <tr> <td>-</td> <td>-</td> </tr> <tr> <td>-</td> <td>-</td> </tr> <tr> <td>-</td> <td>-</td> </tr> </tbody> </table>		Long Position	Short Position	-	-	-	-	-	-		
Long Position	Short Position											
-	-											
-	-											
-	-											
Profit rate risk			-	-								
Foreign currency risk			-	-								
Total			<u>-</u>	<u>-</u>								
<b>(iii) Operational Risk</b>	-	-	570,450	45,636								
Total	<u>14,186,104</u>	<u>13,953,988</u>	<u>8,502,189</u>	<u>680,175</u>								

**2.0 Capital (cont'd.)**

**2.3 RWA and Capital Requirements (cont'd.)**

**Regulatory Capital Requirements (cont'd.)**

The following table presents the minimum regulatory capital requirement of the Bank (cont'd.):

<b>31 March 2019 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
<b>(i) Credit Risk</b>				
On-balance sheet exposures:				
Sovereigns/Central banks	1,896,250	1,896,250	-	-
Public sector entities	90,416	90,416	18,084	1,447
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks	-	-	-	-
Takaful Companies, Securities Firm and Fund Managers	7,062	7,062	7,062	565
Corporates	3,844,820	3,728,721	2,991,768	239,341
Regulatory retail	2,473,458	2,398,532	1,968,997	157,520
Residential Real Estate ("RRE") financing	3,737,202	3,736,185	1,660,639	132,851
Higher risk assets	1,614	1,614	2,421	194
Other assets	50,403	50,403	50,403	4,032
Defaulted exposures	61,445	60,320	61,926	4,954
<b>Total on-balance sheet exposures</b>	<b>12,162,670</b>	<b>11,969,503</b>	<b>6,761,300</b>	<b>540,904</b>
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	731,349	686,974	556,393	44,511
Defaulted exposures	358	358	530	43
<b>Total off-balance sheet exposures</b>	<b>731,707</b>	<b>687,332</b>	<b>556,923</b>	<b>44,554</b>
<b>Total on and off-balance sheet exposures</b>	<b>12,894,377</b>	<b>12,656,835</b>	<b>7,318,223</b>	<b>585,458</b>
<b>(ii) Market Risk (Note 4.0)</b>				
	Long Position	Short Position		
Profit rate risk	-	-	-	-
Foreign currency risk	-	-	-	-
<b>Total</b>			<b>-</b>	<b>-</b>
<b>(iii) Operational Risk</b>				
<b>Total</b>	<b>12,894,377</b>	<b>12,656,835</b>	<b>7,864,369</b>	<b>629,150</b>

**Note:**

The Bank does not use Profit-sharing Investment Account ("PSIA") as a risk absorbent mechanism.

The Bank does not have exposure to any Large Exposure Risk for equity holdings specified in BNM's Guidelines on Investment in Shares, Interest-in-Shares and Collective Investment Schemes.

**3.0 Credit Risk**

**3.1 Distribution of Credit Exposures**

**(a) Geographical Distribution**

The following tables represent the Bank's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment where applicable.

	<b>Geographical region</b>					
	<b>Northern</b>	<b>Central</b>	<b>Southern</b>	<b>Sabah</b>	<b>Sarawak</b>	<b>Total</b>
<b>30 September 2019</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and short-term funds	-	442,472	-	-	-	442,472
Financial investments at fair value through other comprehensive income	-	2,394,285	-	-	-	2,394,285
Financial investments at amortised cost	-	80,843	-	-	-	80,843
Financing and advances	866,168	6,848,453	1,243,593	827,577	283,564	10,069,355
Statutory deposits with Bank Negara Malaysia	-	375,988	-	-	-	375,988
<b>Total on-balance sheet</b>	<b>866,168</b>	<b>10,142,041</b>	<b>1,243,593</b>	<b>827,577</b>	<b>283,564</b>	<b>13,362,943</b>
Financial guarantees	12,688	172,053	18,314	3,964	766	207,785
Credit related commitments and contingencies	331,662	1,329,277	326,848	162,589	133,798	2,284,174
<b>Total off-balance sheet</b>	<b>344,350</b>	<b>1,501,330</b>	<b>345,162</b>	<b>166,553</b>	<b>134,564</b>	<b>2,491,959</b>
<b>Total credit exposure</b>	<b>1,210,518</b>	<b>11,643,371</b>	<b>1,588,755</b>	<b>994,130</b>	<b>418,128</b>	<b>15,854,902</b>

	<b>Geographical region</b>					
	<b>Northern</b>	<b>Central</b>	<b>Southern</b>	<b>Sabah</b>	<b>Sarawak</b>	<b>Total</b>
<b>31 March 2019</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and short-term funds	-	348,407	-	-	-	348,407
Financial investments at fair value through other comprehensive income	-	2,100,887	-	-	-	2,100,887
Financing and advances	817,828	6,354,558	1,243,879	692,481	242,484	9,351,230
Statutory deposits with Bank Negara Malaysia	-	335,388	-	-	-	335,388
<b>Total on-balance sheet</b>	<b>817,828</b>	<b>9,139,240</b>	<b>1,243,879</b>	<b>692,481</b>	<b>242,484</b>	<b>12,135,912</b>
Financial guarantees	8,708	165,613	14,905	14,023	416	203,665
Credit related commitments and contingencies	283,227	1,179,967	305,856	164,009	153,714	2,086,773
<b>Total off-balance sheet</b>	<b>291,935</b>	<b>1,345,580</b>	<b>320,761</b>	<b>178,032</b>	<b>154,130</b>	<b>2,290,438</b>
<b>Total credit exposure</b>	<b>1,109,763</b>	<b>10,484,820</b>	<b>1,564,640</b>	<b>870,513</b>	<b>396,614</b>	<b>14,426,350</b>



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**3.0 Credit Risk (cont'd.)**

**3.1 Distribution of Credit Exposures (cont'd.)**

**(b) Industry Distribution**

The following table represents the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged.

	Government & Central Bank RM'000	Financial, Takaful & Business Services RM'000	Transport, Storage & Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
<b>30 September 2019</b>								
Cash and short-term funds	442,472	-	-	-	-	-	-	442,472
Financial investments at fair value through other comprehensive income	1,158,202	781,503	336,027	35,082	83,471	-	-	2,394,285
Financial investments at amortised cost	-	80,843	-	-	-	-	-	80,843
Financing and advances	-	887,863	170,426	2,824,868	274,851	5,830,125	81,222	10,069,355
Statutory deposits with Bank Negara Malaysia	375,988	-	-	-	-	-	-	375,988
<b>Total on-balance sheet</b>	<b>1,976,662</b>	<b>1,750,209</b>	<b>506,453</b>	<b>2,859,950</b>	<b>358,322</b>	<b>5,830,125</b>	<b>81,222</b>	<b>13,362,943</b>
Financial guarantees	-	4,466	5,147	171,646	26,262	22	242	207,785
Credit related commitments and contingencies	-	177,610	7,380	1,341,892	129,612	612,173	15,507	2,284,174
<b>Total off-balance sheet</b>	<b>-</b>	<b>182,076</b>	<b>12,527</b>	<b>1,513,538</b>	<b>155,874</b>	<b>612,195</b>	<b>15,749</b>	<b>2,491,959</b>
<b>Total credit exposure</b>	<b>1,976,662</b>	<b>1,932,285</b>	<b>518,980</b>	<b>4,373,488</b>	<b>514,196</b>	<b>6,442,320</b>	<b>96,971</b>	<b>15,854,902</b>

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**3.0 Credit Risk (cont'd.)**

**3.1 Distribution of Credit Exposures (cont'd.)**

**(b) Industry Distribution (cont'd.)**

The following table represents the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged. (cont'd.)

	Government & Central Bank RM'000	Financial, Takaful & Business Services RM'000	Transport, Storage & Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
<b>31 March 2019</b>								
Cash and short-term funds	348,407	-	-	-	-	-	-	348,407
Financial investments at fair value through other comprehensive income	1,074,898	728,079	220,625	5,215	72,070	-	-	2,100,887
Financial investments at amortised cost	-	-	-	-	-	-	-	-
Financing and advances	-	826,440	178,268	2,837,256	196,136	5,212,996	100,134	9,351,230
Statutory deposits with Bank Negara Malaysia	335,388	-	-	-	-	-	-	335,388
<b>Total on-balance sheet</b>	<b>1,758,693</b>	<b>1,554,519</b>	<b>398,893</b>	<b>2,842,471</b>	<b>268,206</b>	<b>5,212,996</b>	<b>100,134</b>	<b>12,135,912</b>
Financial guarantees	-	2,830	5,147	158,376	37,041	42	229	203,665
Credit related commitments and contingencies	-	158,529	4,728	1,125,334	143,693	620,217	34,272	2,086,773
<b>Total off-balance sheet</b>	<b>-</b>	<b>161,359</b>	<b>9,875</b>	<b>1,283,710</b>	<b>180,734</b>	<b>620,259</b>	<b>34,501</b>	<b>2,290,438</b>
<b>Total credit exposure</b>	<b>1,758,693</b>	<b>1,715,878</b>	<b>408,768</b>	<b>4,126,181</b>	<b>448,940</b>	<b>5,833,255</b>	<b>134,635</b>	<b>14,426,350</b>

**3.0 Credit Risk (cont'd.)**

**3.1 Distribution of Credit Exposures (cont'd.)**

**(c) Residual Contractual Maturity**

The following table represents the residual contractual maturity for major types of gross credit exposure for on-balance sheet financial assets of the Bank:

	<u>Up to 1 month</u>	<u>&gt;1-3 months</u>	<u>&gt;3-6 months</u>	<u>&gt;6-12 months</u>	<u>&gt;1 year</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>30 September 2019</b>						
Cash and short-term funds	442,472	-	-	-	-	442,472
Financial investments at fair value through other comprehensive income	15,021	12,394	15,072	110,713	2,241,085	2,394,285
Financial investments at amortised cost	-	-	843	-	80,000	80,843
Financing and advances	2,325,776	453,836	173,886	19,552	7,096,305	10,069,355
Statutory deposits with Bank Negara Malaysia	-	-	-	-	375,988	375,988
<b>Total on-balance sheet exposure</b>	<b>2,783,269</b>	<b>466,230</b>	<b>189,801</b>	<b>130,265</b>	<b>9,793,378</b>	<b>13,362,943</b>
<b>31 March 2019</b>						
Cash and short-term funds	348,407	-	-	-	-	348,407
Financial investments at fair value through other comprehensive income	117,523	27,209	13,887	10,029	1,932,239	2,100,887
Financing and advances	2,130,227	423,355	205,584	30,429	6,561,635	9,351,230
Statutory deposits with Bank Negara Malaysia	-	-	-	-	335,388	335,388
<b>Total on-balance sheet exposure</b>	<b>2,596,157</b>	<b>450,564</b>	<b>219,471</b>	<b>40,458</b>	<b>8,829,262</b>	<b>12,135,912</b>

3.0 Credit Risk (cont'd.)

3.2 Financing and Advances Analysis

The following tables represent the Bank's and the Group's gross credit exposures by MFRS9 credit impairment classification. Stage 1 exposures consist of performing accounts whilst Stage 2 exposures are performing accounts with significantly increased in credit risk. When the exposures are credit impaired, the exposures will be transferred to Stage 3.

The following tables represent the financing and advances by sector and geographical region:

<b>Sector</b>	Not-credit impaired		Credit impaired	Total
	12 months ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	
<b>30 September 2019</b>	RM'000	RM'000	RM'000	RM'000
Financial, takaful and business services	752,434	134,581	1,074	888,089
Transport, storage and communication	127,243	43,146	630	171,019
Agriculture, manufacturing, wholesale & retail trade	2,134,598	656,511	46,825	2,837,934
Construction	223,217	50,019	12,805	286,041
Household	5,181,650	581,436	103,694	5,866,780
Others	74,335	6,889	1	81,225
	<u>8,493,477</u>	<u>1,472,582</u>	<u>165,029</u>	<u>10,131,088</u>

**31 March 2019**

Financial, takaful and business services	686,022	139,488	1,238	826,748
Transport, storage and communication	148,414	29,788	367	178,569
Agriculture, manufacturing, wholesale & retail trade	2,102,710	707,546	41,028	2,851,284
Construction	164,712	30,649	5,606	200,967
Household	4,666,601	513,824	58,684	5,239,109
Others	93,692	6,441	2	100,135
	<u>7,862,151</u>	<u>1,427,736</u>	<u>106,925</u>	<u>9,396,812</u>

<b>Geographic Distribution</b>	Not-credit impaired		Credit impaired	Total
	12 months ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	
<b>30 September 2019</b>	RM'000	RM'000	RM'000	RM'000
Northern region	703,664	151,823	21,644	877,131
Central region	5,814,354	954,634	119,957	6,888,945
Southern region	1,059,974	175,665	16,429	1,252,068
Sabah region	689,938	133,014	6,275	829,227
Sarawak region	225,547	57,446	724	283,717
	<u>8,493,477</u>	<u>1,472,582</u>	<u>165,029</u>	<u>10,131,088</u>

**31 March 2019**

Northern region	647,471	163,934	9,793	821,198
Central region	5,345,777	960,769	79,488	6,386,034
Southern region	1,090,837	148,198	14,188	1,253,223
Sabah region	603,658	87,153	2,762	693,573
Sarawak region	174,408	67,682	694	242,784
	<u>7,862,151</u>	<u>1,427,736</u>	<u>106,925</u>	<u>9,396,812</u>

**3.0 Credit Risk (cont'd.)**

**3.3 Past Due but Not Impaired Financing and Advances Analysis**

Past due but not impaired financing and advances are exposures where the customers have failed to make a principal and/or profit payment when contractually due, and include exposures which are due one or more days after the contractual due date but not more than 3 months. Under MFRS9, exposures more than 30 days past due are transferred to Stage 2. For exposures that are structured to pay principal and / or profit at quarterly interval or longer, a default of payment will trigger an impairment.

The following tables represent the past due but not impaired financing and advances analysed by sector:

	<b>30 September 2019 RM'000</b>	31 March 2019 RM'000
Financial, takaful and business services	50,095	10,968
Transport, storage and communication	6,412	6,997
Agriculture, manufacturing, wholesale & retail trade	183,596	142,434
Construction	49,859	9,133
Household	482,754	403,108
Others	41,543	25,392
	<u>814,259</u>	<u>598,032</u>

Past due but not impaired financing and advances analysed by significant geographical areas:

	<b>30 September 2019 RM'000</b>	31 March 2019 RM'000
Northern region	60,879	52,315
Central region	583,610	426,330
Southern region	103,137	79,716
Sabah region	60,578	35,488
Sarawak region	6,055	4,183
	<u>814,259</u>	<u>598,032</u>

3.0 Credit Risk (cont'd.)

3.4 Impaired Financing and Advances Analysis and Allowance for Expected Credit Losses

Impaired financing and advances are exposures where the customers have failed to make a principal and/or profit payment for more than 3 months. In addition, where customers are deemed incapable of continuing repayment obligations, the exposures will be judgmentally impaired. Where exposures are restructured or rescheduled due to increase in credit risk, the exposures are also classified as impaired.

Impaired financing and advances analysed by sectors:

	<b>30 September 2019 RM'000</b>	31 March 2019 RM'000
Financial, takaful & business services	1,074	1,238
Transport, storage and communication	630	367
Agriculture, manufacturing, wholesale & retail trade	46,825	41,028
Construction	12,805	5,606
Household	103,694	58,684
Others	1	2
	<u>165,029</u>	<u>106,925</u>

Allowance for expected credit losses on financing and advances analysed by sectors:

	<u>Not-credit impaired</u>		<u>Credit Impaired</u>	<u>ECL charged/ write-back for the period (net)</u>	<u>Stage 3 write-off for the year (net)</u>
	<u>12 months ECL (Stage 1)</u>	<u>Lifetime ECL (Stage 2)</u>	<u>Lifetime ECL (Stage 3)</u>	<u>RM'000</u>	<u>RM'000</u>
<b>30 September 2019</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial, takaful & business services	763	2,546	228	(76)	(5)
Transport, storage & communication	133	651	593	312	(20)
Agriculture, manufacturing, wholesale & retail trade	3,054	16,321	13,067	988	(1,448)
Construction	305	2,320	11,191	6,382	-
Household	18,467	51,731	36,653	30,168	(18,956)
Others	86	387	1	(0)	-
	<u>22,808</u>	<u>73,956</u>	<u>61,733</u>	<u>37,774</u>	<u>(20,429)</u>

	<u>Not-credit impaired</u>		<u>Credit Impaired</u>	<u>ECL charged/ write-back for the year (net)</u>	<u>Stage 3 write-off for the year (net)</u>
	<u>12 months ECL (Stage 1)</u>	<u>Lifetime ECL (Stage 2)</u>	<u>Lifetime ECL (Stage 3)</u>	<u>RM'000</u>	<u>RM'000</u>
<b>31 March 2019</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial, takaful & business services	819	2,513	309	(688)	(28)
Transport, storage & communication	173	1,755	301	(638)	-
Agriculture, manufacturing, wholesale & retail trade	3,763	14,440	14,028	5,507	(507)
Construction	335	1,366	4,831	4,113	(26)
Household	17,742	49,449	26,113	37,080	(32,656)
Others	200	372	1	-	-
	<u>23,032</u>	<u>69,895</u>	<u>45,583</u>	<u>45,374</u>	<u>(33,217)</u>

3.0 Credit Risk (cont'd.)

3.4 Impaired Financing and Advances Analysis and Allowance for Expected Credit Losses (cont'd)

Impaired financing and advances and allowance for expected credit losses analysed by significant geographical areas:

	Impaired financing and advances RM'000	Not-credit impaired		Credit Impaired
		12 months ECL (Stage 1) RM'000	Lifetime ECL (Stage 2) RM'000	Lifetime ECL (Stage 3) RM'000
<b>30 September 2019</b>				
Northern region	21,644	2,230	6,684	10,962
Central region	119,957	16,743	53,304	40,492
Southern region	16,429	2,699	10,614	8,475
Sabah region	6,275	847	2,619	1,651
Sarawak region	724	289	735	153
	<u>165,029</u>	<u>22,808</u>	<u>73,956</u>	<u>61,733</u>
<b>31 March 2019</b>				
Northern region	9,793	2,301	7,199	3,370
Central region	79,488	16,408	52,175	31,478
Southern region	14,188	3,157	7,536	9,344
Sabah region	2,762	930	2,077	1,093
Sarawak region	694	236	908	298
	<u>106,925</u>	<u>23,032</u>	<u>69,895</u>	<u>45,583</u>

3.0 Credit Risk (cont'd.)

3.4 Impaired Financing and Advances Analysis and Allowance for Expected Credit Losses (cont'd)

Movements in allowance for expected credit losses on financing and advances are as follows:

	30 September 2019			Total RM'000
	Not-credit impaired		Credit Impaired	
	12 months ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	
	RM'000	RM'000	RM'000	
At 1 April 2019	23,032	69,895	45,583	138,510
Transfer to Stage 1	3,399	(16,628)	(364)	(13,593)
Transfer to Stage 2	(6,955)	39,882	(13,212)	19,715
Transfer to Stage 3	(7)	(26,766)	51,569	24,796
New financial assets originated or purchased	11,800	9,796	1,821	23,417
Financial assets derecognised other than write-off	(4,975)	(9,944)	(3,956)	(18,875)
Changes due to change in credit risk	(3,483)	7,772	1,916	6,205
Total charged to income statement on allowance	(221)	4,112	37,774	41,665
Unwinding of discount	-	-	(1,195)	(1,195)
Write-off	(3)	(51)	(20,429)	(20,483)
At end of financial period	<b>22,808</b>	<b>73,956</b>	<b>61,733</b>	<b>158,497</b>

	31 March 2019			Total RM'000
	Not-credit impaired		Credit Impaired	
	12 months ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	
	RM'000	RM'000	RM'000	
At 1 April 2018	22,429	66,027	34,959	123,415
Transfer to Stage 1	9,004	(41,354)	(1,341)	(33,691)
Transfer to Stage 2	(15,260)	78,803	(31,276)	32,267
Transfer to Stage 3	(33)	(48,822)	75,489	26,634
New financial assets originated or purchased	23,766	33,937	8,018	65,721
Financial assets derecognised other than write-off	(12,600)	(33,939)	(2,918)	(49,457)
Changes due to change in credit risk	(4,274)	15,369	(2,598)	8,497
Total charged to income statement on allowance	603	3,994	45,374	49,971
Unwinding of discount	-	-	(1,533)	(1,533)
Write-off	-	(126)	(33,217)	(33,343)
At end of financial year	<b>23,032</b>	<b>69,895</b>	<b>45,583</b>	<b>138,510</b>



3.0 Credit Risk (cont'd.)

3.5 Assignment of Risk-Weights for Portfolios Under the Standardised Approach

The following tables represent the credit exposures by risk-weights and after credit risk mitigation:

30 September 2019 Risk- Weights	Exposures after netting and credit risk mitigation									Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns /Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and Multilateral Development Banks RM'000	Takaful Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	RRE Financing RM'000	Higher Risk Assets RM'000	Other Assets RM'000		
0%	2,117,275	-	-	-	288,711	-	-	-	-	2,405,986	-
20%	-	104,842	-	-	765,717	-	86	-	-	870,645	174,126
35%	-	-	-	-	-	-	2,678,241	-	-	2,678,241	937,385
50%	-	-	-	-	2,646	5,822	1,449,614	-	-	1,458,082	729,041
75%	-	-	-	-	-	1,862,305	2,092	-	-	1,864,397	1,398,298
100%	-	-	-	7,015	3,440,206	795,223	344,263	-	57,430	4,644,137	4,644,139
150%	-	-	-	-	21,145	9,698	-	1,657	-	32,500	48,750
<b>Total exposures</b>	<b>2,117,275</b>	<b>104,842</b>	<b>-</b>	<b>7,015</b>	<b>4,518,425</b>	<b>2,673,048</b>	<b>4,474,296</b>	<b>1,657</b>	<b>57,430</b>	<b>13,953,988</b>	<b>7,931,739</b>
Risk-weighted assets by exposures	-	20,968	-	7,015	3,626,390	2,209,410	2,008,040	2,486	57,430	7,931,739	
Average risk weight	0%	20%	0%	100%	80%	83%	45%	150%	100%	57%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-

3.0 Credit Risk (cont'd.)

3.5 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd.)

The following tables represent the credit exposures by risk-weights and after credit risk mitigation (cont'd.):

31 March 2019 Risk- Weights	Exposures after netting and credit risk mitigation									Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns /Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and Multilateral Development Banks RM'000	Takaful Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	RRE Financing RM'000	Higher Risk Assets RM'000	Other Assets RM'000		
0%	1,896,250	-	-	-	273,914	-	-	-	-	2,170,164	-
20%	-	94,416	-	-	578,800	-	100	-	-	673,316	134,663
35%	-	-	-	-	-	-	2,335,281	-	-	2,335,281	817,349
50%	-	-	-	-	1,872	7,569	1,287,725	-	-	1,297,166	648,583
75%	-	-	-	-	-	1,901,835	693	-	-	1,902,528	1,426,897
100%	-	-	-	7,112	3,250,019	687,887	258,258	-	50,403	4,253,679	4,253,679
150%	-	-	-	-	13,777	9,235	-	1,689	-	24,701	37,052
<b>Total exposures</b>	<b>1,896,250</b>	<b>94,416</b>	<b>-</b>	<b>7,112</b>	<b>4,118,382</b>	<b>2,606,526</b>	<b>3,882,057</b>	<b>1,689</b>	<b>50,403</b>	<b>12,656,835</b>	<b>7,318,223</b>
Risk-weighted assets by exposures	-	18,883	-	7,112	3,387,382	2,131,901	1,720,008	2,534	50,403	7,318,223	
Average risk weight	0%	20%	0%	100%	82%	82%	44%	150%	100%	58%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-

3.0 Credit Risk (cont'd.)

3.5 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd.)

For the purpose of determining counterparty risk-weights, the Bank uses external credit assessments from Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation ("MARC"), Standard and Poor's ("S&P"), Moody's, Fitch and Rating and Investment ("R&I" [See Note 1]). In the context of the Bank's portfolio, external credit assessments are mainly applicable to banks/financial institutions and rated corporations. The Bank follows the process prescribed under BNM Capital Adequacy Framework for Islamic Banks (CAFIB)-Basel II to map the ratings to the relevant risk weights. The ratings are monitored and updated regularly to ensure that the latest and most appropriate risk-weights are applied in the capital computation.

The following tables show the rated credit exposures according to ratings by approved Eligible Credit Assessment Institutions ("ECAIs"), or as prescribed under the CAFIB:

30 September 2019

Exposure Class	Ratings by Approved ECAIs*					Total
	Moody's	Aaa to Aa3 / P-1	A1 to A3 / P-2	Baa1 to Ba3 / P-3	B1 to C / Others	
	S&P	AAA to AA- / A-1	A+ to A- / A-2	BBB+ to BB- / A-3	B+ to D / Others	Unrated
	Fitch	AAA to AA- / F1+, F1	A+ to A- / A-2	BBB+ to BB- / F3	B+ to D	Unrated
	RAM	AAA to AA3 / P-1	A+ to A3 / P-2	BBB1+ to BB3 / P-3	B to D / NP	Unrated
	MARC	AAA to AA- / MARC-1	A+ to A- / MARC-2	BBB+ to BB- / MARC-3	B+ to D / MARC-4	Unrated
	R&I	AAA to AA- / a-1+, a-1	A+ to A- / a-2	BBB+ to BB- / a-3	B+ to D / b, c	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off Balance-Sheet Exposures</b>						
<b>(i) Exposures risk weighted using Sovereigns and Central Banks rating</b>						
Sovereigns and Central Banks (See Note 2)		-	2,117,276	-	-	2,117,276
Public Sector Entities		-	-	-	-	-
Corporates		-	288,711	-	-	288,711
		-	2,405,987	-	-	2,405,987
<b>(ii) Exposures risk weighted using Banking Institutions long term rating</b>						
Banks, DFIs and Multilateral Development Banks		-	-	-	-	-
<b>Exposures risk weighted using Banking Institutions short term rating</b>						
Banks, DFIs and Multilateral Development Banks		-	-	-	-	-
		-	-	-	-	-
<b>(iii) Exposures risk weighted using Corporate long term rating</b>						
Public Sector Entities		41,040	-	-	63,802	104,842
Corporates		755,741	-	-	3,603,369	4,359,110
Takaful Cos, Securities Firms & Fund Managers		-	-	-	7,015	7,015
<b>Exposures risk weighted using Corporate short term rating</b>						
Public Sector Entities		-	-	-	-	-
Corporates		9,975	-	-	-	9,975
Takaful Cos, Securities Firms & Fund Managers		-	-	-	-	-
		806,756	-	-	3,674,186	4,480,942

Note 1: "R&I" rating is not recognised for Islamic debt securities.

Note 2: The Federal Government and Central Bank of Malaysia are accorded 0% risk weight as provided under the Capital Adequacy Framework for Islamic Banks.

\*Upper Range = Long Term Rating, Lower Range = Short Term Rating

3.0 Credit Risk (cont'd.)

3.5 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd.)

The following tables show the rated credit exposures according to ratings by approved ECAIs (contd.):

31 March 2019

Exposure Class	Ratings by Approved ECAIs*						Total
	Moody's	Aaa to Aa3 / P-1	A1 to A3 / P-2	Baa1 to Ba3 / P-3	B1 to C / Others	Unrated	
	S&P	AAA to AA- / A-1	A+ to A- / A-2	BBB+ to BB- / A-3	B+ to D / Others	Unrated	
	Fitch	AAA to AA- / F1+, F1	A+ to A- / A-2	BBB+ to BB- / F3	B+ to D	Unrated	
	RAM	AAA to AA3 / P-1	A+ to A3 / P-2	BBB1+ to BB3 / P-3	B to D / NP	Unrated	
	MARC	AAA to AA- / MARC-1	A+ to A- / MARC-2	BBB+ to BB- / MARC-3	B+ to D / MARC-4	Unrated	
	R&I	AAA to AA- / a-1+, a-1	A+ to A- / a-2	BBB+ to BB- / a-3	B+ to D / b, c	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>On and Off Balance-Sheet Exposures</b>							
<b>(i) Exposures risk weighted using Sovereigns and Central Banks rating</b>							
Sovereigns and Central Banks (See Note 2)	-	1,896,249	-	-	-	1,896,249	
Public Sector Entities	-	-	-	-	-	-	
Corporates	-	273,914	-	-	-	273,914	
	-	2,170,163	-	-	-	2,170,163	
<b>(ii) Exposures risk weighted using Banking Institutions long term rating</b>							
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-	
<b>Exposures risk weighted using Banking Institutions short term rating</b>							
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-	
	-	-	-	-	-	-	
<b>(iii) Exposures risk weighted using Corporate long term rating</b>							
Public Sector Entities	35,719	-	-	-	58,698	94,417	
Corporates	578,800	-	-	-	3,413,689	3,992,489	
Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	7,112	7,112	
<b>Exposures risk weighted using Corporate short term rating</b>							
Public Sector Entities	-	-	-	-	-	-	
Corporates	-	-	-	-	-	-	
Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	
	614,519	-	-	-	3,479,499	4,094,018	

Note 1: "R&I" rating is not recognised for Islamic debt securities.

Note 2: The Federal Government and Central Bank of Malaysia are accorded 0% risk weight as provided under the Capital Adequacy Framework for Islamic Banks.

\*Upper Range = Long Term Rating, Lower Range = Short Term Rating

**Note:**

There is no outstanding securitisation contract in the Bank that requires disclosure of ratings and short term rating of securitisation by approved ECAIs.

**3.0 Credit Risk (cont'd.)**

**3.6 Credit Risk Mitigation ("CRM")**

As a practical approach towards mitigating credit risk, the Bank accepts a wide range of collaterals. Main types of collateral acceptable to the Bank include cash, guarantees, commercial and residential real estates, and physical collateral/ financial collateral, e.g. motor vehicles or shares. Guarantees are accepted only when the financial standing of the guarantors have been ascertained.

However, for capital computation purposes, the BNM guidelines apply more restrictive rules on collaterals that qualify as credit risk mitigants. As a result, not all of the collaterals accepted by the Bank can be used to reduce the Bank's capital adequacy requirement.

The following tables represent the Bank's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the Capital Adequacy Framework for Islamic Banks.

<b>30 September 2019</b>	<b>Exposures before CRM</b>	<b>Exposures covered by guarantees/ credit derivatives</b>	<b>Exposures covered by eligible financial collateral</b>	<b>Exposures covered by other eligible collateral</b>
<b>Exposure Class</b>	RM'000	RM'000	RM'000	RM'000
<b><i>Credit Risk</i></b>				
On-balance sheet exposures:				
Sovereigns/Central banks	2,117,275	-	-	-
Public sector entities	100,842	-	-	-
Banks, DFIs and Multilateral Development Banks	-	-	-	-
Takaful Companies, Securities Firm and Fund Managers	6,965	-	-	-
Corporates	4,178,661	-	106,664	-
Regulatory retail	2,536,072	-	74,978	-
RRE financing	4,295,136	-	988	-
Higher risk assets	1,582	-	-	-
Other assets	57,430	-	-	-
Defaulted exposures	103,485	-	750	-
<b>Total on-balance sheet exposures</b>	<b>13,397,448</b>	<b>-</b>	<b>183,380</b>	<b>-</b>
Off-balance sheet exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	788,223	-	48,736	-
Defaulted exposures	433	-	-	-
<b>Total off-balance sheet exposures</b>	<b>788,656</b>	<b>-</b>	<b>48,736</b>	<b>-</b>
<b>Total on and off-balance sheet exposures</b>	<b>14,186,104</b>	<b>-</b>	<b>232,116</b>	<b>-</b>

3.0 Credit Risk (cont'd.)

3.6 Credit Risk Mitigation ("CRM") (cont'd.)

31 March 2019 Exposure Class	<u>Exposures before CRM</u> RM'000	<u>Exposures covered by guarantees/ credit derivatives</u> RM'000	<u>Exposures covered by eligible financial collateral</u> RM'000	<u>Exposures covered by other eligible collateral</u> RM'000
<b><i>Credit Risk</i></b>				
On-balance sheet exposures:				
Sovereigns/Central banks	1,896,250	-	-	-
Public sector entities	90,416	-	-	-
Banks, DFIs and Multilateral Development Banks	-	-	-	-
Takaful Companies, Securities Firm and Fund Managers	7,062	-	-	-
Corporates	3,844,820	-	116,099	-
Regulatory retail	2,473,458	-	74,926	-
RRE financing	3,737,202	-	1,017	-
Higher risk assets	1,614	-	-	-
Other assets	50,403	-	-	-
Defaulted exposures	61,445	-	1,125	-
Total on-balance sheet exposures	<u>12,162,670</u>	<u>-</u>	<u>193,167</u>	<u>-</u>
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	731,349	-	44,375	-
Defaulted exposures	358	-	-	-
Total off-balance sheet exposures	<u>731,707</u>	<u>-</u>	<u>44,375</u>	<u>-</u>
Total on and off-balance sheet exposures	<u>12,894,377</u>	<u>-</u>	<u>237,542</u>	<u>-</u>

3.0 Credit Risk (cont'd.)

3.7 Off-Balance Sheet Exposures and Counterparty Credit Risk

Off-balance sheet exposures of the Bank are mainly from the commitments to extend credit including the unutilised or undrawn portions of credit facilities.

The off-balance sheet exposures and their related counterparty credit risk of the Bank are as follows:

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<b>30 September 2019</b>				
<u>Credit-related exposures</u>				
Direct credit substitutes	189,263	-	189,263	175,939
Transaction-related contingent items	64,657	-	32,329	20,450
Short-term self-liquidating trade-related contingencies	18,523	-	3,703	2,893
Irrevocable commitments to extend credit:				
• maturity exceeding one year	398,504	-	199,158	128,764
• maturity not exceeding one year	1,821,014	-	364,203	281,240
	<u>2,491,961</u>	<u>-</u>	<u>788,656</u>	<u>609,286</u>
<b>31 March 2019</b>				
<u>Credit-related exposures</u>				
Direct credit substitutes	160,578	-	160,578	147,043
Transaction-related contingent items	68,909	-	34,455	22,075
Short-term self-liquidating trade-related contingencies	46,589	-	9,317	8,764
Irrevocable commitments to extend credit:				
• maturity exceeding one year	415,302	-	207,545	130,914
• maturity not exceeding one year	1,599,060	-	319,812	248,127
	<u>2,290,438</u>	<u>-</u>	<u>731,707</u>	<u>556,923</u>

**4.0 Market Risk**

**Regulatory capital requirements**

The risk-weighted assets and capital requirements for the various categories of risk under market risk are as follows:

	<b>Risk-Weighted Assets</b> RM'000	<b>Capital Requirements</b> RM'000
<b>30 September 2019</b>		
Profit rate risk		
• General profit rate risk	-	-
• Specific profit rate risk	-	-
	<u>-</u>	<u>-</u>
Equity risk		
• General profit rate risk	-	-
• Specific profit rate risk	-	-
	<u>-</u>	<u>-</u>
Foreign exchange risk	-	-
	<u>-</u>	<u>-</u>
<b>31 March 2019</b>		
Profit rate risk		
• General profit rate risk	-	-
• Specific profit rate risk	-	-
	<u>-</u>	<u>-</u>
Equity risk		
• General profit rate risk	-	-
• Specific profit rate risk	-	-
	<u>-</u>	<u>-</u>
Foreign exchange risk	-	-
	<u>-</u>	<u>-</u>



## 5.0 Rate of Return Risk in the Banking Book

The following tables present the Bank's projected sensitivity to a 100 basis point parallel shock to profit rates across all maturities applied on the Bank's profit sensitivity gap as at reporting date.

	<b>30 September 2019 + 100 bps RM'000</b>	<b>31 March 2019 + 100 bps RM'000</b>
<b>Impact on net profit income</b>		
Ringgit Malaysia	<u>24,797</u>	<u>24,598</u>
<b>Impact on Economic value</b>		
Ringgit Malaysia	<u>(48,591)</u>	<u>(39,972)</u>

## 6.0 Shariah Governance Disclosures

Shariah Non-Compliance Risk arises from the risk of failure to comply with Shariah rules and principles as determined by Shariah Advisory Council of Bank Negara Malaysia and the Bank's Shariah Committee. To manage the risks, the Bank has adopted the following guiding principles:

- (i) A sound Shariah Compliance Framework which governs the operations of the Bank and outlines the roles of key functionalities within the Bank, including but not limited to the Shariah risk management process. This is in line with the Shariah Governance Framework issued by BNM.
- (ii) The Board of Directors, assisted by the Shariah Committee and Senior Management, provides oversight on Shariah compliance aspects of the Bank's overall operations. This amongst others include:
  - Oversight and implementation of the Shariah Compliance Framework.
  - Regular review of Shariah non-compliant income and issues.
  - Addressing Shariah non-compliance findings.
  - Ensuring compliance with regulatory and internal requirements including disclosures.
- (iii) Appointment of a qualified Shariah Committee member who also serves as Board member; serving as a 'bridge' between the Board and the Shariah Committee.
- (iv) Ongoing Shariah reviews and training to raise risk awareness and ensure compliance to Shariah rules and principles. This includes:
  - Regular assessment on Shariah compliance in the activities and operations of the Bank. The findings of the review are reported to the Shariah Committee for deliberation and decision.
  - Performing research and studies on Shariah issues, including providing day-to-day Shariah advice and consultancy to relevant parties.
  - Conducting Shariah-related training and ongoing engagement with relevant parties to raise awareness on Shariah non-compliance risk.
- (v) Escalation and reporting processes of Shariah non-compliant income and issues governed through designated escalation channels, which include the Board and Shariah Committee.
- (vi) Periodic engagement between the Board and the Shariah Committee to discuss on Shariah research, Shariah compliance and scholar's view on Islamic banking activities.

### **Shariah Non-Compliant Income And Events**

During the financial period, there was 1 Shariah non-compliance event detected from the ongoing reviews of the Bank's operational processes. Necessary efforts had been taken to rectify the Shariah non-compliance event, which was tracked and escalated to the Shariah Committee and the Board. There was no Shariah non-compliant income to be disposed off in accordance with Shariah Committee's decision.