



**ALLIANCE ISLAMIC BANK**

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

## **BASEL II PILLAR 3 REPORT**

**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021**

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

<b>CONTENTS</b>	<b>PAGES</b>
1.0 Scope of Application	1
2.0 Capital	2 - 6
2.1 Capital Adequacy Ratios	3
2.2 Capital Structure	4
2.3 Risk Weighted Assets ("RWA") and Capital Requirements	5 - 6
3.0 Credit Risk	7 - 20
3.1 Distribution of Credit Exposures	7 - 10
3.2 Past Due but Not Impaired Financing and Advances Analysis	11
3.3 Impaired Financing and Advances Analysis and Allowance for Expected Credit Losses	12 - 14
3.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach	15 - 18
3.5 Credit Risk Mitigation ("CRM")	19 - 20
3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk	21
4.0 Market Risk	22
5.0 Rate of Return Risk in the Banking Book	23
6.0 Shariah Governance Disclosures	24

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

**BASEL II PILLAR 3 REPORT**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021**

**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 ("GRMC") for approval.

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

**2.1 Capital Adequacy Ratios**

Effective from 25 March 2020, the Group and the Bank are allowed to drawdown the Capital Conservation Buffer ("CCB") of 2.5% to manage the impact of the Covid-19 outbreak. However, BNM expects the Bank to rebuild this buffer after 31 December 2020 and to meet the minimum regulatory requirements by 30 September 2021. As at reporting date, the Bank continued to maintain CCB of 2.5%.

The Bank has adopted the transitional arrangements on provisions for expected credit losses in accordance with Bank Negara Malaysia's Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions effective on 9 December 2020. This allow the Bank to add back a portion of Stage 1 ("S1") and Stage 2 ("S2") provisions with an "add-back factor", to the Common Equity Tier I ("CET I") capital from Financial Year 2021 to Financial Year 2024.

The capital adequacy ratios with and without transitional arrangements of the Bank are as follows:

	30 September 2021	31 March 2021
<b>(i) <u>With transitional arrangements</u></b>		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	15.879%	15.035%
Tier I capital ratio	17.007%	16.158%
Total capital ratio	19.634%	18.783%
<u>After deducting proposed dividends</u>		
CET I capital ratio	15.639%	15.035%
Tier I capital ratio	16.768%	16.158%
Total capital ratio	19.395%	18.783%
<b>(ii) <u>Without transitional arrangements</u></b>		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	13.535%	13.065%
Tier I capital ratio	14.664%	14.188%
Total capital ratio	17.291%	16.813%
<u>After deducting proposed dividends</u>		
CET I capital ratio	13.296%	13.065%
Tier I capital ratio	14.424%	14.188%
Total capital ratio	17.051%	16.813%

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

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

**2.2 Capital Structure**

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

	30 September 2021 RM'000	31 March 2021 RM'000
<b><u>CET I Capital</u></b>		
Paid-up share capital	600,000	600,000
Retained profits	617,770	564,889
Financial investments at fair value through other comprehensive income (FVOCI) reserves	21,276	34,972
	<u>1,239,046</u>	<u>1,199,861</u>
(Less)/add: Regulatory adjustments		
- Intangibles assets	(1,012)	(920)
- Deferred tax assets	(32,642)	(22,861)
- 55% of FVOCI reserves	(11,702)	(19,234)
- Regulatory reserves (Note 2)	-	-
- Transitional arrangements	206,673	174,436
Total CET I Capital	<u>1,400,363</u>	<u>1,331,282</u>
Additional Tier 1 Sukuk Wakalah	99,524	99,436
Total Additional Tier 1 Capital	<u>99,524</u>	<u>99,436</u>
Total Tier I Capital	<u>1,499,887</u>	<u>1,430,718</u>
<b><u>Tier II Capital</u></b>		
Subordinated Sukuk Murabahah	129,889	129,834
Expected credit losses and regulatory reserves (Note 1 & Note 2)	101,801	102,543
Total Tier II Capital	<u>231,690</u>	<u>232,377</u>
<b>Total Capital</b>	<u>1,731,577</u>	<u>1,663,095</u>

Note 1: Expected credit losses for S1 and S2 only.

Note 2: The Bank maintained its prudent stand in relation of maintaining the regulatory reserves to preserve the potential deterioration of credit quality, taking into consideration of this unprecedented pandemic impact and the economic slowdown.

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 requirements of the Bank:

30 September 2021 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	1,830,349	1,830,349	-	-
Public sector entities	308,404	308,404	16,667	1,333
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks	11,235	11,235	1,590	127
Takaful Companies, Securities Firms and Fund Managers	3,754	3,754	3,754	300
Corporates	4,340,980	4,239,868	3,206,404	256,512
Regulatory retail	2,662,895	2,580,732	2,053,296	164,264
Residential Real Estate ("RRE") financing	4,618,328	4,618,080	2,029,189	162,335
Higher risk assets	883	883	1,324	106
Other assets	52,629	52,629	52,629	4,210
Defaulted exposures	202,604	202,071	183,510	14,681
<b>Total on-balance sheet exposures</b>	<b>14,032,061</b>	<b>13,848,005</b>	<b>7,548,363</b>	<b>603,868</b>
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	731,953	683,675	595,715	47,657
Defaulted exposures	25	25	35	3
<b>Total off-balance sheet exposures</b>	<b>731,978</b>	<b>683,700</b>	<b>595,750</b>	<b>47,660</b>
<b>Total on and off-balance sheet exposures</b>	<b>14,764,039</b>	<b>14,531,705</b>	<b>8,144,113</b>	<b>651,528</b>
<b>(ii) Market Risk (Note 4.0)</b>				
	Long Position	Short Position		
Profit rate risk	-	-	-	-
Foreign currency risk	-	(82)	82	7
	-	(82)		
Option risk			-	-
<b>Total</b>			<b>82</b>	<b>7</b>
<b>(iii) Operational Risk</b>	-	-	674,863	53,989
<b>Total</b>	<b>14,764,039</b>	<b>14,531,705</b>	<b>8,819,058</b>	<b>705,524</b>

**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 requirements of the Bank (cont'd.):

<b>31 March 2021 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	2,586,298	2,586,298	-	-								
Public sector entities	371,095	371,095	34,221	2,738								
Banks, DFIs and Multilateral Development Banks	14,463	14,463	3,184	255								
Takaful Companies, Securities Firms and Fund Managers	3,749	3,749	3,749	300								
Corporates	4,195,144	4,099,307	3,214,150	257,132								
Regulatory retail	2,642,276	2,559,939	2,076,467	166,117								
RRE financing	4,686,526	4,686,258	2,055,673	164,454								
Higher risk assets	898	898	1,347	108								
Other assets	48,849	48,849	48,849	3,908								
Defaulted exposures	216,952	216,419	195,461	15,637								
<b>Total on-balance sheet exposures</b>	<b>14,766,250</b>	<b>14,587,275</b>	<b>7,633,101</b>	<b>610,649</b>								
Off-balance sheet exposures:												
Credit-related off-balance sheet exposures	686,407	637,674	569,442	45,555								
Defaulted exposures	545	545	805	64								
<b>Total off-balance sheet exposures</b>	<b>686,952</b>	<b>638,219</b>	<b>570,247</b>	<b>45,619</b>								
<b>Total on and off-balance sheet exposures</b>	<b>15,453,202</b>	<b>15,225,494</b>	<b>8,203,348</b>	<b>656,268</b>								
<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 style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: center;">-</td> <td style="text-align: center;">(155)</td> </tr> <tr> <td style="text-align: center;">-</td> <td style="text-align: center;">(155)</td> </tr> </tbody> </table>	Long Position	Short Position	-	-	-	(155)	-	(155)			
Long Position	Short Position											
-	-											
-	(155)											
-	(155)											
Profit rate risk			-	-								
Foreign currency risk			155	12								
Option risk			-	-								
<b>Total</b>			<b>155</b>	<b>12</b>								
<b>(iii) Operational Risk</b>	-	-	650,846	52,068								
<b>Total</b>	<b>15,453,202</b>	<b>15,225,494</b>	<b>8,854,349</b>	<b>708,348</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.

	Geographical region					
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Total RM'000
<b>30 September 2021</b>						
Cash and short-term funds (exclude cash in hand)	-	904,942	-	-	-	904,942
Financial investments at fair value through other comprehensive income	-	2,071,917	-	-	-	2,071,917
Financial investments at amortised cost	-	282,932	-	-	-	282,932
Financing and advances (exclude sales commission and handling fees)	988,276	7,120,001	1,225,515	1,008,200	376,144	10,718,136
Statutory deposits with Bank Negara Malaysia	-	21,438	-	-	-	21,438
<b>Total on-balance sheet</b>	<b>988,276</b>	<b>10,401,230</b>	<b>1,225,515</b>	<b>1,008,200</b>	<b>376,144</b>	<b>13,999,365</b>
Contingent liabilities	25,192	215,373	15,288	9,319	2,664	267,836
Commitments	395,002	1,185,428	355,161	303,776	84,230	2,323,597
<b>Total off-balance sheet</b>	<b>420,194</b>	<b>1,400,801</b>	<b>370,449</b>	<b>313,095</b>	<b>86,894</b>	<b>2,591,433</b>
<b>Total credit exposure</b>	<b>1,408,470</b>	<b>11,802,031</b>	<b>1,595,964</b>	<b>1,321,295</b>	<b>463,038</b>	<b>16,590,798</b>

	Geographical region					
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Total RM'000
<b>31 March 2021</b>						
Cash and short-term funds (exclude cash in hand)	-	1,373,080	-	-	-	1,373,080
Financial investments at fair value through other comprehensive income	-	2,199,728	-	-	-	2,199,728
Financial investments at amortised cost	-	293,242	-	-	-	293,242
Financing and advances (exclude sales commission and handling fees)	964,750	7,215,338	1,248,726	1,075,519	347,126	10,851,459
Statutory deposits with Bank Negara Malaysia	-	18,338	-	-	-	18,338
<b>Total on-balance sheet</b>	<b>964,750</b>	<b>11,099,726</b>	<b>1,248,726</b>	<b>1,075,519</b>	<b>347,126</b>	<b>14,735,847</b>
Contingent liabilities	17,570	218,813	19,127	5,610	3,089	264,209
Commitments	395,559	1,125,824	310,733	200,831	106,455	2,139,402
<b>Total off-balance sheet</b>	<b>413,129</b>	<b>1,344,637</b>	<b>329,860</b>	<b>206,441</b>	<b>109,544</b>	<b>2,403,611</b>
<b>Total credit exposure</b>	<b>1,377,879</b>	<b>12,444,363</b>	<b>1,578,586</b>	<b>1,281,960</b>	<b>456,670</b>	<b>17,139,458</b>

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

**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. (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>30 September 2021</b>								
Cash and short-term funds (exclude cash in hand)	904,942	-	-	-	-	-	-	904,942
Financial investments at fair value through other comprehensive income	692,663	887,474	321,584	75,534	94,662	-	-	2,071,917
Financial investments at amortised cost	211,305	71,627	-	-	-	-	-	282,932
Financing and advances (exclude sales commission and handling fees)	-	955,673	123,676	3,216,695	276,017	6,067,499	78,576	10,718,136
Statutory deposits with Bank Negara Malaysia	21,438	-	-	-	-	-	-	21,438
<b>Total on-balance sheet</b>	<b>1,830,348</b>	<b>1,914,774</b>	<b>445,260</b>	<b>3,292,229</b>	<b>370,679</b>	<b>6,067,499</b>	<b>78,576</b>	<b>13,999,365</b>
Contingent liabilities	-	108,732	5,572	103,236	50,140	22	134	267,836
Commitments	-	282,425	19,656	1,525,520	151,137	337,480	7,379	2,323,597
<b>Total off-balance sheet</b>	<b>-</b>	<b>391,157</b>	<b>25,228</b>	<b>1,628,756</b>	<b>201,277</b>	<b>337,502</b>	<b>7,513</b>	<b>2,591,433</b>
<b>Total credit exposure</b>	<b>1,830,348</b>	<b>2,305,931</b>	<b>470,488</b>	<b>4,920,985</b>	<b>571,956</b>	<b>6,405,001</b>	<b>86,089</b>	<b>16,590,798</b>

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

**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 2021</b>								
Cash and short-term funds (exclude cash in hand)	1,373,080	-	-	-	-	-	-	1,373,080
Financial investments at fair value through other comprehensive income	364,769	656,544	683,019	54,838	440,558	-	-	2,199,728
Financial investments at amortised cost	20,831	80,773	160,852	-	30,786	-	-	293,242
Financing and advances (exclude sales commission and handling fees)	-	1,081,532	142,968	3,129,800	247,426	6,170,565	79,168	10,851,459
Statutory deposits with Bank Negara Malaysia	18,338	-	-	-	-	-	-	18,338
<b>Total on-balance sheet</b>	<b>1,777,018</b>	<b>1,818,849</b>	<b>986,839</b>	<b>3,184,638</b>	<b>718,770</b>	<b>6,170,565</b>	<b>79,168</b>	<b>14,735,847</b>
Contingent liabilities	-	110,003	5,572	98,563	49,888	22	161	264,209
Commitments	-	186,858	33,414	1,458,993	127,446	324,728	7,963	2,139,402
<b>Total off-balance sheet</b>	<b>-</b>	<b>296,861</b>	<b>38,986</b>	<b>1,557,556</b>	<b>177,334</b>	<b>324,750</b>	<b>8,124</b>	<b>2,403,611</b>
<b>Total credit exposure</b>	<b>1,777,018</b>	<b>2,115,710</b>	<b>1,025,825</b>	<b>4,742,194</b>	<b>896,104</b>	<b>6,495,315</b>	<b>87,292</b>	<b>17,139,458</b>

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

**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 2021</b>						
Cash and short-term funds (exclude cash in hand)	904,942	-	-	-	-	904,942
Financial investments at fair value through other comprehensive income	-	55,934	110,856	159,074	1,746,053	2,071,917
Financial investments at amortised cost	-	-	-	11,126	271,806	282,932
Financing and advances (exclude sales commission and handling fees)	1,941,990	520,991	263,095	36,412	7,955,648	10,718,136
Statutory deposits with Bank Negara Malaysia	-	-	-	-	21,438	21,438
<b>Total on-balance sheet exposure</b>	<b>2,846,932</b>	<b>576,925</b>	<b>373,951</b>	<b>206,612</b>	<b>9,994,945</b>	<b>13,999,365</b>
<b>31 March 2021</b>						
Cash and short-term funds (exclude cash in hand)	1,373,080	-	-	-	-	1,373,080
Financial investments at fair value through other comprehensive income	35,686	5,100	-	158,315	2,000,627	2,199,728
Financial investments at amortised cost	-	-	-	-	293,242	293,242
Financing and advances (exclude sales commission and handling fees)	2,177,768	541,322	239,545	24,423	7,868,401	10,851,459
Statutory deposits with Bank Negara Malaysia	-	-	-	-	18,338	18,338
<b>Total on-balance sheet exposure</b>	<b>3,586,534</b>	<b>546,422</b>	<b>239,545</b>	<b>182,738</b>	<b>10,180,608</b>	<b>14,735,847</b>

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

**3.2 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.

Past due but not impaired financing and advances analysed by sector:

	30 September 2021 RM'000	31 March 2021 RM'000
Financial, takaful and business services	6,910	11,232
Transport, storage and communication	472	2,493
Agriculture, manufacturing, wholesale & retail trade	45,068	70,616
Construction	25,888	59,161
Household	382,892	348,639
Others	6	6
	<u>461,236</u>	<u>492,147</u>

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

	30 September 2021 RM'000	31 March 2021 RM'000
Northern region	21,984	39,122
Central region	356,019	356,833
Southern region	41,182	43,764
Sabah region	37,396	49,829
Sarawak region	4,655	2,599
	<u>461,236</u>	<u>492,147</u>

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

**3.3 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:

	30 September 2021 RM'000	31 March 2021 RM'000
Financial, takaful & business services	566	1,185
Transport, storage and communication	403	504
Agriculture, manufacturing, wholesale & retail trade	19,790	25,318
Construction	14,647	12,711
Household	245,460	256,967
Others	3,884	1
	<u>284,750</u>	<u>296,686</u>

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

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	ECL charged/ write-back for the period (net) RM'000	Stage 3 write-off for the period (net) RM'000
<b>30 September 2021</b>					
Financial, takaful & business services	2,296	5,660	348	91	-
Transport, storage & communication	315	234	363	(24)	-
Agriculture, manufacturing, wholesale & retail trade	9,962	21,589	8,470	676	(10)
Construction	762	21,607	13,359	354	-
Household	68,408	160,409	58,837	16,466	(15,053)
Others	196	1,509	774	773	-
	<u>81,939</u>	<u>211,008</u>	<u>82,151</u>	<u>18,336</u>	<u>(15,063)</u>

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	ECL charged/ write-back for the year (net) RM'000	Stage 3 write-off for the year (net) RM'000
<b>31 March 2021</b>					
Financial, takaful & business services	2,675	5,158	259	(49)	-
Transport, storage & communication	265	420	386	57	(1,709)
Agriculture, manufacturing, wholesale & retail trade	9,785	18,464	8,463	1,238	(3,804)
Construction	602	23,746	12,008	2,665	(3,120)
Household	63,074	133,984	58,599	43,804	(30,777)
Others	161	1,876	1	-	-
	<u>76,562</u>	<u>183,648</u>	<u>79,716</u>	<u>47,715</u>	<u>(39,410)</u>

3.0 Credit Risk (cont'd.)

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

Impaired financing and advances analysed by significant geographical areas:

	30 September 2021 RM'000	31 March 2021 RM'000
Northern region	29,549	25,489
Central region	196,548	220,773
Southern region	38,206	34,899
Sabah region	18,182	13,356
Sarawak region	2,265	2,169
	<u>284,750</u>	<u>296,686</u>

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

	12 months ECL <u>(Stage 1)</u> RM'000	Lifetime ECL Not-credit Impaired <u>(Stage 2)</u> RM'000	Lifetime ECL Credit Impaired <u>(Stage 3)</u> RM'000
<b>30 September 2021</b>			
Northern region	6,782	10,698	11,771
Central region	60,851	171,976	55,892
Southern region	8,810	17,158	11,032
Sabah region	4,444	10,212	3,067
Sarawak region	1,052	964	389
	<u>81,939</u>	<u>211,008</u>	<u>82,151</u>

	12 months ECL <u>(Stage 1)</u> RM'000	Lifetime ECL Not-credit Impaired <u>(Stage 2)</u> RM'000	Lifetime ECL Credit Impaired <u>(Stage 3)</u> RM'000
<b>31 March 2021</b>			
Northern region	6,034	9,752	11,015
Central region	56,887	147,888	55,379
Southern region	8,243	16,685	10,727
Sabah region	4,472	8,347	2,181
Sarawak region	926	976	414
	<u>76,562</u>	<u>183,648</u>	<u>79,716</u>

3.0 Credit Risk (cont'd.)

3.3 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:

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
At 1 April 2021	76,562	183,648	79,716	339,926
Transfer to Stage 1	24,737	(103,904)	(8)	(79,175)
Transfer to Stage 2	(16,998)	150,780	(22,270)	111,512
Transfer to Stage 3	(76)	(56,026)	39,544	(16,558)
New financial assets originated or purchased	14,986	35,337	2,985	53,308
Financial assets derecognised other than write-off	(12,595)	(39,109)	(5,383)	(57,087)
Changes due to change in credit risk	(4,677)	40,624	3,468	39,415
	5,377	27,702	18,336	51,415
Unwinding of discount	-	-	(838)	(838)
Total charge to income statement	5,377	27,702	17,498	50,577
Write-off	-	(342)	(15,063)	(15,405)
At 30 September 2021	<b>81,939</b>	<b>211,008</b>	<b>82,151</b>	<b>375,098</b>

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
At 1 April 2020	32,177	92,092	74,715	198,984
Transfer to Stage 1	58,333	(104,503)	(1,985)	(48,155)
Transfer to Stage 2	(37,986)	181,563	(26,188)	117,389
Transfer to Stage 3	(132)	(67,161)	90,610	23,317
New financial assets originated or purchased	23,992	38,450	4,030	66,472
Financial assets derecognised other than write-off	(21,759)	(48,005)	(11,264)	(81,028)
Changes due to change in credit risk	21,937	91,330	(7,488)	105,779
	44,385	91,674	47,715	183,774
Unwinding of discount	-	-	(3,304)	(3,304)
Total charge to income statement	44,385	91,674	44,411	180,470
Write-off	-	(118)	(39,410)	(39,528)
At 31 March 2021	<b>76,562</b>	<b>183,648</b>	<b>79,716</b>	<b>339,926</b>



3.0 Credit Risk (cont'd.)

3.4 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 2021 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%	1,830,349	225,068	5,043	-	466,467	31,527	-	-	-	2,558,454	-	
20%	-	107,336	5,018	-	711,427	103,557	126	-	-	927,464	185,493	
35%	-	-	-	-	-	-	3,345,977	-	-	3,345,977	1,171,092	
50%	-	-	1,938	-	1,361	12,494	953,351	-	-	969,144	484,572	
75%	-	-	-	-	-	1,734,741	3,514	-	-	1,738,255	1,303,691	
100%	-	-	-	7,774	3,574,660	802,166	541,475	-	52,629	4,978,704	4,978,704	
150%	-	-	-	-	3,070	9,606	73	958	-	13,707	20,561	
<b>Total exposures</b>	<b>1,830,349</b>	<b>332,404</b>	<b>11,999</b>	<b>7,774</b>	<b>4,756,985</b>	<b>2,694,091</b>	<b>4,844,516</b>	<b>958</b>	<b>52,629</b>	<b>14,531,705</b>	<b>8,144,113</b>	
Risk-weighted assets by exposures	-	21,467	1,973	7,774	3,722,231	2,144,589	2,192,013	1,437	52,629	8,144,113		
Average risk weight	0%	6%	16%	100%	78%	80%	45%	150%	100%	56%		
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-	

3.0 Credit Risk (cont'd.)

3.4 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 2021 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%	2,586,298	199,988	5,074	-	346,808	-	-	-	-	3,138,168	-
20%	-	177,104	5,035	-	672,936	67,483	59	-	-	922,617	184,523
35%	-	-	-	-	-	-	3,378,438	-	-	3,378,438	1,182,453
50%	-	-	4,483	-	1,028	11,093	1,012,935	-	-	1,029,539	514,770
75%	-	-	-	-	-	1,771,302	3,288	-	-	1,774,590	1,330,943
100%	-	-	-	7,769	3,578,098	792,644	537,750	-	48,848	4,965,109	4,965,109
150%	-	-	-	-	8,549	7,436	75	973	-	17,033	25,550
<b>Total exposures</b>	<b>2,586,298</b>	<b>377,092</b>	<b>14,592</b>	<b>7,769</b>	<b>4,607,419</b>	<b>2,649,958</b>	<b>4,932,545</b>	<b>973</b>	<b>48,848</b>	<b>15,225,494</b>	<b>8,203,348</b>
Risk-weighted assets by exposures	-	35,420	3,249	7,769	3,726,023	2,151,318	2,229,261	1,460	48,848	8,203,348	
Average risk weight	0%	9%	22%	100%	81%	81%	45%	150%	100%	54%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-

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

**3.4 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 2021**

Exposure Class	Ratings by Approved ECAIs*						Total
	Moody's	Aaa to Aaa3 / 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 (Note 1)	AAA to AA- / a-1+, a-1	A+ to A- / a-2	BBB+ to BB- / a-3	B+ to D / b, c	Unrated	
<b>On and Off Balance-Sheet Exposures</b>							
RM'000							
<b>(i) Exposures risk-weighted using Sovereigns and Central Banks rating</b>							
Sovereigns and Central Banks (See Note 2)	-	1,830,349	-	-	-	1,830,349	
Public Sector Entities	-	225,068	-	-	-	225,068	
Corporates	-	439,046	-	-	-	439,046	
Banks, DFIs and Multilateral Development Banks	-	5,043	-	-	-	5,043	
	-	2,499,506	-	-	-	2,499,506	
<b>(ii) Exposures risk-weighted using Banking Institutions long-term rating</b>							
Banks, DFIs and Multilateral Development Banks	-	10	-	-	6,946	6,956	
<b>Exposures risk-weighted using Banking Institutions short-term rating</b>							
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-	
	-	10	-	-	6,946	6,956	
<b>(iii) Exposures risk-weighted using Corporate long-term rating</b>							
Public Sector Entities	5,126	-	-	-	92,309	97,435	
Corporates	695,070	-	-	-	3,763,699	4,458,769	
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	7,774	7,774	
<b>Exposures risk-weighted using Corporate short-term rating</b>							
Public Sector Entities	9,900	-	-	-	-	9,900	
Corporates	-	-	-	-	-	-	
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	
	710,096	-	-	-	3,863,782	4,573,878	

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.)**

**3.4 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 (cont'd.):

**31 March 2021**

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 (Note 1)	AAA to AA- / a-1+, a-1	A+ to A- / a-2	BBB+ to BB- / a-3	B+ to D / b, c	Unrated	
<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)	-	2,586,298	-	-	-	2,586,298	
Public Sector Entities	-	199,988	-	-	-	199,988	
Corporates	-	346,808	-	-	-	346,808	
Banks, DFIs and Multilateral Development Banks	-	5,074	-	-	-	5,074	
	-	3,138,168	-	-	-	3,138,168	
<b>(ii) Exposures risk-weighted using Banking Institutions long-term rating</b>							
Banks, DFIs and Multilateral Development Banks	-	3	-	-	9,515	9,518	
<b>Exposures risk-weighted using Banking Institutions short-term rating</b>							
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-	
	-	3	-	-	9,515	9,518	
<b>(iii) Exposures risk-weighted using Corporate long-term rating</b>							
Public Sector Entities	5,137	-	-	-	171,968	177,105	
Corporates	660,310	-	-	-	3,735,391	4,395,701	
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	7,769	7,769	
<b>Exposures risk-weighted using Corporate short-term rating</b>							
Public Sector Entities	-	-	-	-	-	-	
Corporates	-	-	-	-	-	-	
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	
	665,447	-	-	-	3,915,128	4,580,575	

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.)**

**3.5 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

<b>30 September 2021</b>	<b>Exposures before CRM</b>	<b>Exposures covered by guarantees/ credit derivatives (Note 1)</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><u>Credit Risk</u></b>				
On-balance sheet exposures:				
Sovereigns/Central banks	1,830,349	-	-	-
Public sector entities	308,404	-	-	-
Banks, DFIs and Multilateral Development Banks	11,235	-	-	-
Takaful Companies, Securities Firms and Fund Managers	3,754	-	-	-
Corporates	4,340,980	41,634	101,112	-
Regulatory retail	2,662,895	131,777	82,163	-
RRE financing	4,618,328	126	248	-
Higher risk assets	883	-	-	-
Other assets	52,629	-	-	-
Defaulted exposures	202,604	2,196	533	-
<b>Total on-balance sheet exposures</b>	<b>14,032,061</b>	<b>175,733</b>	<b>184,056</b>	<b>-</b>
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	731,953	3,254	48,278	-
Defaulted exposures	25	-	-	-
<b>Total off-balance sheet exposures</b>	<b>731,978</b>	<b>3,254</b>	<b>48,278</b>	<b>-</b>
<b>Total on and off-balance sheet exposures</b>	<b>14,764,039</b>	<b>178,987</b>	<b>232,334</b>	<b>-</b>

Note 1: The exposures covered by guarantees/credit derivative refers to the exposures guaranteed by eligible guarantor.

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

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

**3.5 Credit Risk Mitigation ("CRM") (cont'd.)**

<b>31 March 2021</b>	<b>Exposures</b>	<b>Exposures</b>	<b>Exposures</b>	<b>Exposures</b>
<b>Exposure Class</b>	<b>before CRM</b>	<b>covered by</b>	<b>covered by</b>	<b>covered by</b>
	<b>RM'000</b>	<b>guarantees/ credit derivatives</b>	<b>eligible financial collateral</b>	<b>other eligible collateral</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Credit Risk</u></b>				
On-balance sheet exposures:				
Sovereigns/Central banks	2,586,298	-	-	-
Public sector entities	371,095	-	-	-
Banks, DFIs and Multilateral Development Banks	14,463	-	-	-
Takaful Companies, Securities Firms and Fund Managers	3,749	-	-	-
Corporates	4,195,144	12,626	95,837	-
Regulatory retail	2,642,276	67,483	82,337	-
RRE financing	4,686,526	58	268	-
Higher risk assets	898	-	-	-
Other assets	48,849	-	-	-
Defaulted exposures	216,952	-	533	-
<b>Total on-balance sheet exposures</b>	<b>14,766,250</b>	<b>80,167</b>	<b>178,975</b>	<b>-</b>
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	686,407	-	48,733	-
Defaulted exposures	545	-	-	-
<b>Total off-balance sheet exposures</b>	<b>686,952</b>	<b>-</b>	<b>48,733</b>	<b>-</b>
<b>Total on and off-balance sheet exposures</b>	<b>15,453,202</b>	<b>80,167</b>	<b>227,708</b>	<b>-</b>

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

**3.6 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:

	<b>Principal Amount</b>	<b>Credit Equivalent Amount</b>	<b>Risk- Weighted Assets</b>
	RM'000	RM'000	RM'000
<b>30 September 2021</b>			
<u>Credit-related exposures</u>			
Direct credit substitutes	173,254	173,254	164,817
Transaction-related contingent items	59,282	29,641	19,796
Short-term self-liquidating trade-related contingencies	35,300	7,060	6,536
Irrevocable commitments to extend credit:			
- maturity exceeding one year	191,015	95,508	68,031
- maturity not exceeding one year	2,132,582	426,515	336,570
	<u>2,591,433</u>	<u>731,978</u>	<u>595,750</u>
<b>31 March 2021</b>			
<u>Credit-related exposures</u>			
Direct credit substitutes	176,751	176,751	168,242
Transaction-related contingent items	61,668	30,834	20,702
Short-term self-liquidating trade-related contingencies	25,790	5,158	4,886
Irrevocable commitments to extend credit:			
- maturity exceeding one year	154,433	77,215	54,073
- maturity not exceeding one year	1,984,969	396,994	322,344
	<u>2,403,611</u>	<u>686,952</u>	<u>570,247</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 RM'000</b>	<b>Capital Requirements RM'000</b>
<b>30 September 2021</b>		
Profit rate risk		
- General profit rate risk	-	-
- Specific profit rate risk	-	-
	<u>-</u>	<u>-</u>
Foreign exchange risk	82	7
Option risk	-	-
	<u>82</u>	<u>7</u>
<b>31 March 2021</b>		
Profit rate risk		
- General profit rate risk	-	-
- Specific profit rate risk	-	-
	<u>-</u>	<u>-</u>
Foreign exchange risk	155	12
Option risk	-	-
	<u>155</u>	<u>12</u>



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

**5.0 Rate of Return Risk in the Banking Book**

The following tables present the Bank's projected sensitivity shock based on standard scenario as outlined in BNM's Reporting Requirements for Interest Rate/ Rate of Return Risk in the Banking Book Policy Document issued on 30 June 2020 across all maturities applied on the Bank's rate of return sensitivity gap as at reporting date.

	MYR RM000	USD RM000	SGD RM000	Others FCY RM000	Total RM000
<b>30 September 2021</b>					
<b>Impact on Net Profit Income ("NPI")</b>					
Parallel 200 bps up	81,285	-	-	-	81,285
Parallel 200 bps down	(81,285)	-	-	-	(81,285)
<b>Impact on Economic Value ("EV")</b>					
Parallel 200 bps up	(50,468)	-	-	-	(50,468)
Parallel 200 bps down	50,468	-	-	-	50,468
Steepener	(144,306)	-	-	-	(144,306)
Flattener	122,070	-	-	-	122,070
Short Rate Up	26,654	-	-	-	26,654
Short Rate Down	(26,654)	-	-	-	(26,654)
<b>31 March 2021</b>					
<b>Impact on Net Profit Income ("NPI")</b>					
Parallel 200 bps up	73,702	-	-	-	73,702
Parallel 200 bps down	(73,702)	-	-	-	(73,702)
<b>Impact on Economic Value ("EV")</b>					
Parallel 200 bps up	(56,833)	-	-	-	(56,833)
Parallel 200 bps down	56,833	-	-	-	56,833
Steepener	(140,679)	-	-	-	(140,679)
Flattener	117,140	-	-	-	117,140
Short Rate Up	21,122	-	-	-	21,122
Short Rate Down	(21,122)	-	-	-	(21,122)

The reported amounts do not capture the impact of business growth or of management actions as the impact is based on the balance sheet as at reporting date. In reality, Group Asset and Liability Committee ("GALCO") seeks to proactively change the profit attributable to rate of return risk to minimise losses and maximise revenue.

Actual dates may differ from contractual dates for both financing and deposit owing to prepayments / premature withdrawals. When possible and material, financing prepayments and deposit premature withdrawals are generally estimated based on past statistics and trends. The impact on Net Profit Income ("NPI") and Economic Value ("EV") are measured on a monthly basis for the Bank and quarterly for the Group, both of which are reported to GALCO and the Group Risk Management Committee.

## **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 policy document 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. The Shariah non-compliance income of RM 831.94 had been refunded to the affected customers in accordance with Shariah Committee's decision.