



ALLIANCE ISLAMIC BANK

Alliance Islamic Bank Berhad 200701018870 (776882-V)

BASEL II PILLAR 3 REPORT

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

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FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

1.0 Overview

Bank Negara Malaysia's ("BNM") Capital Adequacy Framework require Alliance Islamic Bank Berhad ("the Bank") to maintain an adequate level of capital to withstand potential losses arising from its operations. BNM's Capital Adequacy Framework cover three main aspects:

- (a) Pillar 1 - covers the calculation of Risk-Weighted Assets for Credit Risk, Market Risk and Operational Risk;
- (b) Pillar 2 - involves assessment of other risks (e.g. Rate of Return Risk in the Banking Book, Liquidity Risk and Concentration Risk) not covered under Pillar 1. This promotes the adoption of forward-looking approaches to capital management and stress testing / risk simulation techniques; and
- (c) Pillar 3 - covers disclosure and external communication of risk and capital information by banks.

The Pillar 3 Disclosure for the financial period ended 30 September 2022 for the Bank is in accordance with BNM's Capital Adequacy Framework for Islamic Banks ("CAFIB") - Disclosures Requirements (Pillar 3).

Bank has adopted the Standardised Approach for credit risk and market risk; and the Basic Indicator Approach for operational risk in determining the capital requirements of Pillar 1.

1.1 Medium and Location of Disclosure

The Pillar 3 Disclosure will be made available under the Investor Relations section of the Group's website at www.alliancebank.com.my/islamic/home and as a separate report in the annual and half-yearly financial reports.

1.2 Basis of Disclosure

The Bank's Pillar 3 Disclosure is governed by the Bank's Pillar 3 Disclosure Policy. This policy outlines the minimum disclosure standards, the approach for determining the appropriateness of information disclosed and the internal controls over the disclosure process. Pillar 3 Disclosure is to be read in conjunction with the Bank's financial statements for the financial period ended 30 September 2022. Whilst this document discloses the Bank's assets both in terms of exposures and capital requirements, the information disclosed herein may not be directly comparable with the information in the financial statements for financial period ended 30 September 2022 published by the Bank.

These disclosures have been reviewed and verified by an independent internal party and approved by the Group Risk Management Committee ("GRMC"), as delegated by the Board of Directors ("Board") of the Group.

1.3 Comparative Information

The corresponding Pillar 3 Disclosure in the preceding reporting period would be as at 31 March 2022.

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1.0 Overview (cont'd.)

1.4 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.

The quantitative information as at 30 September 2022 also reflects the event where Alliance Investment Bank Berhad ("AIBB"), a related company of the Bank, had obtained Vesting Order from the High Court of Malaya on 16 March 2022 and completed the transfer of the total assets and total liabilities of the Capital Markets Business to the Bank on 31 March 2022.

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

2.0 Capital

The Bank maintains a strong capital base to support its current activities and future growth, to meet regulatory capital requirements at all times and to buffer against potential losses.

The Bank's Internal Capital Adequacy Assessment Process ("ICAAP") covers the following:

- (a) Assesses inherent risks in the business against risk captured under Pillar 1, and risks not sufficiently or not captured under Pillar 1;
- (b) Estimates the potential impact of extreme but plausible events on the Group's earnings, balance sheet and capital via stress testing;
- (c) Sets internal capital targets which include buffers to cushion potential stress losses and contingency plan(s) where warranted; and
- (d) Regularly monitors and reports portfolio risk profiles, required capital and available capital.

ICAAP results are regularly reported to GRMC and the Board to facilitate proactive capital management.

2.0 Capital (cont'd.)

2.1 Capital Adequacy Ratios

BNM's Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions took effect on 9 December 2020. This allows 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 Group and the Bank have sufficient capital under both conditions with or without the Transitional Arrangement.

The Capital Adequacy Ratios with and without Transitional Arrangements of the Bank are as follows:

	30 September 2022	31 March 2022
<u>(a) With Transitional Arrangements</u>		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	13.979%	14.904%
Tier I capital ratio	15.005%	15.966%
Total capital ratio	17.500%	18.510%
<u>After deducting proposed dividends</u>		
CET I capital ratio	13.534%	14.463%
Tier I capital ratio	14.561%	15.525%
Total capital ratio	17.055%	18.069%
<u>(b) Without Transitional Arrangements</u>		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	12.581%	12.995%
Tier I capital ratio	13.608%	14.057%
Total capital ratio	16.102%	16.601%
<u>After deducting proposed dividends</u>		
CET I capital ratio	12.136%	12.554%
Tier I capital ratio	13.163%	13.616%
Total capital ratio	15.658%	16.160%

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 CET I, Tier I and Tier II capital under the Capital Adequacy Framework with Transitional Arrangements:

	30 September 2022 RM'000	31 March 2022 RM'000
<u>CET I Capital</u>		
Paid-up share capital	600,000	600,000
Retained profits	713,706	668,707
Financial investments at fair value through other comprehensive income (FVOCI) reserves	(37,605)	(7,509)
	<u>1,276,101</u>	<u>1,261,198</u>
(Less)/add: Regulatory adjustments		
- Intangible assets	(1,628)	(1,444)
- Deferred tax assets	(52,950)	(41,558)
- Transitional arrangements	135,692	178,984
Total CET I Capital	<u>1,357,215</u>	<u>1,397,180</u>
Additional Tier 1 Sukuk Wakalah	99,706	99,613
Total Additional Tier 1 Capital	<u>99,706</u>	<u>99,613</u>
Total Tier I Capital	<u><u>1,456,921</u></u>	<u><u>1,496,793</u></u>
<u>Tier II Capital</u>		
Subordinated Sukuk Murabahah	130,000	129,943
Expected credit losses and regulatory reserves (Note 1 & Note 2)	112,173	108,506
Total Tier II Capital	<u>242,173</u>	<u>238,449</u>
Total Capital	<u><u>1,699,094</u></u>	<u><u>1,735,242</u></u>

Note 1: The Bank maintained its prudent stand in relation to maintaining the regulatory reserves to preserve the potential deterioration of credit quality, taking into consideration the impact of the unprecedented pandemic and the economic slowdown.

Note 2: Expected credit losses ("ECL") for S1 and S2 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 requirements of the Bank:

30 September 2022	Gross	Net	Risk-	Capital
Exposure Class	Exposures	Exposures	Weighted	Requirements
	RM'000	RM'000	Assets	RM'000
			RM'000	
(a) Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	2,407,925	2,407,925	-	-
Public Sector Entities	272,298	272,298	5,023	402
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks	19,673	19,673	2,962	237
Takaful Companies, Securities Firms and Fund Managers	1,884	1,884	1,884	151
Corporates	4,613,599	4,470,485	3,476,457	278,117
Regulatory Retail	3,475,291	3,386,805	2,696,447	215,716
Residential Real Estate ("RRE") Financing	4,488,451	4,487,971	1,892,236	151,379
Higher Risk Assets	921	921	1,381	110
Other Assets	78,259	78,259	78,259	6,261
Defaulted Exposures	184,506	183,973	158,605	12,688
Total On-Balance Sheet Exposures	15,542,807	15,310,194	8,313,254	665,061
Off-Balance Sheet Exposures:				
Credit-Related Off-Balance Sheet Exposures				
Derivative Financial Instruments	13,501	13,501	6,751	540
Defaulted Exposures	30	30	30	2
Total Off-Balance Sheet Exposures	848,041	786,910	660,584	52,846
Total On and Off-Balance Sheet Exposures	16,390,848	16,097,104	8,973,838	717,907
(b) Market Risk (Note 4.0)				
	Long	Short		
	Position	Position		
Profit Rate Risk	-	-	-	-
Foreign Exchange Risk	-	(42)	42	3
	-	(42)		
Option risk				
Total			42	3
(c) Operational Risk	-	-	735,384	58,831
Total	16,390,848	16,097,104	9,709,264	776,741

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.):

31 March 2022 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(a) Credit Risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	2,165,544	2,165,544	-	-
Public Sector Entities	331,994	331,994	22,078	1,766
Banks, DFIs and Multilateral Development Banks	19,993	19,993	3,011	241
Takaful Companies, Securities Firms and Fund Managers	3,792	3,792	3,792	303
Corporates	4,730,262	4,604,480	3,575,607	286,049
Regulatory Retail	3,060,310	2,975,857	2,373,705	189,896
RRE Financing	4,578,969	4,578,720	1,985,194	158,816
Higher Risk Assets	875	875	1,313	105
Other Assets	71,170	71,170	71,170	5,694
Defaulted Exposures	154,969	154,436	137,861	11,029
Total On-Balance Sheet Exposures	15,117,878	14,906,861	8,173,731	653,899
Off-Balance Sheet Exposures:				
Credit-Related Off-Balance Sheet Exposures				
Derivative Financial Instruments	647,049	601,699	506,688	40,535
Defaulted Exposures	55	55	76	6
Total Off-Balance Sheet Exposures	647,104	601,754	506,764	40,541
Total On and Off-Balance Sheet Exposures	15,764,982	15,508,615	8,680,495	694,440
(b) Market Risk (Note 4.0)				
	Long Position	Short Position		
Profit Rate Risk	-	-	-	-
Foreign Exchange Risk	-	(58)	58	5
Option Risk			-	-
Total			58	5
(c) Operational Risk				
Total	15,764,982	15,508,615	9,374,665	749,974

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.

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3.0 Credit Risk

3.1 Distribution of Credit Exposures

(a) Geographical Distribution

The following tables represent the Group's and 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 any collateral held or other credit enhancements and after allowance for impairment, where appropriate.

30 September 2022	Geographical region					
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Total RM'000
Exposure class						
On-Balance Sheet Exposures:						
Sovereigns/Central Banks	-	2,407,925	-	-	-	2,407,925
Public Sector Entities	-	262,274	-	10,024	-	272,298
Banks, DFIs and Multilateral Development Banks	-	14,664	-	-	5,009	19,673
Takaful Companies, Securities Firms and Fund Managers	-	1,884	-	-	-	1,884
Corporates	612,279	3,072,360	340,662	459,897	128,401	4,613,599
Regulatory Retail	523,456	2,084,796	483,151	286,424	97,464	3,475,291
RRE Financing	148,886	3,601,015	440,564	263,268	34,718	4,488,451
Higher Risk Assets	161	556	204	-	-	921
Other Assets	-	78,259	-	-	-	78,259
Defaulted Exposures	15,545	136,557	19,901	11,496	1,007	184,506
Total On-Balance Sheet Exposures	1,300,327	11,660,290	1,284,482	1,031,109	266,599	15,542,807
Off-Balance Sheet Exposures:						
Credit-Related Off-Balance Sheet Exposures	127,518	456,448	90,916	102,819	56,809	834,510
Derivative financial instruments	-	13,501	-	-	-	13,501
Defaulted Exposures	1	29	-	-	-	30
Total Off-Balance Sheet Exposures	127,519	469,978	90,916	102,819	56,809	848,041
Total Credit Exposures	1,427,846	12,130,268	1,375,398	1,133,928	323,408	16,390,848

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3.0 Credit Risk (cont'd.)

3.1 Distribution of Credit Exposures (cont'd.)

(a) Geographical Distribution (cont'd.)

31 March 2022	Geographical region					
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Total RM'000
Exposure class						
On-Balance Sheet Exposures:						
Sovereigns/Central Banks	-	2,165,544	-	-	-	2,165,544
Public Sector Entities	-	241,831	-	90,163	-	331,994
Banks, DFIs and Multilateral Development Banks	-	14,985	-	-	5,008	19,993
Takaful Companies, Securities Firms and Fund Managers	-	3,792	-	-	-	3,792
Corporates	524,901	3,180,794	313,732	451,752	259,083	4,730,262
Regulatory Retail	460,765	1,774,466	474,100	257,861	93,118	3,060,310
RRE Financing	156,867	3,668,016	449,461	267,853	36,772	4,578,969
Higher Risk Assets	159	555	161	-	-	875
Other Assets	-	71,170	-	-	-	71,170
Defaulted Exposures	14,430	106,032	22,186	11,384	937	154,969
Total On-Balance Sheet Exposures	1,157,122	11,227,185	1,259,640	1,079,013	394,918	15,117,878
Off-Balance Sheet Exposures:						
Credit-Related Off-Balance Sheet Exposures	99,341	357,535	85,304	83,359	21,510	647,049
Derivative financial instruments	-	-	-	-	-	-
Defaulted Exposures	-	35	20	-	-	55
Total Off-Balance Sheet Exposures	99,341	357,570	85,324	83,359	21,510	647,104
Total Credit Exposures	1,256,463	11,584,755	1,344,964	1,162,372	416,428	15,764,982

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.

30 September 2022	<u>Government & Central Bank</u> RM'000	<u>Financial, Takaful & Business Services</u> RM'000	<u>Transport, Storage & Communication</u> RM'000	<u>Agriculture, Manufacturing, Wholesale & Retail Trade</u> RM'000	<u>Construction</u> RM'000	<u>Household</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
Exposure Class								
Sovereigns/Central Banks	2,407,925	-	-	-	-	-	-	2,407,925
Public Sector Entities	-	272,298	-	-	-	-	-	272,298
Banks, DFIs and Multilateral Development Banks	-	19,673	-	-	-	-	-	19,673
Takaful Companies, Securities Firms and Fund Managers	-	1,884	-	-	-	-	-	1,884
Corporates	-	1,381,241	478,339	2,282,272	398,531	5,621	67,595	4,613,599
Regulatory Retail	-	272,901	30,147	1,313,489	116,664	1,713,128	28,962	3,475,291
RRE Financing	-	-	-	-	-	4,488,451	-	4,488,451
Higher Risk Assets	-	-	-	-	-	921	-	921
Other Assets	-	-	-	-	-	-	78,259	78,259
Defaulted Exposures	-	111	230	7,441	1,755	171,862	3,107	184,506
Total On-Balance Sheet Exposures	2,407,925	1,948,108	508,716	3,603,202	516,950	6,379,983	177,923	15,542,807
Credit-Related Off-Balance Sheet Exposures	-	97,821	15,904	494,065	60,497	158,359	7,864	834,510
Derivative financial instruments	-	13,501	-	-	-	-	-	13,501
Defaulted Exposures	-	-	-	-	-	29	1	30
Total Off-Balance Sheet Exposures	-	111,322	15,904	494,065	60,497	158,388	7,865	848,041
Total Credit Exposures	2,407,925	2,059,430	524,620	4,097,267	577,447	6,538,371	185,788	16,390,848

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.)

31 March 2022	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
Exposure Class								
Sovereigns/Central Banks	2,165,544	-	-	-	-	-	-	2,165,544
Public Sector Entities	-	322,265	9,729	-	-	-	-	331,994
Banks, DFIs and Multilateral Development Banks	-	19,993	-	-	-	-	-	19,993
Takaful Companies, Securities Firms and Fund Managers	-	3,792	-	-	-	-	-	3,792
Corporates	-	1,464,258	460,513	2,421,144	318,864	5,080	60,403	4,730,262
Regulatory Retail	-	242,261	37,040	1,204,441	89,531	1,465,241	21,796	3,060,310
RRE Financing	-	-	-	-	-	4,578,969	-	4,578,969
Higher Risk Assets	-	-	-	-	-	875	-	875
Other Assets	-	-	-	-	-	-	71,170	71,170
Defaulted Exposures	-	119	243	13,427	1,101	136,955	3,124	154,969
Total On-Balance Sheet Exposures	2,165,544	2,052,688	507,525	3,639,012	409,496	6,187,120	156,493	15,117,878
Credit-Related Off-Balance Sheet Exposures	-	61,613	8,494	385,340	51,777	138,092	1,733	647,049
Derivative financial instruments	-	-	-	-	-	-	-	-
Defaulted Exposures	-	-	-	-	22	33	-	55
Total Off-Balance Sheet Exposures	-	61,613	8,494	385,340	51,799	138,125	1,733	647,104
Total Credit Exposures	2,165,544	2,114,301	516,019	4,024,352	461,295	6,325,245	158,226	15,764,982

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>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1 year</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 September 2022						
Exposure Class						
Sovereigns/Central Banks	1,620,490	-	-	50,880	736,555	2,407,925
Public Sector Entities	10,024	-	15,093	101,030	146,151	272,298
Banks, DFIs and Multilateral						
Development Banks	5,011	-	-	-	14,662	19,673
Takaful Companies, Securities						
Firms and Fund Managers	-	-	-	-	1,884	1,884
Corporates	894,604	487,207	151,520	83,514	2,996,754	4,613,599
Regulatory Retail	378,986	91,960	43,556	20,527	2,940,262	3,475,291
RRE Financing	530,632	14	63	247	3,957,495	4,488,451
Higher Risk Assets					921	921
Other Assets	7,910	1,349	1,090	142	67,768	78,259
Defaulted Exposures	15,692	27	50	260	168,477	184,506
Total On-Balance Sheet Exposures	3,463,349	580,557	211,372	256,600	11,030,929	15,542,807
31 March 2022						
Exposure Class						
Sovereigns/Central Banks	1,417,800	-	-	-	747,744	2,165,544
Public Sector Entities	90,163	5,088	-	15,139	221,604	331,994
Banks, DFIs and Multilateral						
Development Banks	5,011	-	-	-	14,982	19,993
Takaful Companies, Securities						
Firms and Fund Managers	-	-	-	-	3,792	3,792
Corporates	1,008,300	533,115	210,917	107,794	2,870,136	4,730,262
Regulatory Retail	408,400	72,358	29,935	24,882	2,524,735	3,060,310
RRE Financing	567,071	121	147	452	4,011,178	4,578,969
Higher Risk Assets	-	-	-	-	875	875
Other Assets	14,518	539	773	603	54,737	71,170
Defaulted Exposures	20,217	12	70	126	134,544	154,969
Total On-Balance Sheet Exposures	3,531,480	611,233	241,842	148,996	10,584,327	15,117,878

3.0 Credit Risk (cont'd.)

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

Impaired financing and advances are exposures where the customers have failed to make a principal and/or profit payment for more than three 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.

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 three months. Under MFRS 9, 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 intervals or longer, a default of payment will trigger an impairment.

Impaired and Past Due Financing and Advances and Allowance for Expected Credit Losses - Industry Analysis

	Impaired Financing, Advances and Financing RM'000	Past Due Financing RM'000	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) (net) RM'000	Stage 3 write-off (net) RM'000
30 September 2022							
Financial, Takaful & Business							
Services and Real Estate	547	10,111	3,087	3,747	436	0	-
Transport, Storage & Communication	537	3,083	312	388	308	(2)	-
Agriculture, Manufacturing, Wholesale & Retail Trade	25,486	31,992	6,684	10,563	18,056	2,492	(4,095)
Construction	12,982	10,470	683	4,089	11,241	127	(40,284)
Household	233,191	416,503	75,956	177,420	61,210	25,201	(15,504)
Others	3,882	472	119	3,137	762	69	-
Total	276,625	472,631	86,841	199,344	92,013	27,887	(59,883)

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Financial, Takaful & Business							
Services and Real Estate	556	10,990	2,748	5,869	435	180	-
Transport, Storage & Communication	553	2,317	394	299	311	(76)	-
Agriculture, Manufacturing, Wholesale & Retail Trade	32,998	27,985	10,201	10,667	19,572	13,046	(1,088)
Construction	51,691	15,245	987	2,863	51,376	38,400	-
Household	188,652	294,692	81,604	166,314	51,653	16,342	(23,130)
Others	3,884	-	141	2,663	759	825	-
Total	278,334	351,229	96,075	188,675	124,106	68,717	(24,218)

3.0 Credit Risk (cont'd.)

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

Impaired and Past Due Financing and Advances and Allowance for Expected Credit Losses - Geographical

	Impaired Financing, Advances and Financing RM'000	Past Due Financing RM'000	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 (net) RM'000	Stage 3 write-off (net) RM'000
<u>30 September 2022</u>							
Northern region	29,202	28,491	6,605	11,617	13,644	2,285	(976)
Central region	189,690	347,787	68,189	160,493	53,050	23,768	(54,632)
Southern region	41,219	50,303	7,928	16,427	21,312	533	(2,578)
Sabah region	14,902	37,927	3,435	9,638	3,402	1,069	(1,670)
Sarawak region	1,612	8,123	684	1,169	605	232	(27)
Total	276,625	472,631	86,841	199,344	92,013	27,887	(59,883)
<u>31 March 2022</u>							
Northern region	26,958	17,963	7,338	9,867	12,527	3,618	(1,789)
Central region	189,154	250,046	73,676	151,645	83,880	47,500	(19,672)
Southern region	45,620	37,726	9,244	15,811	23,419	15,355	(2,414)
Sabah region	15,249	38,862	4,687	10,286	3,864	2,141	(258)
Sarawak region	1,353	6,632	1,130	1,066	416	103	(85)
Total	278,334	351,229	96,075	188,675	124,106	68,717	(24,218)

3.0 Credit Risk (cont'd.)

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

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 2022	96,075	188,675	124,106	408,856
Transfer to Stage 1	35,521	(50,969)	(14)	(15,462)
Transfer to Stage 2	(44,734)	90,358	(17,218)	28,406
Transfer to Stage 3	(572)	(43,111)	47,942	4,259
New financial assets originated or purchased	13,273	6,460	2,166	21,899
Financial assets derecognised other than write-off	(9,534)	(9,222)	(3,460)	(22,216)
Changes due to change in credit risk	(3,188)	17,842	(1,529)	13,125
	(9,234)	11,358	27,887	30,011
Unwinding of discount	-	-	(97)	(97)
Total (write-back from)/charge to income statement	(9,234)	11,358	27,790	29,914
Write-off	-	(689)	(59,883)	(60,572)
At 30 September 2022	86,841	199,344	92,013	378,198
At 1 April 2021	76,562	183,648	79,716	339,926
Transfer to Stage 1	52,439	(185,682)	(18)	(133,261)
Transfer to Stage 2	(33,096)	287,650	(81,477)	173,077
Transfer to Stage 3	(181)	(150,739)	132,225	(18,695)
New financial assets originated or purchased	31,490	62,388	5,659	99,537
Financial assets derecognised other than write-off	(22,993)	(60,265)	(10,007)	(93,265)
Changes due to change in credit risk	(8,146)	52,609	22,335	66,798
	19,513	5,961	68,717	94,191
Unwinding of discount	-	-	(109)	(109)
Total charge to income statement	19,513	5,961	68,608	94,082
Write-off	-	(934)	(24,218)	(25,152)
At 31 March 2022	96,075	188,675	124,106	408,856

Note: The transfer between stages are inclusive of net remeasurement of allowances.

3.0 Credit Risk (cont'd.)

3.3 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 2022	Exposures after netting and credit risk mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk-Weighted Assets
	Sovereigns /Central Banks	Public Sector Entities	Banks, DFIs and Multilateral Development Banks	Takaful Companies, Securities Firms and Fund Managers	Regulatory Corporates	Higher Risk	RRE	Other Assets	Higher Risk Assets		
Risk-Weights	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	2,407,925	247,181	4,863	-	521,894	35,886	-	-	-	3,217,749	-
20%	-	57,118	14,810	-	597,662	207,843	734	-	-	878,167	175,631
35%	-	-	-	-	-	-	3,337,318	-	-	3,337,318	1,168,059
50%	-	-	14,501	-	1,970	10,520	977,379	-	-	1,004,370	502,188
75%	-	-	-	-	-	2,135,221	2,014	-	-	2,137,235	1,602,928
100%	-	-	-	5,904	3,849,532	1,213,689	369,351	-	78,259	5,516,735	5,516,735
150%	-	-	-	-	91	4,047	380	1,012	-	5,530	8,297
Total Exposures	2,407,925	304,299	34,174	5,904	4,971,149	3,607,206	4,687,176	1,012	78,259	16,097,104	8,973,838
Risk-Weighted Assets by Exposures	-	11,424	10,213	5,904	3,970,186	2,868,005	2,028,329	1,518	78,259	8,973,838	
Average Risk Weight	0%	4%	30%	100%	80%	80%	43%	150%	100%	56%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-

3.0 Credit Risk (cont'd.)

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

31 March 2022 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%	2,165,544	221,604	4,938	-	489,683	31,919	-	-	-	2,913,688	-
20%	-	126,390	15,055	-	679,177	143,944	517	-	-	965,083	193,016
35%	-	-	-	-	-	-	3,334,143	-	-	3,334,143	1,166,950
50%	-	-	1,000	-	1,618	4,932	978,223	-	-	985,773	492,887
75%	-	-	-	-	-	1,937,216	3,203	-	-	1,940,419	1,455,314
100%	-	-	-	7,812	3,831,588	1,005,127	448,176	-	71,170	5,363,873	5,363,874
150%	-	-	-	-	125	4,560	-	951	-	5,636	8,454
Total Exposures	2,165,544	347,994	20,993	7,812	5,002,191	3,127,698	4,764,262	951	71,170	15,508,615	8,680,495
Risk-Weighted Assets by Exposures	-	25,278	3,511	7,812	3,968,420	2,496,134	2,106,743	1,427	71,170	8,680,495	
Average Risk Weight	0%	7%	17%	100%	79%	80%	44%	150%	100%	56%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-

3.0 Credit Risk (cont'd.)

3.3 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 Berhad ("MARC"), Standard and Poor's ("S&P"), Moody's, Fitch Ratings, and Rating and Investment Information, Inc ("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 External Credit Assessment Institutions ("ECAIs"), or as prescribed under the CAFIB:

Long-Term Rating

Rating Category	S&P	Moody's	Fitch	RAM	MARC	R&I*
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A+ to A3	A+ to A-	A+ to A-
3	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	BBB1+ to BB3	BBB+ to BB-	BBB+ to BB-
4	B+ to D	B1 to C	B+ to D	B to D	B+ to D	B+ to D
5	Unrated					

Short-Term Rating

Rating Category	S&P	Moody's	Fitch	RAM	MARC	R&I*
1	A-1	P-1	F1+, F1	P-1	MARC-1	a-1+, a-1
2	A-2	P-2	F2	P-2	MARC-2	a-2
3	A-3	P-3	F3	P-3	MARC-3	a-3
4	Others	Others	B+ to D	NP	MARC-4	b, c
5	Unrated					

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

30 September 2022

Exposure Class	Rating Categories					Total
	1	2	3	4	5	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
(i) Exposures risk-weighted using Sovereigns and Central Banks rating						
Sovereigns and Central Banks (See Note 2)	-	2,407,925	-	-	-	2,407,925
Public Sector Entities	-	247,181	-	-	-	247,181
Corporates	-	459,234	-	-	-	459,234
Banks, DFIs and Multilateral Development Banks	-	4,863	-	-	-	4,863
Total	-	3,119,203	-	-	-	3,119,203
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	9,799	13,504	-	-	6,009	29,312
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
Total	9,799	13,504	-	-	6,009	29,312
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	15,093	-	-	-	42,024	57,117
Corporates	550,616	-	-	-	4,156,005	4,706,621
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	5,904	5,904
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Total	565,709	-	-	-	4,203,933	4,769,642

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

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.)

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

31 March 2022

Exposure Class	Rating Categories					Total
	1	2	3	4	5	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
(i) Exposures risk-weighted using Sovereigns and Central Banks rating						
Sovereigns and Central Banks (See Note 2)	-	2,165,544	-	-	-	2,165,544
Public Sector Entities	-	221,604	-	-	-	221,604
Corporates	-	455,592	-	-	-	455,592
Banks, DFIs and Multilateral Development Banks	-	4,938	-	-	-	4,938
Total	-	2,847,678	-	-	-	2,847,678
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	10,043	3	-	-	6,008	16,054
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
Total	10,043	3	-	-	6,008	16,054
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	20,227	-	-	-	106,163	126,390
Corporates	649,167	-	-	-	4,060,167	4,709,334
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	7,812	7,812
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Total	669,394	-	-	-	4,174,142	4,843,536

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

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.)

3.4 Credit Risk Mitigation ("CRM")

As a practical approach towards mitigating credit risk, the Bank accepts a wide range of collaterals. The 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's Capital Adequacy Framework 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.

30 September 2022 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives (Note 1) RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<u>Credit Risk</u>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	2,407,925	-	-	-
Public Sector Entities	272,298	-	-	-
Banks, DFIs and Multilateral Development Banks	19,673	-	-	-
Takaful Companies, Securities Firms and Fund Managers	1,884	-	-	-
Corporates	4,613,599	103,710	143,114	-
Regulatory Retail	3,475,291	241,659	88,486	-
RRE Financing	4,488,451	734	480	-
Higher Risk Assets	921	-	-	-
Other Assets	78,259	-	-	-
Defaulted Exposures	184,506	347	533	-
Total On-Balance Sheet Exposures	15,542,807	346,450	232,613	-
Off-Balance Sheet Exposures:				
Off-Balance Sheet Exposures Other than Over The Counter ("OTC")				
Derivatives or Credit Derivatives	848,011	7,720	61,130	-
Defaulted Exposures	30	-	-	-
Total Off-Balance Sheet Exposures	848,041	7,720	61,130	-
Total On and Off-Balance Sheet Exposures	16,390,848	354,170	293,743	-

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

3.0 Credit Risk (cont'd.)

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

31 March 2022 Exposure Class	<u>Exposures before CRM</u> RM'000	<u>Exposures covered by guarantees/ credit derivatives (Note 1)</u> RM'000	<u>Exposures covered by eligible financial collateral</u> RM'000	<u>Exposures covered by other eligible collateral</u> RM'000
<u>Credit Risk</u>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	2,165,544	-	-	-
Public Sector Entities	331,994	-	-	-
Banks, DFIs and Multilateral Development Banks	19,993	-	-	-
Takaful Companies, Securities Firms and Fund Managers	3,792	-	-	-
Corporates	4,730,262	59,948	125,782	-
Regulatory Retail	3,060,310	175,044	84,453	-
RRE Financing	4,578,969	517	249	-
Higher Risk Assets	875	-	-	-
Other Assets	71,170	-	-	-
Defaulted Exposures	154,969	-	533	-
Total On-Balance Sheet Exposures	<u>15,117,878</u>	<u>235,509</u>	<u>211,017</u>	<u>-</u>
Off-Balance Sheet Exposures:				
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	647,049	4,971	45,350	-
Defaulted Exposures	55	-	-	-
Total Off-Balance Sheet Exposures	<u>647,104</u>	<u>4,971</u>	<u>45,350</u>	<u>-</u>
Total On and Off-Balance Sheet Exposures	<u>15,764,982</u>	<u>240,480</u>	<u>256,367</u>	<u>-</u>

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

3.0 Credit Risk (cont'd.)

3.5 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
30 September 2022				
<u>Credit-Related Exposures</u>				
Direct Credit Substitutes	79,841	-	79,841	65,830
Transaction-Related Contingent Items	65,559	-	32,780	19,598
Short-Term Self-Liquidating Trade- Related Contingencies	19,165	-	3,833	2,856
Irrevocable Commitments to Extend Credit:				
- Maturity exceeding one year	440,478	-	220,141	169,832
- Maturity not exceeding one year	2,489,788	-	497,945	395,717
	<u>3,094,831</u>	<u>-</u>	<u>834,540</u>	<u>653,833</u>
<u>Derivative Financial Instrument</u>				
Profit Rate Related Contracts:				
-One year or less	-	-	-	-
-Over one year to three years	-	-	-	-
-Over three years	298,000	1,581	13,501	6,751
	<u>298,000</u>	<u>1,581</u>	<u>13,501</u>	<u>6,751</u>
	<u><u>3,392,831</u></u>	<u><u>1,581</u></u>	<u><u>848,041</u></u>	<u><u>660,584</u></u>
31 March 2022				
<u>Credit-Related Exposures</u>				
Direct Credit Substitutes	70,235	-	70,235	61,022
Transaction-Related Contingent Items	61,208	-	30,604	20,085
Short-Term Self-Liquidating Trade- Related Contingencies	19,250	-	3,850	2,463
Irrevocable Commitments to Extend Credit:				
- Maturity exceeding one year	283,555	-	141,774	102,418
- Maturity not exceeding one year	2,003,204	-	400,641	320,776
	<u>2,437,452</u>	<u>-</u>	<u>647,104</u>	<u>506,764</u>
<u>Derivative Financial Instrument</u>				
Profit Rate Related Contracts:				
-One year or less	-	-	-	-
-Over one year to three years	-	-	-	-
-Over three years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>2,437,452</u></u>	<u><u>-</u></u>	<u><u>647,104</u></u>	<u><u>506,764</u></u>

4.0 Market Risk

4.1 Traded Market Risk

Regulatory capital requirements

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

	Risk- Weighted Assets RM'000	Capital Requirements RM'000
30 September 2022		
Profit Rate Risk		
- General Profit Rate Risk	-	-
- Specific Profit Rate Risk	-	-
	<u>-</u>	<u>-</u>
Foreign Exchange Risk	42	3
Option Risk	-	-
	<u>42</u>	<u>3</u>
	<u><u>42</u></u>	<u><u>3</u></u>
31 March 2022		
Profit Rate Risk		
- General Profit Rate Risk	-	-
- Specific Profit Rate Risk	-	-
	<u>-</u>	<u>-</u>
Foreign Exchange Risk	58	5
Option Risk	-	-
	<u>58</u>	<u>5</u>
	<u><u>58</u></u>	<u><u>5</u></u>

4.0 Market Risk (cont'd.)

4.2 Non-Traded Market Risk

4.2.1 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 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	Other Foreign Currencies ("FCY") RM000	Total RM000
30 September 2022					
Impact on Net Profit Income					
Parallel 200 bps up	54,639	-	-	-	54,639
Parallel 200 bps down	(54,639)	-	-	-	(54,639)
Impact on Economic Value					
Parallel 200 bps up	(63,997)	-	-	-	(63,997)
Parallel 200 bps down	63,997	-	-	-	63,997
Steepener	(115,123)	-	-	-	(115,123)
Flattener	98,370	-	-	-	98,370
Short Rate Up	5,019	-	-	-	5,019
Short Rate Down	(5,019)	-	-	-	(5,019)
31 March 2022					
Impact on Net Profit Income					
Parallel 200 bps up	45,761	-	-	-	45,761
Parallel 200 bps down	(45,761)	-	-	-	(45,761)
Impact on Economic Value					
Parallel 200 bps up	(105,809)	-	-	-	(105,809)
Parallel 200 bps down	105,809	-	-	-	105,809
Steepener	(117,607)	-	-	-	(117,607)
Flattener	95,859	-	-	-	95,859
Short Rate Up	(20,991)	-	-	-	(20,991)
Short Rate Down	20,991	-	-	-	20,991

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, 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 cash-flows 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 NPI and 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.

5.0 Shariah Governance Disclosures

Shariah Non-Compliant Income and Events

During the financial period, there was 1 non-compliance event detected from the ongoing reviews of the Bank's operational processes. Immediate actions 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-compliant income of RM14 has been donated to charity in accordance with Shariah Committee's decision.