



ALLIANCE ISLAMIC BANK

Alliance Islamic Bank Berhad 200701018870 (776882-V)

BASEL II PILLAR 3 REPORT

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023

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1.0 Overview

Bank Negara Malaysia's ("BNM")'s Capital Adequacy Framework require Alliance Islamic Bank Berhad ("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 2023 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 2023. 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 2023 published by the Bank.

These disclosures have been reviewed and verified by an independent internal party and approved by the Board of Directors ("Board").

1.3 Comparative Information

The corresponding Pillar 3 Disclosure in the preceding reporting period would be as at 31 March 2023.

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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 ("ABMB").

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 Group Risk Management Committee ("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 2023	31 March 2023
(a) <u>With Transitional Arrangements</u>		
<u>Before Deducting Proposed Dividends</u>		
CET I Capital Ratio	12.890%	13.717%
Tier I Capital Ratio	13.819%	14.694%
Total Capital Ratio	16.185%	17.122%
<u>After Deducting Proposed Dividends</u>		
CET I Capital Ratio	12.890%	13.715%
Tier I Capital Ratio	13.819%	14.692%
Total Capital Ratio	16.185%	17.120%
(b) <u>Without Transitional Arrangements</u>		
<u>Before Deducting Proposed Dividends</u>		
CET I Capital Ratio	12.133%	12.401%
Tier I Capital Ratio	13.062%	13.377%
Total Capital Ratio	15.428%	15.806%
<u>After Deducting Proposed Dividends</u>		
CET I Capital Ratio	12.133%	12.399%
Tier I Capital Ratio	13.062%	13.375%
Total Capital Ratio	15.428%	15.804%

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 2023 RM'000	31 March 2023 RM'000
<u>CET I Capital/Tier I Capital</u>		
Paid-up Share Capital	637,500	600,000
Retained Profits	730,633	727,052
Regulatory Reserves (Note 1)	48,696	19,339
Financial Investments at Fair Value Through Other Comprehensive Income (FVOCI) Reserves	(16,620)	(13,817)
	<u>1,400,209</u>	<u>1,332,574</u>
(Less)/Add: Regulatory Adjustments		
- Intangible Assets	(2,061)	(2,045)
- Deferred Tax Assets	(44,556)	(44,039)
- Regulatory Reserves (Note 1)	(48,696)	(19,339)
- Transitional Arrangements	81,427	134,523
Total CET I Capital	<u>1,386,323</u>	<u>1,401,674</u>
Additional Tier 1 Sukuk Wakalah	99,900	99,801
Total Additional Tier 1 Capital	<u>99,900</u>	<u>99,801</u>
Total Tier I Capital	<u>1,486,223</u>	<u>1,501,475</u>
<u>Tier II Capital</u>		
Subordinated Sukuk Murabahah	130,000	130,000
Expected Credit Losses and Regulatory Reserves (Note 1 & Note 2)	124,470	118,121
Total Tier II Capital	<u>254,470</u>	<u>248,121</u>
Total Capital	<u>1,740,693</u>	<u>1,749,596</u>

Note 1: The Bank maintained its prudent stand in relation to maintaining the regulatory reserves to preserve the potential deterioration of credit quality.

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 2023 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(a) <u>Credit Risk</u>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	1,689,080	1,689,080	-	-
Public Sector Entities Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks	211,286	211,286	2,356	188
Takaful Companies, Securities Firms and Fund Managers	875,212	875,212	174,044	13,924
Corporates	9,825	9,825	8,076	646
Regulatory Retail	5,400,182	5,279,555	4,079,585	326,367
Residential Real Estate ("RRE") Financing	3,767,513	3,670,673	2,901,593	232,127
Higher Risk Assets	4,362,571	4,362,071	1,743,573	139,486
Other Assets	1,023	1,023	1,534	123
Defaulted Exposures	77,120	77,120	77,120	6,170
Total On-Balance Sheet Exposures	241,410	241,410	194,214	15,537
	16,635,222	16,417,255	9,182,095	734,568
Off-Balance Sheet Exposures:				
Credit-Related Off-Balance Sheet Exposures	1,025,339	953,112	775,209	62,017
Derivative Financial Instruments	-	-	-	-
Defaulted Exposures	201	201	258	21
Total Off-Balance Sheet Exposures	1,025,540	953,313	775,467	62,038
Total On and Off-Balance Sheet Exposures	17,660,762	17,370,568	9,957,562	796,606
(b) <u>Market Risk (Section 4.0)</u>				
	Long Position	Short Position		
Profit Rate Risk	-	-	-	-
Foreign Exchange Risk	-	(129)	129	10
	-	(129)		
Option Risk			-	-
Total			129	10
(c) <u>Operational Risk</u>			797,129	63,770
Total	17,660,762	17,370,568	10,754,820	860,386

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 2023 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(a) <u>Credit Risk</u>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	2,614,371	2,614,371	-	-
Public Sector Entities	260,982	260,982	2,224	178
Banks, DFIs and Multilateral Development Banks	25,225	25,225	4,047	324
Takaful Companies, Securities Firms and Fund Managers	30,933	30,933	28,998	2,320
Corporates	5,220,093	5,095,478	3,918,376	313,470
Regulatory Retail	3,648,157	3,549,979	2,800,762	224,061
RRE Financing	4,362,811	4,362,302	1,747,871	139,830
Higher Risk Assets	894	894	1,341	107
Other Assets	78,894	78,894	78,894	6,312
Defaulted Exposures	221,994	221,994	179,049	14,324
Total On-Balance Sheet Exposures	16,464,354	16,241,052	8,761,562	700,926
Off-Balance Sheet Exposures:				
Credit-Related Off-Balance Sheet Exposures	886,397	822,722	682,074	54,566
Derivative Financial Instruments	11,945	11,945	5,972	478
Defaulted Exposures	68	68	68	5
Total Off-Balance Sheet Exposures	898,410	834,735	688,114	55,049
Total On and Off-Balance Sheet Exposures	17,362,764	17,075,787	9,449,676	755,975
(b) Market Risk (Section 4.0)				
	Long Position	Short Position		
Profit Rate Risk	-	-	-	-
Foreign Exchange Risk	-	(123)	123	10
	-	(123)		
Option Risk			-	-
Total			123	10
(c) Operational Risk	-	-	768,617	61,489
Total	17,362,764	17,075,787	10,218,416	817,474

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 any collateral held or other credit enhancements and after allowance for impairment, where appropriate.

30 September 2023	Geographical Region					Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	
Exposure Class						
On-Balance Sheet Exposures:						
Sovereigns/Central Banks	-	1,689,080	-	-	-	1,689,080
Public Sector Entities	-	201,264	-	10,022	-	211,286
Banks, DFIs and Multilateral Development Banks	-	870,201	-	-	5,011	875,212
Takaful Companies, Securities Firms and Fund Managers	7,981	1,844	-	-	-	9,825
Corporates	779,100	3,546,515	410,703	528,257	135,607	5,400,182
Regulatory Retail	576,983	2,258,805	474,958	336,480	120,287	3,767,513
RRE Financing	137,328	3,529,228	403,467	262,191	30,357	4,362,571
Higher Risk Assets	-	853	170	-	-	1,023
Other Assets	-	77,120	-	-	-	77,120
Defaulted Exposures	18,390	186,838	20,638	13,906	1,638	241,410
Total On-Balance Sheet Exposures	1,519,782	12,361,748	1,309,936	1,150,856	292,900	16,635,222
Off-Balance Sheet Exposures:						
Credit-Related Off-Balance Sheet Exposures	152,529	613,419	97,801	100,348	61,242	1,025,339
Derivative Financial Instruments	-	-	-	-	-	-
Defaulted Exposures	-	88	94	19	-	201
Total Off-Balance Sheet Exposures	152,529	613,507	97,895	100,367	61,242	1,025,540
Total Credit Exposures	1,672,311	12,975,255	1,407,831	1,251,223	354,142	17,660,762

3.0 Credit Risk (cont'd.)

3.1 Distribution of Credit Exposures (cont'd.)

(a) Geographical Distribution (cont'd.)

31 March 2023	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	-	2,614,371	-	-	-	2,614,371
Public Sector Entities	-	250,955	-	10,027	-	260,982
Banks, DFIs and Multilateral Development Banks	-	20,211	-	-	5,014	25,225
Takaful Companies, Securities Firms and Fund Managers	9,008	21,925	-	-	-	30,933
Corporates	707,992	3,484,644	373,225	479,262	174,970	5,220,093
Regulatory Retail	569,769	2,149,261	504,531	322,594	102,002	3,648,157
RRE Financing	141,756	3,513,185	412,192	261,674	34,004	4,362,811
Higher Risk Assets	163	552	179	-	-	894
Other Assets	-	78,894	-	-	-	78,894
Defaulted Exposures	17,176	167,193	25,375	11,900	350	221,994
Total On-Balance Sheet Exposures	1,445,864	12,301,191	1,315,502	1,085,457	316,340	16,464,354
Off-Balance Sheet Exposures:						
Credit-Related Off-Balance Sheet Exposures	139,765	506,465	91,809	99,718	48,640	886,397
Derivative Financial Instruments	-	11,945	-	-	-	11,945
Defaulted Exposures	1	67	-	-	-	68
Total Off-Balance Sheet Exposures	139,766	518,477	91,809	99,718	48,640	898,410
Total Credit Exposures	1,585,630	12,819,668	1,407,311	1,185,175	364,980	17,362,764

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 2023	Government & Central Bank	Financial, Takaful & Business Services & Real Estate	Transport, Storage & Communication	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Household	Others	Total
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereigns/Central Banks	1,689,080	-	-	-	-	-	-	1,689,080
Public Sector Entities	-	211,286	-	-	-	-	-	211,286
Banks, DFIs and Multilateral Development Banks	-	875,212	-	-	-	-	-	875,212
Takaful Companies, Securities Firms and Fund Managers	-	9,825	-	-	-	-	-	9,825
Corporates	-	1,730,709	475,374	2,742,311	323,435	5,666	122,687	5,400,182
Regulatory Retail	-	309,879	40,893	1,466,854	140,765	1,775,791	33,331	3,767,513
RRE Financing	-	-	-	-	-	4,362,571	-	4,362,571
Higher Risk Assets	-	-	-	-	-	1,023	-	1,023
Other Assets	-	-	-	-	-	-	77,120	77,120
Defaulted Exposures	-	120	642	14,392	1,313	221,710	3,233	241,410
Total On-Balance Sheet Exposures	1,689,080	3,137,031	516,909	4,223,557	465,513	6,366,761	236,371	16,635,222
Credit-Related Off-Balance Sheet Exposures	-	164,827	18,110	520,008	99,232	212,457	10,705	1,025,339
Derivative Financial Instruments	-	-	-	-	-	-	-	-
Defaulted Exposures	-	-	-	157	-	44	-	201
Total Off-Balance Sheet Exposures	-	164,827	18,110	520,165	99,232	212,501	10,705	1,025,540
Total Credit Exposures	1,689,080	3,301,858	535,019	4,743,722	564,745	6,579,262	247,076	17,660,762

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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.)

31 March 2023	Government & Central Bank RM'000	Financial, Takaful & Business Services & Real Estate 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	2,614,371	-	-	-	-	-	-	2,614,371
Public Sector Entities	-	260,982	-	-	-	-	-	260,982
Banks, DFIs and Multilateral Development Banks	-	25,225	-	-	-	-	-	25,225
Takaful Companies, Securities Firms and Fund Managers	-	25,593	-	5,340	-	-	-	30,933
Corporates	-	1,683,767	537,565	2,595,851	324,719	5,636	72,555	5,220,093
Regulatory Retail	-	287,771	30,106	1,446,244	140,018	1,707,332	36,686	3,648,157
RRE Financing	-	-	-	-	-	4,362,811	-	4,362,811
Higher Risk Assets	-	-	-	-	-	894	-	894
Other Assets	-	-	-	-	-	-	78,894	78,894
Defaulted Exposures	-	84	451	13,397	1,226	203,604	3,232	221,994
Total On-Balance Sheet Exposures	2,614,371	2,283,422	568,122	4,060,832	465,963	6,280,277	191,367	16,464,354
Credit-Related Off-Balance Sheet Exposures	-	128,922	18,453	478,693	71,998	179,220	9,111	886,397
Derivative Financial Instruments	-	11,945	-	-	-	-	-	11,945
Defaulted Exposures	-	-	-	1	-	67	-	68
Total Off-Balance Sheet Exposures	-	140,867	18,453	478,694	71,998	179,287	9,111	898,410
Total Credit Exposures	2,614,371	2,424,289	586,575	4,539,526	537,961	6,459,564	200,478	17,362,764

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 2023						
Exposure Class						
Sovereigns/Central Banks	267,506	-	-	-	1,421,574	1,689,080
Public Sector Entities	10,023	-	-	1,758	199,505	211,286
Banks, DFIs and Multilateral						
Development Banks	854,971	-	-	-	20,241	875,212
Takaful Companies, Securities						
Firms and Fund Managers	1,763	1,866	1,852	-	4,344	9,825
Corporates	1,035,708	395,633	140,240	146,443	3,682,158	5,400,182
Regulatory Retail	439,673	110,082	43,739	22,908	3,151,111	3,767,513
RRE Financing	436,445	31	45	366	3,925,684	4,362,571
Higher Risk Assets	-	-	-	-	1,023	1,023
Other Assets	-	1,461	728	67	74,864	77,120
Defaulted Exposures	14,065	345	104	382	226,514	241,410
Total On-Balance Sheet Exposures	3,060,154	509,418	186,708	171,924	12,707,018	16,635,222
31 March 2023						
Exposure Class						
Sovereigns/Central Banks	1,474,713	30,383	20,291	20,416	1,068,568	2,614,371
Public Sector Entities	10,026	-	100,709	1,094	149,153	260,982
Banks, DFIs and Multilateral						
Development Banks	5,014	-	-	-	20,211	25,225
Takaful Companies, Securities						
Firms and Fund Managers	22,499	3,800	-	-	4,634	30,933
Corporates	998,770	449,022	208,277	24,353	3,539,671	5,220,093
Regulatory Retail	461,828	93,153	45,590	24,324	3,023,262	3,648,157
RRE Financing	477,298	9	57	267	3,885,180	4,362,811
Higher Risk Assets	-	-	-	-	894	894
Other Assets	3,186	1,505	1,833	2,462	69,908	78,894
Defaulted Exposures	14,524	63	81	632	206,694	221,994
Total On-Balance Sheet Exposures	3,467,858	577,935	376,838	73,548	11,968,175	16,464,354

3.0 Credit Risk (cont'd.)

3.2 Impaired Financing and Advances and Allowance for ECL 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 ECL - 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	Stage 3 ECL Charged/ (Write-Back) (net) RM'000	Stage 3 write-off (net) RM'000
30 September 2023							
Financial, Takaful & Business							
Services and Real Estate	1,084	11,519	1,575	3,215	964	219	-
Transport, Storage & Communication	1,361	14,149	399	226	722	55	-
Agriculture, Manufacturing, Wholesale & Retail Trade	44,504	103,679	8,885	12,429	30,121	4,253	(8)
Construction	12,642	23,679	1,100	5,121	11,333	(670)	-
Household	313,364	500,241	48,225	184,361	91,652	37,555	(36,011)
Others	4,785	907	129	2,597	1,539	192	-
Total	377,740	654,174	60,313	207,949	136,331	41,604	(36,019)

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Financial, Takaful & Business							
Services and Real Estate	829	9,921	1,951	2,662	745	309	-
Transport, Storage & Communication	1,139	2,862	241	344	665	365	-
Agriculture, Manufacturing, Wholesale & Retail Trade	39,263	73,489	5,552	13,299	25,877	10,549	(4,108)
Construction	13,229	39,087	486	13,290	12,003	1,133	(40,476)
Household	293,782	445,770	57,736	186,762	90,108	77,035	(37,522)
Others	4,592	5,611	76	3,266	1,348	739	-
Total	352,834	576,740	66,042	219,623	130,746	90,130	(82,106)

3.0 Credit Risk (cont'd.)

3.2 Impaired Financing and Advances and Allowance for ECL Analysis (cont'd.)

Impaired and Past Due Financing and Advances and Allowance for ECL - 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	Stage 3 ECL Charged/ (Write-Back) (net) RM'000	Stage 3 write-off (net) RM'000
<u>30 September 2023</u>							
Northern Region	35,232	41,930	6,486	15,333	16,823	1,860	(2,224)
Central Region	273,096	461,651	45,651	169,695	86,281	34,970	(30,967)
Southern Region	45,603	72,444	4,640	15,293	24,964	2,133	(2,629)
Sabah Region	21,183	63,521	2,713	5,798	7,275	1,881	(185)
Sarawak Region	2,626	14,628	823	1,830	988	760	(14)
Total	377,740	654,174	60,313	207,949	136,331	41,604	(36,019)
<u>31 March 2023</u>							
Northern Region	34,375	51,553	5,302	13,643	17,187	7,331	(2,387)
Central Region	249,617	431,986	51,747	181,102	82,277	72,938	(73,457)
Southern Region	50,769	60,605	5,814	16,808	25,460	6,326	(4,017)
Sabah Region	17,481	26,128	2,607	6,630	5,580	3,618	(2,096)
Sarawak Region	592	6,468	572	1,440	242	(83)	(149)
Total	352,834	576,740	66,042	219,623	130,746	90,130	(82,106)

Credit Risk (cont'd.)

3.2 Impaired Financing and Advances and Allowance for ECL Analysis

Movements in allowance for ECL 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 2023	66,042	219,623	130,746	416,411
Transfer to Stage 1	20,319	(52,555)	(12)	(32,248)
Transfer to Stage 2	(27,529)	108,611	(39,114)	41,968
Transfer to Stage 3	(784)	(64,167)	71,702	6,751
New financial assets originated or purchased	16,129	17,454	1,824	35,407
Financial assets derecognised other than write-off	(5,908)	(30,125)	(5,282)	(41,315)
Changes due to change in credit risk	(7,956)	9,489	7,150	8,683
	(5,729)	(11,293)	36,268	19,246
Unwinding of discount	-	-	5,336	5,336
Total (write-back from)/charge to income statement	(5,729)	(11,293)	41,604	24,582
Write-off	-	(381)	(36,019)	(36,400)
At 30 September 2023	60,313	207,949	136,331	404,593

At 1 April 2022	96,075	188,675	124,106	408,856
Transfer to Stage 1	70,822	(113,379)	(144)	(42,701)
Transfer to Stage 2	(90,241)	212,062	(47,216)	74,605
Transfer to Stage 3	(1,210)	(107,216)	119,127	10,701
New financial assets originated or purchased	23,193	23,457	4,813	51,463
Financial assets derecognised other than write-off	(16,177)	(26,284)	(7,304)	(49,765)
Changes due to change in credit risk	(16,420)	43,953	(2,604)	24,929
	(30,033)	32,593	66,672	69,232
Unwinding of discount	-	-	(1,384)	(1,384)
Total (write-back from)/charge to income statement	(30,033)	32,593	65,288	67,848
Other movements	-	-	23,458	23,458
Write-off	-	(1,645)	(82,106)	(83,751)
At 31 March 2023	66,042	219,623	130,746	416,411

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 2023 Risk- Weights	Exposures after netting and credit risk mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk- Weighted Assets
	Takaful										
	Sovereigns	Public	Banks,	Companies,			Higher				
	/Central	Sector	DFIs and	Securities	Firms and	Regulatory	RRE	Risk	Other		
<u>Banks</u>	<u>Entities</u>	<u>Multilateral</u>	<u>Fund</u>	<u>Managers</u>	<u>Corporates</u>	<u>Retail</u>	<u>Financing</u>	<u>Assets</u>	<u>Assets</u>		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	1,689,080	199,505	4,992	1,750	588,908	97,042	-	-	-	2,581,277	-
20%	-	43,779	870,221	-	813,849	176,384	1,660	-	-	1,905,893	381,179
35%	-	-	-	-	-	-	3,570,717	-	-	3,570,717	1,249,751
50%	-	-	1,000	-	4,536	23,710	741,953	-	-	771,199	385,600
75%	-	-	-	-	-	2,409,287	1,793	-	-	2,411,080	1,808,310
100%	-	-	-	12,524	4,462,557	1,279,829	293,732	-	77,120	6,125,762	6,125,762
150%	-	-	-	-	170	3,117	-	1,353	-	4,640	6,960
Total Exposures	1,689,080	243,284	876,213	14,274	5,870,020	3,989,369	4,609,855	1,353	77,120	17,370,568	9,957,562
Risk-Weighted Assets by Exposures	-	8,756	174,544	12,524	4,627,850	3,138,602	1,916,136	2,030	77,120	9,957,562	
Average Risk Weight	0%	4%	20%	88%	79%	79%	42%	150%	100%	57%	
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 2023 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	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%	2,614,371	249,862	4,989	1,935	641,255	61,440	-	-	-	3,573,852	-
20%	-	43,120	20,236	-	691,700	197,968	1,068	-	-	954,092	190,818
35%	-	-	-	-	-	-	3,492,063	-	-	3,492,063	1,222,222
50%	-	-	12,945	-	5,480	20,493	829,263	-	-	868,181	434,091
75%	-	-	-	-	-	2,346,053	1,228	-	-	2,347,281	1,760,461
100%	-	-	-	38,896	4,265,994	1,187,720	265,283	-	78,894	5,836,787	5,836,787
150%	-	-	-	-	89	2,457	-	985	-	3,531	5,297
Total Exposures	2,614,371	292,982	38,170	40,831	5,604,518	3,816,131	4,588,905	985	78,894	17,075,787	9,449,676
Risk-Weighted Assets by Exposures	-	8,624	10,520	38,896	4,407,208	3,000,785	1,903,271	1,478	78,894	9,449,676	
Average Risk Weight	0%	3%	28%	95%	79%	79%	41%	150%	100%	55%	
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 2023

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)	-	1,689,080	-	-	-	1,689,080
Public Sector Entities	-	199,505	-	-	-	199,505
Corporates	-	467,510	-	-	-	467,510
Banks, DFIs and Multilateral Development Banks	-	4,992	-	-	-	4,992
Total	-	2,361,087	-	-	-	2,361,087
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	765,193	100,017	-	-	6,011	871,221
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
Total	765,193	100,017	-	-	6,011	871,221
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	-	-	-	-	43,781	43,781
Corporates	730,804	-	-	-	4,811,982	5,542,786
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	14,273	14,273
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	40,316	-	-	-	-	40,316
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Total	771,120	-	-	-	4,870,036	5,641,156

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 2023

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)	-	2,614,371	-	-	-	2,614,371
Public Sector Entities	-	249,862	-	-	-	249,862
Corporates	-	554,854	-	-	-	554,854
Banks, DFIs and Multilateral Development Banks	-	4,989	-	-	-	4,989
Total	-	3,424,076	-	-	-	3,424,076
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	15,221	11,945	-	-	6,014	33,180
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
Total	15,221	11,945	-	-	6,014	33,180
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	-	-	-	-	43,120	43,120
Corporates	644,482	-	-	-	4,583,496	5,227,978
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	40,831	40,831
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Total	644,482	-	-	-	4,667,447	5,311,929

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 2023 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	1,689,080	-	-	-
Public Sector Entities	211,286	-	-	-
Banks, DFIs and Multilateral Development Banks	875,212	-	-	-
Takaful Companies, Securities Firms and Fund Managers	9,825	1,750	-	-
Corporates	5,400,182	156,110	120,627	-
Regulatory Retail	3,767,513	267,878	96,840	-
RRE Financing	4,362,571	1,661	501	-
Higher Risk Assets	1,023	-	-	-
Other Assets	77,120	-	-	-
Defaulted Exposures	241,410	994	-	-
Total On-Balance Sheet Exposures	16,635,222	428,393	217,968	-
Off-Balance Sheet Exposures:				
Off-Balance Sheet Exposures Other than Over The Counter ("OTC")				
Derivatives or Credit Derivatives	1,025,339	12,572	72,226	-
Defaulted Exposures	201	-	-	-
Total Off-Balance Sheet Exposures	1,025,540	12,572	72,226	-
Total On and Off-Balance Sheet Exposures	17,660,762	440,965	290,194	-

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 2023 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	2,614,371	-	-	-
Public Sector Entities	260,982	-	-	-
Banks, DFIs and Multilateral Development Banks	25,225	-	-	-
Takaful Companies, Securities Firms and Fund Managers	30,933	1,935	-	-
Corporates	5,220,093	128,107	124,615	-
Regulatory Retail	3,648,157	255,473	98,178	-
RRE Financing	4,362,811	1,068	509	-
Higher Risk Assets	894	-	-	-
Other Assets	78,894	-	-	-
Defaulted Exposures	221,994	520	-	-
Total On-Balance Sheet Exposures	16,464,354	387,103	223,302	-
Off-Balance Sheet Exposures:				
Off-Balance Sheet Exposures Other than OTC Derivatives or Credit Derivatives	898,342	8,928	63,675	-
Defaulted Exposures	68	-	-	-
Total Off-Balance Sheet Exposures	898,410	8,928	63,675	-
Total On and Off-Balance Sheet Exposures	17,362,764	396,031	286,977	-

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	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
30 September 2023			
<u>Credit-Related Exposures</u>			
Direct Credit Substitutes	86,635	86,635	74,692
Transaction-Related Contingent Items	82,596	41,298	24,754
Short-Term Self-Liquidating Trade- Related Contingencies	18,156	3,631	3,031
Forward Assets Purchase	40,000	40,000	8,000
Irrevocable Commitments to Extend Credit:			
- Maturity exceeding one year	581,162	290,396	215,662
- Maturity not exceeding one year	2,817,903	563,580	449,328
	<u>3,626,452</u>	<u>1,025,540</u>	<u>775,467</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>3,626,452</u>	<u>1,025,540</u>	<u>775,467</u>
31 March 2023			
<u>Credit-Related Exposures</u>			
Direct Credit Substitutes	81,609	81,609	66,961
Transaction-Related Contingent Items	72,678	36,339	23,042
Short-Term Self-Liquidating Trade- Related Contingencies	17,760	3,552	2,939
Forward Assets Purchase	15,000	15,000	3,000
Irrevocable Commitments to Extend Credit:			
- Maturity exceeding one year	495,519	247,539	188,580
- Maturity not exceeding one year	2,512,133	502,426	397,620
	<u>3,194,699</u>	<u>886,465</u>	<u>682,142</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	11,945	5,972
	<u>298,000</u>	<u>11,945</u>	<u>5,972</u>
	<u>3,492,699</u>	<u>898,410</u>	<u>688,114</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 2023		
Profit Rate Risk		
- General Profit Rate Risk	-	-
- Specific Profit Rate Risk	-	-
	<u>-</u>	<u>-</u>
Foreign Exchange Risk	129	10
Option Risk		
	<u>129</u>	<u>10</u>
	<u><u>129</u></u>	<u><u>10</u></u>
31 March 2023		
Profit Rate Risk		
- General Profit Rate Risk	-	-
- Specific Profit Rate Risk	-	-
	<u>-</u>	<u>-</u>
Foreign Exchange Risk	123	10
Option Risk		
	<u>-</u>	<u>-</u>
	<u>123</u>	<u>10</u>
	<u><u>123</u></u>	<u><u>10</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 RM'000	USD RM'000	SGD RM'000	FCY (Others) RM'000	TOTAL RM'000
30 September 2023					
Impact on Net Profit Income ("NPI")					
Parallel 200 bps up	51,361	-	-	-	51,361
Parallel 200 bps down	(51,361)	-	-	-	(51,361)
Impact on Economic Value ("EV")					
Parallel 200 bps up	(149,335)	-	-	-	(149,335)
Parallel 200 bps down	149,335	-	-	-	149,335
Steepener	(163,659)	-	-	-	(163,659)
Flattener	133,913	-	-	-	133,913
Short Rate Up	(31,400)	-	-	-	(31,400)
Short Rate Down	31,400	-	-	-	31,400
31 March 2023					
Impact on NPI					
Parallel 200 bps up	62,525	-	-	-	62,525
Parallel 200 bps down	(62,525)	-	-	-	(62,525)
Impact on EV					
Parallel 200 bps up	(84,119)	-	-	-	(84,119)
Parallel 200 bps down	84,119	-	-	-	84,119
Steepener	(141,204)	-	-	-	(141,204)
Flattener	120,857	-	-	-	120,857
Short Rate Up	3,318	-	-	-	3,318
Short Rate Down	(3,318)	-	-	-	(3,318)

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 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 one (1) incident of Shariah non-compliance event due to delay in performing Commodity Murabahah trading for the personal cashline-i facility. The Shariah Committee and the Board were notified, and the remediation actions were tracked until completion. The Shariah non-compliant income of RM4,859.45 has been refunded to customer in accordance with the Shariah Committee's decision.