



ALLIANCE ISLAMIC BANK

Alliance Islamic Bank Berhad 200701018870 (776882-V)

BASEL II PILLAR 3 REPORT

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2024

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BASEL II PILLAR 3 REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2024

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 2024 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 at 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 2024. 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 2024 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 2024.

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FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2024

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 which took effect on 9 December 2020 has ended on 31 March 2024.

Effective from 1 April 2024, the capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy framework. The framework sets out the approach for computing regulatory ratios as well as the levels of those ratios at which banking institutions are required to operate. The framework is to strengthen capital adequacy standards, in line with the requirement set forth under Basel III. The risk-weighted assets of the Bank are computed using the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

(a) The Bank has sufficient capital as follows:

	30 September 2024	31 March 2024
<u>(a) With Transitional Arrangements</u>		
<u>Before Deducting Proposed Dividends</u>		
CET I Capital Ratio	12.519%	12.938%
Tier I Capital Ratio	13.334%	13.785%
Total Capital Ratio	16.364%	16.049%
<u>After Deducting Proposed Dividends</u>		
CET I Capital Ratio	12.508%	12.930%
Tier I Capital Ratio	13.323%	13.778%
Total Capital Ratio	16.353%	16.042%
<u>(b) Without Transitional Arrangements</u>		
<u>Before Deducting Proposed Dividends</u>		
CET I Capital Ratio	12.519%	12.287%
Tier I Capital Ratio	13.334%	13.134%
Total Capital Ratio	16.364%	15.398%
<u>After Deducting Proposed Dividends</u>		
CET I Capital Ratio	12.508%	12.279%
Tier I Capital Ratio	13.323%	13.127%
Total Capital Ratio	16.353%	15.391%

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

Note:

The capital adequacy ratios after deducting proposed dividends have included the Rights Issue of AISB.

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 :

	30 September 2024 RM'000	31 March 2024 RM'000
<u>CET I Capital/Tier I Capital</u>		
Paid-up Share Capital	695,454	637,500
Retained Profits	894,038	870,446
Regulatory Reserves (Note 1)	-	-
Financial Investments at Fair Value Through Other Comprehensive Income (FVOCI) Reserves	(384)	(5,629)
	<u>1,589,108</u>	<u>1,502,317</u>
(Less)/Add: Regulatory Adjustments		
- Intangible Assets	(1,892)	(2,153)
- Deferred Tax Assets	(51,006)	(49,927)
- 55% of FVOCI reserves	-	-
- Regulatory Reserves (Note 1)	-	-
- Transitional Arrangements	-	76,848
Total CET I Capital	<u>1,536,210</u>	<u>1,527,085</u>
Additional Tier 1 Sukuk Wakalah	100,000	100,000
Total Additional Tier 1 Capital	<u>100,000</u>	<u>100,000</u>
Total Tier I Capital	<u>1,636,210</u>	<u>1,627,085</u>
<u>Tier II Capital</u>		
Subordinated Sukuk Murabahah	230,000	130,000
Expected Credit Losses and Regulatory Reserves (Note 1 & Note 2)	141,886	137,224
Total Tier II Capital	<u>371,886</u>	<u>267,224</u>
Total Capital	<u>2,008,096</u>	<u>1,894,309</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 2024 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	2,518,063	2,518,063	-	-
Public Sector Entities Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks	220,995	220,995	3,067	245
Takaful Companies, Securities Firms and Fund Managers	944,159	944,159	187,820	15,026
Corporates	69,914	69,914	69,914	5,593
Regulatory Retail	5,945,774	5,788,913	4,651,755	372,140
Residential Real Estate ("RRE") Financing	4,467,900	4,364,515	3,493,011	279,441
Higher Risk Assets	4,393,432	4,392,971	1,794,485	143,559
Other Assets	918	918	1,378	110
Defaulted Exposures	110,013	110,013	110,013	8,801
	206,690	206,369	174,352	13,948
Total On-Balance Sheet Exposures	18,877,858	18,616,830	10,485,795	838,863
Off-Balance Sheet Exposures:				
Credit-Related Off-Balance Sheet Exposures	1,093,642	1,013,728	864,835	69,187
Derivative Financial Instruments	-	-	-	-
Defaulted Exposures	223	223	294	24
Total Off-Balance Sheet Exposures	1,093,865	1,013,951	865,129	69,211
Total On and Off-Balance Sheet Exposures	19,971,723	19,630,781	11,350,924	908,074
(b) <u>Market Risk (Section 4.0)</u>				
	Long Position	Short Position		
Profit Rate Risk	-	-	-	-
Foreign Exchange Risk	-	(286)	286	23
	-	(286)		
Option Risk			39,063	3,125
Total			39,349	3,148
(c) <u>Operational Risk</u>			880,896	70,472
Total	19,971,723	19,630,781	12,271,169	981,694

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 2024 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	2,229,517	2,229,517	-	-
Public Sector Entities	179,932	179,932	4,011	321
Banks, DFIs and Multilateral Development Banks	773,525	773,525	153,697	12,296
Takaful Companies, Securities Firms and Fund Managers	77,684	77,684	76,127	6,090
Corporates	5,785,353	5,615,429	4,546,218	363,697
Regulatory Retail	4,238,974	4,138,005	3,308,975	264,718
RRE Financing	4,400,929	4,400,430	1,794,147	143,532
Higher Risk Assets	960	960	1,440	115
Other Assets	102,348	102,348	102,348	8,188
Defaulted Exposures	199,597	199,206	174,022	13,922
Total On-Balance Sheet Exposures	17,988,819	17,717,036	10,160,985	812,879
Off-Balance Sheet Exposures:				
Credit-Related Off-Balance Sheet Exposures	1,040,069	974,763	816,653	65,332
Derivative Financial Instruments	-	-	-	-
Defaulted Exposures	257	256	318	25
Total Off-Balance Sheet Exposures	1,040,326	975,019	816,971	65,357
Total On and Off-Balance Sheet Exposures	19,029,145	18,692,055	10,977,956	878,236
(b) Market Risk (Section 4.0)				
	Long Position	Short Position		
Profit Rate Risk	-	-	-	-
Foreign Exchange Risk	-	(242)	242	19
	-	(242)		
Option Risk			-	-
Total			242	19
(c) Operational Risk				
	-	-	824,883	65,991
Total	19,029,145	18,692,055	11,803,081	944,246

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 2024	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	-	2,518,063	-	-	-	2,518,063
Public Sector Entities	-	210,968	-	10,027	-	220,995
Banks, DFIs and Multilateral Development Banks	-	939,149	-	-	5,010	944,159
Takaful Companies, Securities Firms and Fund Managers	-	69,914	-	-	-	69,914
Corporates	1,037,803	3,702,413	474,433	575,414	155,711	5,945,774
Regulatory Retail	655,591	2,782,225	522,132	372,813	135,139	4,467,900
RRE Financing	129,209	3,602,809	374,033	258,130	29,251	4,393,432
Higher Risk Assets	-	817	101	-	-	918
Other Assets	-	110,013	-	-	-	110,013
Defaulted Exposures	23,218	154,239	17,778	10,694	761	206,690
Total On-Balance Sheet Exposures	1,845,821	14,090,610	1,388,477	1,227,078	325,872	18,877,858
Off-Balance Sheet Exposures:						
Credit-Related Off-Balance Sheet Exposures	193,467	615,185	115,048	102,395	67,547	1,093,642
Derivative Financial Instruments	-	-	-	-	-	-
Defaulted Exposures	-	201	4	18	-	223
Total Off-Balance Sheet Exposures	193,467	615,386	115,052	102,413	67,547	1,093,865
Total Credit Exposures	2,039,288	14,705,996	1,503,529	1,329,491	393,419	19,971,723

3.0 Credit Risk (cont'd.)

3.1 Distribution of Credit Exposures (cont'd.)

(a) Geographical Distribution (cont'd.)

31 March 2024	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	-	2,229,517	-	-	-	2,229,517
Public Sector Entities	-	159,878	-	20,054	-	179,932
Banks, DFIs and Multilateral Development Banks	-	768,514	-	-	5,011	773,525
Takaful Companies, Securities Firms and Fund Managers	7,673	70,011	-	-	-	77,684
Corporates	935,855	3,695,082	447,384	554,288	152,744	5,785,353
Regulatory Retail	629,538	2,606,960	500,349	372,884	129,243	4,238,974
RRE Financing	135,565	3,586,016	390,607	258,958	29,783	4,400,929
Higher Risk Assets	-	833	127	-	-	960
Other Assets	-	102,348	-	-	-	102,348
Defaulted Exposures	21,674	146,594	18,057	12,573	699	199,597
Total On-Balance Sheet Exposures	1,730,305	13,365,753	1,356,524	1,218,757	317,480	17,988,819
Off-Balance Sheet Exposures:						
Credit-Related Off-Balance Sheet Exposures	191,247	590,537	98,031	94,902	65,352	1,040,069
Derivative Financial Instruments	-	-	-	-	-	-
Defaulted Exposures	-	234	3	20	-	257
Total Off-Balance Sheet Exposures	191,247	590,771	98,034	94,922	65,352	1,040,326
Total Credit Exposures	1,921,552	13,956,524	1,454,558	1,313,679	382,832	19,029,145

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 2024	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	2,518,063	-	-	-	-	-	-	2,518,063
Public Sector Entities	-	220,995	-	-	-	-	-	220,995
Banks, DFIs and Multilateral Development Banks	-	944,159	-	-	-	-	-	944,159
Takaful Companies, Securities Firms and Fund Managers	-	69,914	-	-	-	-	-	69,914
Corporates	-	1,708,817	562,805	3,188,207	382,586	2,267	101,092	5,945,774
Regulatory Retail	-	402,617	49,403	1,616,721	182,094	2,181,158	35,907	4,467,900
RRE Financing	-	-	-	-	-	4,393,432	-	4,393,432
Higher Risk Assets	-	-	-	-	-	918	-	918
Other Assets	-	-	-	-	-	-	110,013	110,013
Defaulted Exposures	-	671	710	23,328	1,756	176,943	3,282	206,690
Total On-Balance Sheet Exposures	2,518,063	3,347,173	612,918	4,828,256	566,436	6,754,718	250,294	18,877,858
Credit-Related Off-Balance Sheet Exposures	-	152,182	29,312	600,432	93,953	206,451	11,312	1,093,642
Derivative Financial Instruments	-	-	-	-	-	-	-	-
Defaulted Exposures	-	33	-	115	-	75	-	223
Total Off-Balance Sheet Exposures	-	152,215	29,312	600,547	93,953	206,526	11,312	1,093,865
Total Credit Exposures	2,518,063	3,499,388	642,230	5,428,803	660,389	6,961,244	261,606	19,971,723

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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 2024	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	2,229,517	-	-	-	-	-	-	2,229,517
Public Sector Entities	-	179,932	-	-	-	-	-	179,932
Banks, DFIs and Multilateral Development Banks	-	773,525	-	-	-	-	-	773,525
Takaful Companies, Securities Firms and Fund Managers	-	77,684	-	-	-	-	-	77,684
Corporates	-	1,681,301	510,889	3,068,911	411,806	6,500	105,946	5,785,353
Regulatory Retail	-	366,622	50,435	1,558,701	156,526	2,074,771	31,919	4,238,974
RRE Financing	-	-	-	-	-	4,400,929	-	4,400,929
Higher Risk Assets	-	-	-	-	-	960	-	960
Other Assets	-	-	-	-	-	-	102,348	102,348
Defaulted Exposures	-	531	613	23,877	1,314	169,996	3,266	199,597
Total On-Balance Sheet Exposures	2,229,517	3,079,595	561,937	4,651,489	569,646	6,653,156	243,479	17,988,819
Credit-Related Off-Balance Sheet Exposures	-	151,326	29,465	556,344	89,335	204,365	9,234	1,040,069
Derivative Financial Instruments	-	-	-	-	-	-	-	-
Defaulted Exposures	-	42	-	131	-	84	-	257
Total Off-Balance Sheet Exposures	-	151,368	29,465	556,475	89,335	204,449	9,234	1,040,326
Total Credit Exposures	2,229,517	3,230,963	591,402	5,207,964	658,981	6,857,605	252,713	19,029,145

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 2024						
Exposure Class						
Sovereigns/Central Banks	662,649	-	-	10,198	1,845,216	2,518,063
Public Sector Entities	10,027	-	-	-	210,968	220,995
Banks, DFIs and Multilateral						
Development Banks	298,143	600,076	-	-	45,940	944,159
Takaful Companies, Securities						
Firms and Fund Managers	68,122	-	-	-	1,792	69,914
Corporates	984,152	522,347	190,443	22,984	4,225,848	5,945,774
Regulatory Retail	534,920	165,613	46,313	22,641	3,698,413	4,467,900
RRE Financing	357,553	7	59	494	4,035,319	4,393,432
Higher Risk Assets	-	-	-	-	918	918
Other Assets	1,159	1,218	651	142	106,843	110,013
Defaulted Exposures	17,890	52	42	363	188,343	206,690
Total On-Balance Sheet Exposures	2,934,615	1,289,313	237,508	56,822	14,359,600	18,877,858
31 March 2024						
Exposure Class						
Sovereigns/Central Banks	597,957	-	-	51,154	1,580,406	2,229,517
Public Sector Entities	20,054	-	-	-	159,878	179,932
Banks, DFIs and Multilateral						
Development Banks	722,576	-	-	-	50,949	773,525
Takaful Companies, Securities						
Firms and Fund Managers	70,649	2,729	263	-	4,043	77,684
Corporates	1,036,743	517,762	187,162	89,706	3,953,980	5,785,353
Regulatory Retail	508,205	124,110	49,680	22,880	3,534,099	4,238,974
RRE Financing	397,390	34	77	268	4,003,160	4,400,929
Higher Risk Assets	-	-	-	-	960	960
Other Assets	2,967	799	1,199	1,847	95,536	102,348
Defaulted Exposures	13,783	92	155	155	185,412	199,597
Total On-Balance Sheet Exposures	3,370,324	645,526	238,536	166,010	13,568,423	17,988,819

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 2024							
Financial, Takaful & Business							
Services and Real Estate	2,004	4,484	3,027	4,225	1,333	273	-
Transport, Storage & Communication	1,097	-	647	992	392	23	-
Agriculture, Manufacturing, Wholesale & Retail Trade	37,994	10,721	19,783	21,007	14,665	1,603	(6,168)
Construction	11,791	1,195	2,736	4,363	10,057	296	-
Household	259,769	188,616	60,940	176,500	82,753	37,750	(39,198)
Others	5,039	934	1,578	1,294	1,757	118	(464)
Total	317,694	205,950	88,711	208,381	110,957	40,063	(45,830)

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Financial, Takaful & Business							
Services and Real Estate	1,703	26,899	3,307	3,150	1,172	426	-
Transport, Storage & Communication	977	100	858	430	369	48	(344)
Agriculture, Manufacturing, Wholesale & Retail Trade	43,473	12,363	19,968	10,282	19,600	7,167	(13,443)
Construction	11,065	7,079	1,944	6,840	9,760	(909)	(1,333)
Household	253,353	339,768	62,658	143,679	84,201	59,075	(64,983)
Others	4,887	324	871	1,466	1,622	274	-
Total	315,458	386,533	89,606	165,847	116,724	66,081	(80,103)

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
30 September 2024							
Northern Region	43,640	19,979	10,693	19,838	20,417	4,990	(3,644)
Central Region	228,984	163,063	65,121	164,477	74,720	33,782	(37,756)
Southern Region	27,302	13,222	6,413	9,999	9,508	1,504	(4,218)
Sabah Region	16,454	8,848	4,579	9,891	5,759	(228)	(212)
Sarawak Region	1,314	838	1,905	4,176	553	15	-
Total	317,694	205,950	88,711	208,381	110,957	40,063	(45,830)
31 March 2024							
Northern Region	40,720	22,007	11,062	12,145	19,071	6,592	(4,708)
Central Region	224,455	311,296	64,844	135,587	78,694	55,588	(59,171)
Southern Region	30,273	31,969	6,776	11,150	12,222	2,509	(15,747)
Sabah Region	18,773	18,251	5,189	5,281	6,199	1,044	(425)
Sarawak Region	1,237	3,010	1,735	1,684	538	348	(52)
Total	315,458	386,533	89,606	165,847	116,724	66,081	(80,103)

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 2024	89,606	165,847	116,724	372,177
Transfer to Stage 1	14,133	(42,046)	(896)	(28,809)
Transfer to Stage 2	(29,830)	132,322	(35,570)	66,922
Transfer to Stage 3	(1)	(58,335)	75,206	16,870
New financial assets originated or purchased	22,261	11,261	875	34,397
Financial assets derecognised other than write-off	(11,582)	(10,927)	(7,463)	(29,972)
Changes due to change in credit risk	4,124	10,985	1,947	17,056
	(895)	43,260	34,099	76,464
Unwinding of discount	-	-	5,964	5,964
Total charge to / (write-back from) income statement	(895)	43,260	40,063	82,428
Write-off	-	(726)	(45,830)	(46,556)
At 30 September 2024	88,711	208,381	110,957	408,049

At 1 April 2023	66,042	219,623	130,746	416,411
Transfer to Stage 1	55,837	(129,516)	(21)	(73,700)
Transfer to Stage 2	(48,660)	213,385	(80,578)	84,147
Transfer to Stage 3	(829)	(119,777)	136,789	16,183
New financial assets originated or purchased	41,599	25,935	3,940	71,474
Financial assets derecognised other than write-off	(13,429)	(41,479)	(11,148)	(66,056)
Changes due to change in credit risk	(10,954)	(655)	8,773	(2,836)
	23,564	(52,107)	57,755	29,212
Unwinding of discount	-	-	8,326	8,326
Total charge to / (write-back from) income statement	23,564	(52,107)	66,081	37,538
Write-off	-	(1,669)	(80,103)	(81,772)
At 31 March 2024	89,606	165,847	116,724	372,177

Note: The transfers 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 2024 Risk- Weights	Exposures after netting and credit risk mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk- Weighted Assets
	Sovereigns	Public	Banks,	Companies,	Takaful			Higher	Other		
	/Central	Sector	DFIs and	Firms and	Regulatory	RRE	Risk	Assets	Assets		
	<u>Banks</u>	<u>Entities</u>	<u>Development</u>	<u>Securities</u>	<u>Fund</u>	<u>Corporate</u>	<u>Retail</u>	<u>Financing</u>	<u>Assets</u>	<u>Mitigation</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%	2,518,063	205,657	5,057	-	627,481	163,221	-	-	-	3,519,479	-
20%	-	47,336	939,102	-	649,750	126,999	1,721	-	-	1,764,908	352,981
35%	-	-	-	-	-	-	3,550,079	-	-	3,550,079	1,242,528
50%	-	-	1,000	-	3,426	17,126	697,119	-	-	718,671	359,336
75%	-	-	-	-	-	2,742,963	1,469	-	-	2,744,432	2,058,323
100%	-	-	-	69,939	5,155,862	1,644,977	343,331	-	110,014	7,324,123	7,324,122
150%	-	-	-	-	3,454	4,136	254	1,245	-	9,089	13,634
Total Exposures	2,518,063	252,993	945,159	69,939	6,439,973	4,699,422	4,593,973	1,245	110,014	19,630,781	11,350,924
Risk-Weighted Assets by Exposures	-	9,467	188,320	69,939	5,292,706	3,742,366	1,936,244	1,868	110,014	11,350,924	
Average Risk Weight	0%	4%	20%	100%	82%	80%	42%	150%	100%	58%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

3.0 Credit Risk (cont'd.)

3.3 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 2024 Risk- Weights	Exposures after netting and credit risk mitigation Takaful									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%	2,229,517	169,380	5,037	1,557	464,290	129,794	-	-	-	2,999,575	-
20%	-	50,054	768,487	-	775,355	151,493	1,812	-	-	1,747,201	349,440
35%	-	-	-	-	-	-	3,548,851	-	-	3,548,851	1,242,098
50%	-	-	1,000	-	4,870	14,151	707,709	-	-	727,730	363,865
75%	-	-	-	-	-	2,604,246	1,760	-	-	2,606,006	1,954,505
100%	-	-	-	76,582	4,985,092	1,550,273	337,685	-	102,348	7,051,980	7,051,980
150%	-	-	-	-	5,463	3,963	-	1,286	-	10,712	16,068
Total Exposures	2,229,517	219,434	774,524	78,139	6,235,070	4,453,920	4,597,817	1,286	102,348	18,692,055	10,977,956
Risk-Weighted Assets by Exposures	-	10,011	154,197	76,582	5,150,793	3,546,776	1,935,320	1,929	102,348	10,977,956	
Average Risk Weight	0%	5%	20%	98%	83%	80%	42%	150%	100%	59%	
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 2024

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)	-	2,518,063	-	-	-	2,518,063
Public Sector Entities	-	205,658	-	-	-	205,658
Corporates	-	444,464	-	-	-	444,464
Banks, DFIs and Multilateral Development Banks	-	5,057	-	-	-	5,057
Total	-	3,173,242	-	-	-	3,173,242
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	841,923	92,169	-	-	6,011	940,103
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
Total	841,923	92,169	-	-	6,011	940,103
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	5,310	-	-	-	42,026	47,336
Corporates	615,977	-	-	-	5,601,414	6,217,391
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	69,939	69,939
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Total	621,287	-	-	-	5,713,379	6,334,666

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.)

The following table shows the rated credit exposures according to ratings by approved ECAIs (cont'd) :

31 March 2024

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)	-	2,229,517	-	-	-	2,229,517
Public Sector Entities	-	169,380	-	-	-	169,380
Corporates	-	326,148	-	-	-	326,148
Banks, DFIs and Multilateral Development Banks	-	5,037	-	-	-	5,037
Total	-	2,730,082	-	-	-	2,730,082
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	763,476	-	-	-	6,011	769,487
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
Total	763,476	-	-	-	6,011	769,487
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	-	-	-	-	50,054	50,054
Corporates	736,963	-	-	-	5,394,216	6,131,179
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	78,140	78,140
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Total	736,963	-	-	-	5,522,410	6,259,373

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 2024 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	2,518,063	-	-	-
Public Sector Entities	220,995	-	-	-
Banks, DFIs and Multilateral Development Banks	944,159	-	-	-
Takaful Companies, Securities Firms and Fund Managers	69,914	-	-	-
Corporates	5,945,774	206,666	156,861	-
Regulatory Retail	4,467,900	280,673	103,385	-
RRE Financing	4,393,432	1,722	461	-
Higher Risk Assets	918	-	-	-
Other Assets	110,013	-	-	-
Defaulted Exposures	206,690	4,039	321	-
Total On-Balance Sheet Exposures	18,877,858	493,100	261,028	-
Off-Balance Sheet Exposures:				
Off-Balance Sheet Exposures Other than Over The Counter ("OTC")				
Derivatives or Credit Derivatives	1,093,642	15,631	79,914	-
Defaulted Exposures	223	-	-	-
Total Off-Balance Sheet Exposures	1,093,865	15,631	79,914	-
Total On and Off-Balance Sheet Exposures	19,971,723	508,731	340,942	-

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 2024 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	2,229,517	-	-	-
Public Sector Entities	179,932	-	-	-
Banks, DFIs and Multilateral Development Banks	773,525	-	-	-
Takaful Companies, Securities Firms and Fund Managers	77,684	1,557	-	-
Corporates	5,785,353	161,170	169,925	-
Regulatory Retail	4,238,974	274,293	100,969	-
RRE Financing	4,400,929	1,814	499	-
Higher Risk Assets	960	-	-	-
Other Assets	102,348	-	-	-
Defaulted Exposures	199,597	2,268	391	-
Total On-Balance Sheet Exposures	17,988,819	441,102	271,784	-
Off-Balance Sheet Exposures:				
Off-Balance Sheet Exposures Other than OTC Derivatives or Credit Derivatives	1,040,069	20,073	65,306	-
Defaulted Exposures	257	16	1	-
Total Off-Balance Sheet Exposures	1,040,326	20,089	65,307	-
Total On and Off-Balance Sheet Exposures	19,029,145	461,191	337,091	-

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 2024			
<u>Credit-Related Exposures</u>			
Direct Credit Substitutes	83,891	83,891	69,797
Transaction-Related Contingent Items	126,091	63,045	34,962
Short-Term Self-Liquidating Trade- Related Contingencies	14,319	2,864	2,260
Forward Assets Purchase	-	-	-
Irrevocable Commitments to Extend Credit:			
- Maturity exceeding one year	675,579	337,511	261,481
- Maturity not exceeding one year	3,032,773	606,554	496,629
	<u>3,932,653</u>	<u>1,093,865</u>	<u>865,129</u>
31 March 2024			
<u>Credit-Related Exposures</u>			
Direct Credit Substitutes	88,732	88,732	69,752
Transaction-Related Contingent Items	92,383	46,191	30,147
Short-Term Self-Liquidating Trade- Related Contingencies	16,786	3,357	2,388
Forward Assets Purchase	9,502	9,502	-
Irrevocable Commitments to Extend Credit:			
- Maturity exceeding one year	692,129	345,778	271,768
- Maturity not exceeding one year	2,733,828	546,766	442,916
	<u>3,633,360</u>	<u>1,040,326</u>	<u>816,971</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 2024		
Profit Rate Risk		
- General Profit Rate Risk	-	-
- Specific Profit Rate Risk	-	-
	<u>-</u>	<u>-</u>
Foreign Exchange Risk	286	23
Option Risk	39,063	3,125
	<u>39,349</u>	<u>3,148</u>
	<u><u>39,349</u></u>	<u><u>3,148</u></u>
31 March 2024		
Profit Rate Risk		
- General Profit Rate Risk	-	-
- Specific Profit Rate Risk	-	-
	<u>-</u>	<u>-</u>
Foreign Exchange Risk	242	19
Option Risk	-	-
	<u>242</u>	<u>19</u>
	<u><u>242</u></u>	<u><u>19</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	Other Foreign Currencies ("FCY") RM'000	TOTAL RM'000
30 September 2024					
Impact on Net Profit Income ("NPI")					
Parallel 200 bps up	84,635	-	-	-	84,635
Parallel 200 bps down	(84,635)	-	-	-	(84,635)
Impact on Economic Value ("EV")					
Parallel 200 bps up	(24,960)	-	-	-	(24,960)
Parallel 200 bps down	24,960	-	-	-	24,960
Steepener	(116,467)	-	-	-	(116,467)
Flattener	106,226	-	-	-	106,226
Short Rate Up	38,151	-	-	-	38,151
Short Rate Down	(38,151)	-	-	-	(38,151)
	MYR RM'000	USD RM'000	SGD RM'000	Other FCY RM'000	TOTAL RM'000
31 March 2024					
Impact on NPI					
Parallel 200 bps up	51,798	-	-	-	51,798
Parallel 200 bps down	(51,798)	-	-	-	(51,798)
Impact on EV					
Parallel 200 bps up	(161,314)	-	-	-	(161,314)
Parallel 200 bps down	161,314	-	-	-	161,314
Steepener	(177,084)	-	-	-	(177,084)
Flattener	143,939	-	-	-	143,939
Short Rate Up	(35,133)	-	-	-	(35,133)
Short Rate Down	35,133	-	-	-	35,133

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

For the financial period, there was one instance of Shariah non-compliance event ("SNCE") due to the non-performance of Commodity Murabahah (CM) trading for Commodity Murabahah Home Financing-i (CMHF-i). This was caused by oversight by the staff as well as no system trigger for CM trading. The Bank had taken corrective actions by reviewing similar accounts, enhancing the system, and refunding the profit amounting to RM7,972.74 to the affected customer.

In addition to the above SNCE, there is SNC income amounting to RM9,719,842 contributed by an SNCE which materialised in 2024 pertaining to AIS House Financing Product based on Bai' Bithaman Ajil for Properties under Construction that breached BNM's Murabahah Policy Document and Circular on Implementation of SAC's Resolution on Bai 'Inah. The remediation actions are currently in progress.