

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

(Incorporated in Malaysia)

**Condensed Interim Financial Statements****Unaudited Statement of Financial Position as at 30 June 2022**

		<b>30 June</b>	31 March
		<b>2022</b>	2022
	Note	<b>RM'000</b>	RM'000
<b>ASSETS</b>			
Cash and short-term funds		<b>1,837,465</b>	1,417,800
Financial investments at fair value through other comprehensive income	A12	<b>1,731,182</b>	1,868,764
Financial investments at amortised cost	A13	<b>208,855</b>	210,114
Derivative financial assets	A14	<b>392</b>	-
Financing and advances	A15	<b>11,218,795</b>	11,332,012
Other assets	A16	<b>16,300</b>	21,954
Statutory deposits with Bank Negara Malaysia		<b>31,438</b>	30,438
Right-of-use assets		<b>581</b>	384
Property, plant and equipment		<b>222</b>	198
Deferred tax assets		<b>48,841</b>	41,558
Intangible assets		<b>1,507</b>	1,444
<b>TOTAL ASSETS</b>		<b>15,095,578</b>	14,924,666
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	A17	<b>13,064,457</b>	12,612,943
Deposits and placements of banks and other financial institutions	A18	<b>207,522</b>	216,232
Derivative financial liabilities	A14	<b>1,043</b>	-
Recourse obligations on financing sold to Cagamas		<b>100,128</b>	350,449
Lease liabilities		<b>607</b>	411
Other liabilities	A19	<b>248,445</b>	250,941
Provision for taxation		<b>2,579</b>	1,529
Provision for zakat		<b>968</b>	1,162
Subordinated Sukuk		<b>232,179</b>	229,664
<b>TOTAL LIABILITIES</b>		<b>13,857,928</b>	13,663,331
Share capital		<b>600,000</b>	600,000
Reserves		<b>637,650</b>	661,335
<b>TOTAL EQUITY</b>		<b>1,237,650</b>	1,261,335
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>15,095,578</b>	14,924,666
<b>COMMITMENTS AND CONTINGENCIES</b>	A27	<b>3,214,344</b>	2,437,452

*The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2022.*

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

(Incorporated in Malaysia)

**Condensed Interim Financial Statements****Unaudited Statement of Income****for the Financial Period Ended 30 June 2022**

	Note	1st Quarter Ended		Three Months Ended	
		30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Income derived from investment of depositors' funds and others	A20	151,336	150,640	151,336	150,640
Income derived from investment of shareholder's funds	A21	14,632	14,659	14,632	14,659
Allowance for expected credit losses on financing and advances and other financial assets	A22	(7,183)	(40,647)	(7,183)	(40,647)
Write-back of expected credit losses on financial investments	A23	13	-	13	-
<b>Total distributable income</b>		<b>158,798</b>	124,652	<b>158,798</b>	124,652
Income attributable to the depositors and financial institutions	A24	(61,870)	(63,487)	(61,870)	(63,487)
<b>Total net income</b>		<b>96,928</b>	61,165	<b>96,928</b>	61,165
Other operating expenses	A25	(36,506)	(32,179)	(36,506)	(32,179)
<b>Profit before taxation</b>		<b>60,422</b>	28,986	<b>60,422</b>	28,986
Taxation		(14,943)	(7,374)	(14,943)	(7,374)
<b>Net profit for the financial period</b>		<b>45,479</b>	21,612	<b>45,479</b>	21,612
<b>Net profit for the financial period attributable to:</b>					
Equity holder of the Bank		<b>45,479</b>	21,612	<b>45,479</b>	21,612
Earnings per share attributable to:					
Equity holder of the Bank					
- Basic/diluted (sen)	A26	<b>11.0</b>	5.2	<b>11.0</b>	5.2

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2022.

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

(Incorporated in Malaysia)

**Condensed Interim Financial Statements****Unaudited Statement of Comprehensive Income  
for the Financial Period Ended 30 June 2022**

	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>30 June</b>	30 June	<b>30 June</b>	30 June
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Net profit for the financial period</b>	<b>45,479</b>	21,612	<b>45,479</b>	21,612
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Revaluation reserve on financial investments at fair value through other comprehensive income ("FVOCI")				
- Net (loss)/gain from change in fair value	<b>(36,591)</b>	9,491	<b>(36,591)</b>	9,491
- Realised gain transferred to statement of income on disposal	-	(9,045)	-	(9,045)
- Transfer from/(to) deferred tax	<b>8,782</b>	(107)	<b>8,782</b>	(107)
- Changes in expected credit losses	<b>(13)</b>	4	<b>(13)</b>	4
Other comprehensive (expense)/income, net of tax	<b>(27,822)</b>	343	<b>(27,822)</b>	343
<b>Total comprehensive income for the financial period</b>	<b>17,657</b>	21,955	<b>17,657</b>	21,955
<b>Total comprehensive income for the financial period attributable to:</b>				
Equity holder of the Bank	<b>17,657</b>	21,955	<b>17,657</b>	21,955

*The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2022.*

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

(Incorporated in Malaysia)

**Condensed Interim Financial Statements****Unaudited Statement of Changes in Equity for the Financial Period Ended 30 June 2022**

	Ordinary shares RM'000	Non-distributable <u>reserves</u> FVOCI <u>reserves</u> RM'000	Distributable <u>reserves</u> Retained profits RM'000	Total equity RM'000
At 1 April 2022	600,000	(7,372)	668,707	1,261,335
Net profit for the financial period	-	-	45,479	45,479
Other comprehensive expense	-	(27,822)	-	(27,822)
Total comprehensive (expense)/income for the financial period	-	(27,822)	45,479	17,657
Dividend paid	-	-	(41,342)	(41,342)
<b>At 30 June 2022</b>	<b>600,000</b>	<b>(35,194)</b>	<b>672,844</b>	<b>1,237,650</b>
At 1 April 2021	600,000	34,989	564,889	1,199,878
Net profit for the financial period	-	-	21,612	21,612
Other comprehensive income	-	343	-	343
Total comprehensive income for the financial period	-	343	21,612	21,955
At 30 June 2021	600,000	35,332	586,501	1,221,833

*The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2022.*

**ALLIANCE ISLAMIC BANK BERHAD**

**200701018870 (776882-V)**

(Incorporated in Malaysia)

**Condensed Interim Financial Statements  
Unaudited Statement of Cash Flows  
for the Financial Period Ended 30 June 2022**

	<b>30 June 2022 RM'000</b>	30 June 2021 RM'000
Profit before taxation	<b>60,422</b>	28,986
Adjustments for non-cash items	<b>(9,687)</b>	8,362
Operating profit before changes in working capital	<b>50,735</b>	37,348
Changes in working capital	<b>551,561</b>	159,713
Net tax paid	<b>(12,396)</b>	(10,919)
Zakat paid	<b>(194)</b>	(50)
Net cash generated from operating activities	<b>589,706</b>	186,092
Net cash generated from investing activities	<b>125,793</b>	139,679
Net cash used in financing activities	<b>(295,834)</b>	(3,813)
Net change in cash and cash equivalents	<b>419,665</b>	321,958
Cash and cash equivalents at beginning of financial period	<b>1,417,800</b>	1,373,080
Cash and cash equivalents at end of financial period	<b>1,837,465</b>	1,695,038
Cash and cash equivalents comprise the following:		
Cash and short-term funds	<b>1,837,465</b>	1,695,038

*The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2022.*

## **Explanatory Notes**

### **PART A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard ("MFRS") 134 and Guidelines on Financial Reporting for Islamic Banking Institutions Issued by Bank Negara Malaysia ("BNM")**

#### **A1 Basis of Preparation**

The unaudited condensed interim financial statements for the first financial quarter ended 30 June 2022 have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income that are measured at fair value.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB").

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of Alliance Islamic Bank Berhad ("the Bank") for the financial year ended 31 March 2022. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 March 2022.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 March 2022 and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 April 2022:

- Amendment to MFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021"
- Amendments to MFRS 3 "Reference to Conceptual Framework"
- Amendments to MFRS 116 "Proceeds before intended use"
- Amendments to MFRS 137 "Onerous Contracts - Cost of Fulfilling a Contract"
- Annual improvements to MFRS 9 "Fees in the 10% test for derecognition of financial liabilities"
- Annual Improvements to MFRS 1 "Subsidiary as First-time Adopter"
- Annual Improvements to Illustrative Examples accompanying MFRS 16 Leases: Lease Incentives

The adoption of the above standards, amendments to published standards and interpretation to existing standards did not have any significant impact on the financial statements of the Bank.

The preparation of unaudited condensed interim financial statements in conformity with the Malaysian Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed interim financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

#### **A2 Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2022 was not qualified.

#### **A3 Seasonality or Cyclicity of Operations**

The operations of the Bank was not materially affected by any seasonal or cyclical fluctuations during the current financial period ended 30 June 2022.

#### **A4 Unusual Items Due to Their Nature, Size or Incidence**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank during the current financial period ended 30 June 2022.

**A5 Changes in Estimates**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect during the current financial period ended 30 June 2022.

**A6 Issuance and Repayment of Debt and Equity Securities**

The Bank has on 29 April 2022:

- (i) Fully redeemed its existing RM130.0 million Unrated Subordinated Sukuk Murabahah ("Subordinated Sukuk Murabahah") which was issued on 29 September 2017 under Alliance Islamic's Subordinated Sukuk Murahahah Programme of up to RM180.0 million in nominal value; and
- (ii) Completed the issuance of RM130.0 million Rated Tier 2 Subordinated Sukuk Murabahah ("T2 Sukuk Murabahah") pursuant to Alliance Islamic's Tier 2 Subordinated Sukuk Murabahah Programme of up to RM800.0 million in nominal value.

The details of the T2 Sukuk Murabahah issuance are summarised as follow:

Nominal Amount	Tenure	Call Date	Coupon Rate
RM130.0 million	Ten (10)-years Non-Callable Five Year (5)-years	29 April 2027 and thereafter on every profit payment date	4.45% p.a

**A7 Dividend Paid**

A single tier second interim dividend of 9.98 sen per share, on 414,249,197 ordinary shares amounting to approximately RM41,342,000 in respect of the financial year ended 31 March 2022, was paid on 16 June 2022.

**A8 Significant Events**

The Bank has entered into a business sale and purchase agreement with Alliance Investment Bank Berhad ("AIBB"), a related company of the Bank, to transfer AIBB's corporate finance, equity capital markets and debt capital markets business (excluding all non-shariah compliant mandates) (the Capital Markets Business) to the Bank, for a cash consideration of RM20,000 which equal to the net asset value taking into consideration the total assets and total liabilities of the Capital Markets Business.

On 1 April 2022, the total assets and total liabilities of the Capital Markets Business in AIBB were fully transferred to the Bank.

**A9 Material Events Subsequent to the End of the Financial Reporting Period**

There were no material events subsequent to the end of the financial reporting period that require disclosure or adjustment to the unaudited condensed interim financial statements.

**A10 Related Party Transactions**

All related party transactions within the Bank has been entered into in the normal course of business.

**A11 Proposed Dividend**

No dividend has been proposed or declared during the current financial period ended 30 June 2022.

**A12 Financial Investments at Fair Value Through Other Comprehensive Income ("FVOCI")**

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
<b>At fair value - debt instruments</b>		
<u>Money market instruments:</u>		
Malaysian Government investment issues	<u>494,222</u>	<u>507,192</u>
	<b>494,222</b>	<b>507,192</b>
<u>Unquoted securities:</u>		
Sukuk	<u>1,236,960</u>	<u>1,361,572</u>
	<b>1,236,960</b>	<b>1,361,572</b>
 Total financial investments at FVOCI	 <b><u>1,731,182</u></b>	 <b><u>1,868,764</u></b>

Movements in allowance for expected credit losses are as follows:

	<b>12-month ECL (Stage 1)</b>	
	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
At beginning of financial period/year	137	17
Financial investments derecognised other than write-off	<u>(1)</u>	<u>9</u>
Changes due to change in credit risk	<u>(12)</u>	<u>111</u>
Total (write-back from)/charge to income statement	<u>(13)</u>	<u>120</u>
At end of financial period/year	<b><u>124</u></b>	<b><u>137</u></b>

**A13 Financial Investments at Amortised Cost**

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
<b>At amortised cost</b>		
<u>Money market instruments:</u>		
Malaysian Government investment issues	<u>208,855</u>	<u>210,114</u>
	<b>208,855</b>	<b>210,114</b>
 Total financial investments at amortised cost	 <b><u>208,855</u></b>	 <b><u>210,114</u></b>

Movements in allowance for expected credit losses are as follows:

	<b>12-month ECL (Stage 1)</b>	
	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
At beginning of financial period/year	-	323
Financial assets derecognised other than write-off	<u>-</u>	<u>(104)</u>
Changes due to change in credit risk	<u>-</u>	<u>(219)</u>
Total write-back from income statement due to change in credit risk	<u>-</u>	<u>(323)</u>
At end of financial period/year	<b><u>-</u></b>	<b><u>-</u></b>



**A14 Derivative Financial Assets/(Liabilities)**

Derivative financial instruments measured at fair values together with their corresponding contract/notional amounts:

	As at 30 June 2022		
	Fair value		
	Principal RM'000	Assets RM'000	Liabilities RM'000
<b>Hedging derivatives</b>			
Interest rate derivatives			
Interest rate swap	298,000	392	(1,043)
- over three years	<u>298,000</u>	<u>392</u>	<u>(1,043)</u>
Total derivatives assets/(liabilities)	<u>298,000</u>	<u>392</u>	<u>(1,043)</u>

**A15 Financing and Advances**

By types and Shariah concepts:

	Notes	Bai` Bithaman Ajil RM'000	Tawarruq RM'000	Al-Ijarah Thumma Al-Bai`/ AITAB RM'000	Murabahah RM'000	Qard RM'000	Bai` Al-Dayn RM'000	Bai` `Inah RM'000	Total Financing and Advances RM'000
<b>30 June 2022</b>									
<b>At amortised cost</b>									
Cash line financing		18,177	1,131,868	-	-	11,054	-	-	1,161,099
Term financing									
- Housing financing		3,403,138	-	-	-	-	-	-	3,403,138
- Hire purchase receivables	(a)	-	-	95,979	-	-	-	-	95,979
- Other term financing		1,908,741	3,514,763	-	-	-	-	106,640	5,530,144
Bills receivables		-	-	-	3,636	-	-	-	3,636
Trust receipts		-	-	-	50,206	-	-	-	50,206
Claims on customers under acceptance credits		-	-	-	795,747	-	82,111	-	877,858
Staff financing (including financing to Directors of RM Nil)		12,270	-	-	-	-	-	-	12,270
Revolving credits	(b)	69,047	321,523	-	-	-	-	-	390,570
Gross financing and advances		<u>5,411,373</u>	<u>4,968,154</u>	<u>95,979</u>	<u>849,589</u>	<u>11,054</u>	<u>82,111</u>	<u>106,640</u>	<u>11,524,900</u>
Add: Sales commission and handling fees									60,486
Less: Allowance for expected credit losses on financing and advances									(366,591)
Total net financing and advances									<u>11,218,795</u>

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

(Incorporated in Malaysia)

**A15 Financing and Advances (Cont'd.)**
By types and Shariah concepts: (cont'd.)

	Notes	Bai` Bithaman		Al-Ijarah Thumma Al-Bai`/ AITAB Murabahah		Qard	Bai` Al-Dayn	Bai` `Inah	Total Financing and Advances
		Ajil RM'000	Tawarrug RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2022									
<b>At amortised cost</b>									
Cash line financing		20,393	1,297,767	-	-	25,947	-	-	1,344,107
Term financing									
- Housing financing		3,420,671	-	-	-	-	-	-	3,420,671
- Hire purchase receivables	(a)	-	-	107,513	-	-	-	-	107,513
- Other term financing		1,954,568	3,182,093	-	-	-	-	114,499	5,251,160
Bills receivables		-	-	-	10,741	-	-	-	10,741
Trust receipts		-	-	-	62,542	-	-	-	62,542
Claims on customers under acceptance credits		-	-	-	831,761	-	84,732	-	916,493
Staff financing (including financing to Directors of RM Nil)		12,742	-	-	-	-	-	-	12,742
Revolving credits	(b)	74,552	486,562	-	-	-	-	-	561,114
Gross financing and advances		5,482,926	4,966,422	107,513	905,044	25,947	84,732	114,499	11,687,083
Add: Sales commission and handling fees									53,785
Less: Allowance for expected credit losses on financing and advances									(408,856)
Total net financing and advances									<u>11,332,012</u>

Notes:

(a) Included hire purchase receivables under Al-Ijarah Thumma Al-Bai` ("AITAB") which is the contract of lease ending transfer of ownership from the lessor to the lessee in the form of sale transaction, which may take place at the end of the Ijarah period or at any point of time during the period, subject to the agreed terms and conditions between the contracting parties.

(b) The total Financing and Advances under Bai` Bithaman Ajil ("BBA") includes Revolving Credit-I (Murabahah) which substantively adopts a BBA product structure.

(i) Purpose and source of fund for Qard Financing:

	30 June 2022 RM'000	31 March 2022 RM'000
At beginning of financial period/year	25,947	9,419
Sources of Qard fund:		
- Shareholders' fund	5,186	26,587
Uses of Qard fund:		
- Personal use	(2,060)	(925)
- Working capital	(3,019)	(7,419)
- Other	(15,000)	(1,715)
At end of financial period/year	<u>11,054</u>	<u>25,947</u>

**A15 Financing and Advances (Cont'd.)**

(ii) By maturity structure:

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
Within one year	2,537,109	2,939,386
One year to three years	335,035	349,330
Three years to five years	981,634	874,456
Over five years	7,671,122	7,523,911
Gross financing and advances	<u><u>11,524,900</u></u>	<u><u>11,687,083</u></u>

(iii) By type of customers:

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
Domestic non-bank financial institutions	89,841	164,716
Domestic business enterprises		
- Small and medium enterprises	3,753,131	3,743,743
- Others	1,297,219	1,474,826
Individuals	6,288,945	6,206,464
Other domestic entities	20,702	21,275
Foreign entities	75,062	76,059
Gross financing and advances	<u><u>11,524,900</u></u>	<u><u>11,687,083</u></u>

(iv) By profit rate sensitivity:

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
Fixed rate		
- Housing financing	18,037	18,808
- Hire purchase receivables	95,979	107,513
- Other fixed rate financing	2,439,476	2,386,512
Variable rate		
- Base financing rate plus	4,853,375	4,883,098
- Base rate plus	3,331,894	3,322,756
- Cost plus	786,139	968,396
Gross financing and advances	<u><u>11,524,900</u></u>	<u><u>11,687,083</u></u>

(v) By economic purposes:

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
Purchase of transport vehicles	78,831	89,548
Purchase of landed property	5,056,896	5,021,554
of which: - Residential	<u>3,455,867</u>	<u>3,473,658</u>
- Non-residential	<u>1,601,029</u>	<u>1,547,896</u>
Purchase of fixed assets excluding land & buildings	56,155	52,162
Personal use	2,879,189	2,769,411
Construction	124,279	122,880
Working capital	2,485,367	2,778,741
Others	844,183	852,787
Gross financing and advances	<u><u>11,524,900</u></u>	<u><u>11,687,083</u></u>

**A15 Financing and Advances (Cont'd.)**

(vi) By economic sectors:

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
Primary agriculture	<b>368,723</b>	390,416
Mining and quarrying	<b>28,640</b>	31,260
Manufacturing	<b>1,279,521</b>	1,398,406
Electricity, gas and water	<b>9,568</b>	4,615
Construction	<b>363,071</b>	367,185
Wholesale, retail trade, restaurants and hotels	<b>1,742,456</b>	1,758,036
Transport, storage and communication	<b>160,531</b>	168,058
Financing, insurance, real estate and business services	<b>1,117,061</b>	1,200,432
Community, social and personal services	<b>91,322</b>	86,151
Household	<b>6,364,007</b>	6,282,524
Gross financing and advances	<b><u>11,524,900</u></b>	<b><u>11,687,083</u></b>

(vii) By geographical distribution:

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
Northern region	<b>1,194,350</b>	1,172,168
Central region	<b>7,727,349</b>	7,748,939
Southern region	<b>1,254,206</b>	1,286,911
Sabah region	<b>1,002,045</b>	1,083,936
Sarawak region	<b>346,950</b>	395,129
Gross financing and advances	<b><u>11,524,900</u></b>	<b><u>11,687,083</u></b>

(viii) Movements in credit impaired financing and advances ("impaired financing") in Stage 3:

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
At beginning of financial period/year	<b>278,334</b>	296,686
Impaired during the financial period/year	<b>66,446</b>	340,327
Recovered during the financial period/year	<b>(3,125)</b>	(264,435)
Reclassified as unimpaired during the financial period/year	<b>(30,919)</b>	(11,161)
Financial assets derecognised other than write-off during the financial period/year	<b>(5,495)</b>	(43,739)
Amount written-off	<b>(51,777)</b>	(39,344)
At end of financial period/year	<b><u>253,464</u></b>	<b><u>278,334</u></b>
Gross impaired financing ratio	<b>2.20%</b>	2.38%
Net impaired financing ratio	<b>1.43%</b>	1.33%

**A15 Financing and Advances (Cont'd.)**

(ix) Credit impaired financing and advances analysed by economic purposes:

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
Purchase of transport vehicles	3,530	4,700
Purchase of landed property	127,401	120,039
of which: - Residential	114,285	105,049
- Non-residential	13,116	14,990
Purchase of fixed assets excluding land & buildings	593	593
Personal use	92,927	77,964
Working capital	26,550	57,294
Others	2,463	17,744
Gross impaired financing and advances	253,464	278,334

(x) Credit impaired loans analysed by economic sectors:

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
Primary agriculture	1,077	1,083
Manufacturing	4,396	8,883
Construction	11,893	51,691
Wholesale, retail trade, restaurants and hotels	19,618	23,032
Transport, storage and communication	553	553
Financing, insurance, real estate and business services	579	556
Community, social and personal services	3,884	3,884
Household	211,464	188,652
Gross impaired financing and advances	253,464	278,334

(xi) Credit impaired financing and advances by geographical distribution:

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
Northern region	26,658	26,958
Central region	172,483	189,154
Southern region	40,782	45,620
Sabah region	12,266	15,249
Sarawak region	1,275	1,353
Gross impaired financing and advances	253,464	278,334

**A15 Financing and Advances (Cont'd.)**

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

	12-month 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	21,139	(29,247)	(2)	(8,110)
Transfer to Stage 2	(23,191)	40,529	(7,361)	9,977
Transfer to Stage 3	(98)	(18,835)	20,517	1,584
New financial assets originated or purchased	6,650	2,924	1,120	10,694
Financial assets derecognised other than write-off	(5,535)	(4,142)	(1,752)	(11,429)
Changes due to change in credit risk	(3,437)	5,388	210	2,161
	(4,472)	(3,383)	12,732	4,877
Unwinding of discount	-	-	(227)	(227)
Total (write-back from)/charge to income statement	(4,472)	(3,383)	12,505	4,650
Write-off	-	(443)	(46,472)	(46,915)
<b>At 30 June 2022</b>	<b>91,603</b>	<b>184,849</b>	<b>90,139</b>	<b>366,591</b>
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.

**A16 Other Assets**

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
Other receivables	13,566	19,452
Deposits	93	89
Prepayment	5,103	4,157
Amount due from related company	-	3
	<u>18,762</u>	<u>23,701</u>
Less:		
Allowance for expected credit losses on other receivables [Note]	<u>(2,462)</u>	<u>(1,747)</u>
	<u><u>16,300</u></u>	<u><u>21,954</u></u>

Note:

Movements in allowance for expected credit losses on other receivables are as follows:

	<u>Lifetime ECL</u>	
	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
At beginning of financial period/year	1,747	1,908
Effect of business transfer	454	-
Total charge to income statement due to change in credit risk	261	(161)
At end of financial period/year	<u>2,462</u>	<u>1,747</u>

As at 30 June 2022, the Bank's gross exposure of other receivables that are under lifetime expected credit losses was at RM2,462,000 (31 March 2022: RM1,747,000).

**A17 Deposits from Customers**

**A17a** By type of deposits:

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
Demand deposits		
- Qard	5,159,895	5,081,276
- Tawarruq	242,175	176,614
Savings deposits		
- Qard	465,236	447,690
- Tawarruq	3,105	1,523
Term deposits		
- Tawarruq	5,226,101	5,705,450
- Negotiable Islamic Debt Certificate		
- Bai' Inah	396,799	195,226
- Money market deposits		
- Tawarruq	1,317,284	885,550
- Other deposits		
- Mudharabah	62,879	63,185
- Wakalah	31,879	32,235
- Qard	159,104	24,194
	<u>13,064,457</u>	<u>12,612,943</u>

**A17 Deposits from Customers (Cont'd.)**

**A17b** The maturity structure of term deposits are as follows:

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
Due within six months	<b>5,585,589</b>	5,464,366
Six months to one year	<b>1,048,879</b>	1,138,967
One year to three years	<b>361,944</b>	106,878
Three years to five years	<b>197,634</b>	195,629
	<b><u>7,194,046</u></b>	<u>6,905,840</u>

**A17c** By type of customers:

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
Domestic financial institutions	<b>396,852</b>	195,409
Domestic non-bank financial institutions	<b>1,614,305</b>	1,311,222
Government and statutory bodies	<b>1,226,794</b>	1,447,574
Business enterprises	<b>4,120,106</b>	3,888,639
Individuals	<b>5,415,951</b>	5,483,490
Foreign entities	<b>103,215</b>	108,461
Others	<b>187,234</b>	178,148
	<b><u>13,064,457</u></b>	<u>12,612,943</u>

**A18 Deposits and Placements of Banks and Other Financial Institutions**

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
<b>Non-Mudharabah Fund</b>		
Licensed investment banks	<b>9,332</b>	8,438
Bank Negara Malaysia	<b>198,190</b>	207,794
	<b><u>207,522</u></b>	<u>216,232</u>

**A19 Other Liabilities**

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
Other payables	<b>118,816</b>	112,079
Bills payable	<b>13,054</b>	7,754
Clearing account	<b>74,380</b>	56,863
Sundry deposits	<b>5,542</b>	5,161
Provision and accruals	<b>9,947</b>	16,156
Amount due to holding company	<b>20,606</b>	41,292
Amount due to related company	<b>1,309</b>	8,322
Allowance for expected credit losses on commitments and contingencies [Note]	<b>4,791</b>	3,314
	<b><u>248,445</u></b>	<u>250,941</u>



**A19 Other Liabilities (Cont'd.)**

Note:

Movements in allowance for expected credit losses on commitments and contingencies are as follows:

	12-month 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	1,174	2,135	5	3,314
Transfer to Stage 1	7	(50)	-	(43)
Transfer to Stage 2	(10)	390	-	380
New financial assets originated or purchased	179	97	(1)	275
Financial assets derecognised other than write-off	(136)	(127)	-	(263)
Changes due to change in credit risk	(22)	(141)	1,291	1,128
Total charge to income statement	18	169	1,290	1,477
<b>At 30 June 2022</b>	<b>1,192</b>	<b>2,304</b>	<b>1,295</b>	<b>4,791</b>
At 1 April 2021	1,647	21,451	1	23,099
Transfer to Stage 1	68	(669)	-	(601)
Transfer to Stage 2	(98)	798	(7)	693
Transfer to Stage 3	-	(111)	6	(105)
New financial assets originated or purchased	749	385	-	1,134
Financial assets derecognised other than write-off	-	-	-	-
Changes due to change in credit risk	(395)	(19,671)	-	(20,066)
Other adjustments	(797)	(48)	5	(840)
Total (write-back from)/charge to income statement	(473)	(19,316)	4	(19,785)
At 31 March 2022	1,174	2,135	5	3,314

- (i) As at 30 June 2022, the Bank's gross exposures of commitments and contingencies that are credit impaired was at RM1,536,000 (31 March 2022: RM198,000).
- (ii) The transfer between stages are inclusive of net remeasurement of allowances.

**A20 Income Derived from Investment of Depositors' Funds and Others**

	1st Quarter Ended		Three Months Ended	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Income derived from investment of:				
(i) Term deposits	80,611	75,133	80,611	75,133
(ii) Other deposits	70,725	75,507	70,725	75,507
	<b>151,336</b>	<b>150,640</b>	<b>151,336</b>	<b>150,640</b>

(i) Income derived from investment of term deposits:

	1st Quarter Ended		Three Months Ended	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
<b>Finance income and hibah</b>				
Financing and advances	63,812	52,794	63,812	52,794
Financial investments at fair value through other comprehensive income	8,891	9,184	8,891	9,184
Financial investments at amortised cost	909	1,358	909	1,358
Money at call and deposit placements with financial institutions	3,192	3,247	3,192	3,247
	<b>76,804</b>	<b>66,583</b>	<b>76,804</b>	<b>66,583</b>
Accretion of discount less amortisation of premium	1,507	1,296	1,507	1,296
Total finance income and hibah	<b>78,311</b>	<b>67,879</b>	<b>78,311</b>	<b>67,879</b>
<b>Other operating income</b>				
- Fee income	2,984	2,476	2,984	2,476
- Investment (loss)/income	(798)	4,111	(798)	4,111
- Other income	114	667	114	667
	<b>80,611</b>	<b>75,133</b>	<b>80,611</b>	<b>75,133</b>

Included in financing income earned on financing and advances for the current financial period is financing accrued on impaired financing of the Bank amounting to RM292,000 (June 2021: RM90,000).

**A20 Income Derived from Investment of Depositors' Funds and Others (Cont'd.)**

(ii) Income derived from investment of other deposits:

	1st Quarter Ended		Three Months Ended	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
<b>Finance income and hibah</b>				
Financing and advances	55,986	53,057	55,986	53,057
Financial investments at fair value through other comprehensive income	7,801	9,229	7,801	9,229
Financial investments at amortised cost	797	1,365	797	1,365
Money at call and deposit placements with financial institutions	2,801	3,263	2,801	3,263
	<b>67,385</b>	<b>66,914</b>	<b>67,385</b>	<b>66,914</b>
Accretion of discount less amortisation of premium	1,322	1,303	1,322	1,303
Total finance income and hibah	<b>68,707</b>	<b>68,217</b>	<b>68,707</b>	<b>68,217</b>
<b>Other operating income</b>				
- Fee income	2,618	2,488	2,618	2,488
- Investment (loss)/income	(700)	4,132	(700)	4,132
- Other income	100	670	100	670
	<b>70,725</b>	<b>75,507</b>	<b>70,725</b>	<b>75,507</b>

Included in financing income earned on financing and advances for the current financial period is financing accrued on impaired financing of the Bank amounting to RM256,000 (June 2021: RM91,000).

**A21 Income Derived from Investment of Shareholder's Funds**

	1st Quarter Ended		Three Months Ended	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
<b>Finance income and hibah</b>				
Financing and advances	11,582	10,301	11,582	10,301
Financial investments at fair value through other comprehensive income	1,614	1,792	1,614	1,792
Financial investments at amortised cost	165	265	165	265
Money at call and deposit placements with financial institutions	579	633	579	633
	<b>13,940</b>	<b>12,991</b>	<b>13,940</b>	<b>12,991</b>
Accretion of discount less amortisation of premium	274	253	274	253
Total finance income and hibah	<b>14,214</b>	<b>13,244</b>	<b>14,214</b>	<b>13,244</b>
<b>Other operating income</b>				
- Fee income	542	483	542	483
- Investment (loss)/income	(145)	802	(145)	802
- Other income	21	130	21	130
	<b>14,632</b>	<b>14,659</b>	<b>14,632</b>	<b>14,659</b>

Included in financing income earned on financing and advances for the current financial period is financing accrued on impaired financing of the Bank amounting to RM53,000 (June 2021: RM18,000).

**A22 Allowance for Expected Credit Losses on Financing and Advances and Other Financial Assets**

	1st Quarter Ended		Three Months Ended	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Allowance for expected credit losses on:				
(a) Financing and advances				
- Allowance made during the financial period	4,877	36,624	4,877	36,624
(b) Credit impaired on financing and advances				
- Recovered during the financial period	(5,200)	(3,113)	(5,200)	(3,113)
- Write-off during the financial period	5,768	7,605	5,768	7,605
(c) Commitments and contingencies on financing and advances				
- Allowance/(write-back) made during the financial period	1,477	(457)	1,477	(457)
	<b>6,922</b>	<b>40,659</b>	<b>6,922</b>	<b>40,659</b>
Allowance for/(write-back of) expected credit losses on other receivables	261	(12)	261	(12)
	<b>7,183</b>	<b>40,647</b>	<b>7,183</b>	<b>40,647</b>

**A23 Write-back of Expected Credit Losses on Financial Investments**

	1st Quarter Ended		Three Months Ended	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
(Write -back of)/allowance for expected credit losses on:				
- Financial investments at fair value through other comprehensive income	(13)	4	(13)	4
- Financial investments at amortised cost	-	(4)	-	(4)
	<b>(13)</b>	<b>-</b>	<b>(13)</b>	<b>-</b>

**A24 Income Attributable to the Depositors and Financial Institutions**

	1st Quarter Ended		Three Months Ended	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Deposits from customers:				
- Mudharabah fund	299	297	299	297
- Non-Mudharabah fund	54,740	55,182	54,740	55,182
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	260	880	260	880
Recourse obligations on financing sold to Cagamas	3,434	3,805	3,434	3,805
Subordinated sukuk	3,127	3,314	3,127	3,314
Lease liabilities	10	9	10	9
	<b>61,870</b>	<b>63,487</b>	<b>61,870</b>	<b>63,487</b>

**A25 Other Operating Expenses**

	1st Quarter Ended		Three Months Ended	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	18,850	17,752	18,850	17,752
- Contribution to EPF	2,893	2,804	2,893	2,804
- Others	1,443	1,408	1,443	1,408
	<b>23,186</b>	21,964	<b>23,186</b>	21,964
<u>Establishment costs</u>				
- Depreciation on property, plant and equipment	37	24	37	24
- Depreciation on right-of-use assets	116	64	116	64
- Amortisation of computer software	104	79	104	79
- Rental of premises	98	153	98	153
- Water and electricity	281	243	281	243
- Repairs and maintenance	268	482	268	482
- Information technology expenses	6,251	4,426	6,251	4,426
- Others [Note]	415	1,472	415	1,472
	<b>7,570</b>	6,943	<b>7,570</b>	6,943
<u>Marketing expenses</u>				
- Promotion and advertisement	1,165	34	1,165	34
- Branding and publicity	671	262	671	262
- Others	161	124	161	124
	<b>1,997</b>	420	<b>1,997</b>	420
<u>Administration and general expenses</u>				
- Communication expenses	434	537	434	537
- Printing and stationeries	52	77	52	77
- Insurance	885	456	885	456
- Professional fees	1,691	1,373	1,691	1,373
- Others	691	409	691	409
	<b>3,753</b>	2,852	<b>3,753</b>	2,852
Total other operating expenses	<b>36,506</b>	32,179	<b>36,506</b>	32,179

Note:

Included in the other operating expenses are the Shariah Committee members' remuneration of RM98,000 (30 June 2021: RM93,000).

**A25 Other Operating Expenses (Cont'd.)**

The following represents a detailed breakdown of the Bank's share of the holding company's other operating expenses included within the Bank's total other operating expenses:

	1st Quarter Ended		Three Months Ended	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
<b><u>Sharing of Other Operating Expenses</u></b>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	16,615	16,231	16,615	16,231
- Contribution to EPF	2,538	2,560	2,538	2,560
- Others	1,214	1,363	1,214	1,363
	<b>20,367</b>	<b>20,154</b>	<b>20,367</b>	<b>20,154</b>
<u>Establishment costs</u>				
- Rental of premises	98	90	98	90
- Water and electricity	274	238	274	238
- Repairs and maintenance	262	478	262	478
- Information technology expenses	6,085	4,398	6,085	4,398
- Others [Note]	415	1,472	415	1,472
	<b>7,134</b>	<b>6,676</b>	<b>7,134</b>	<b>6,676</b>
<u>Marketing expenses</u>				
- Promotion and advertisement	1,081	96	1,081	96
- Branding and publicity	492	255	492	255
- Others	158	124	158	124
	<b>1,731</b>	<b>475</b>	<b>1,731</b>	<b>475</b>
<u>Administration and general expenses</u>				
- Communication expenses	197	352	197	352
- Printing and stationeries	37	60	37	60
- Professional fees	832	915	832	915
- Others	388	38	388	38
	<b>1,454</b>	<b>1,365</b>	<b>1,454</b>	<b>1,365</b>
Total sharing of other operating expenses	<b>30,686</b>	<b>28,670</b>	<b>30,686</b>	<b>28,670</b>

Note:

Being substantially cross-charge amount for using the fixed assets of the holding company. This includes computer software, computer equipment and furniture and fittings.

**A26 Earnings Per Share**

**Basic/Diluted**

Basic/diluted earnings per share is calculated by dividing profit for the financial period attributable to ordinary equity holder of the Bank by the weighted average number of ordinary shares in issue during the financial period.

	1st Quarter Ended		Three Months Ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Net profit for the financial period attributable to equity holder of the Bank (RM'000)	<b>45,479</b>	21,612	<b>45,479</b>	21,612
Weighted average numbers of ordinary shares in issue ('000)	<b>414,249</b>	414,249	<b>414,249</b>	414,249
Basic/diluted earnings per share (sen)	<b>11.0</b>	5.2	<b>11.0</b>	5.2

**A27 Commitments and Contingencies**

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The notional amounts of the commitments and contingencies of the Bank are as follows:

	30 June 2022 RM'000	31 March 2022 RM'000
<u>Commitments and contingencies</u>		
Direct credit substitutes	<b>76,357</b>	70,235
Transaction-related contingent items	<b>65,754</b>	61,208
Short-term self-liquidating trade-related contingencies	<b>22,273</b>	19,250
Irrevocable commitments to extend credit:		
- maturity exceeding one year	<b>369,784</b>	283,555
- maturity not exceeding one year	<b>2,382,176</b>	2,003,204
	<b>2,916,344</b>	2,437,452
<u>Derivative financial instruments</u>		
Profit rate related contracts:		
- over three years	<b>298,000</b>	-
	<b>298,000</b>	-
	<b>3,214,344</b>	2,437,452

**A28 Capital Adequacy**

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 Bank has 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:

	<b>30 June 2022</b>	31 March 2022
<b>(i) <u>With transitional arrangements</u></b>		
<u>Before deducting proposed dividends</u>		
CET 1 capital ratio	<b>14.102%</b>	14.904%
Tier I capital ratio	<b>15.170%</b>	15.966%
Total capital ratio	<b>17.717%</b>	18.510%
<u>After deducting proposed dividends</u>		
CET 1 capital ratio	<b>14.102%</b>	14.463%
Tier 1 capital ratio	<b>15.170%</b>	15.525%
Total capital ratio	<b>17.717%</b>	18.069%
<b>(ii) <u>Without transitional arrangements</u></b>		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	<b>12.726%</b>	12.995%
Tier I capital ratio	<b>13.795%</b>	14.057%
Total capital ratio	<b>16.342%</b>	16.601%
<u>After deducting proposed dividends</u>		
CET 1 capital ratio	<b>12.726%</b>	12.554%
Tier 1 capital ratio	<b>13.795%</b>	13.616%
Total capital ratio	<b>16.342%</b>	16.160%

(a) Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital under the Capital Adequacy Framework with transitional arrangements are as follows:

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
<b><u>CET I Capital</u></b>		
Paid-up share capital	<b>600,000</b>	600,000
Retained profits	<b>672,844</b>	668,707
FVOCI reserves	<b>(35,318)</b>	(7,509)
	<b>1,237,526</b>	1,261,198
(Less)/add: Regulatory adjustments		
- Intangible assets	<b>(1,507)</b>	(1,444)
- Deferred tax assets	<b>(48,841)</b>	(41,558)
- Transitional arrangements	<b>128,308</b>	178,984
Total CET I Capital	<b>1,315,486</b>	1,397,180
Additional Tier 1 Sukuk Wakalah	<b>99,648</b>	99,613
Total Additional Tier 1 Capital	<b>99,648</b>	99,613
Total Tier I Capital	<b>1,415,134</b>	1,496,793



**A28 Capital Adequacy (Cont'd.)**

- (a) Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital under the Capital Adequacy Framework with transitional arrangements are as follows: (cont'd.)

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
<b><u>Tier II Capital</u></b>		
Subordinated Sukuk Murabahah	<b>130,000</b>	129,943
Expected credit losses and regulatory reserves	<b>107,580</b>	108,506
Total Tier II Capital	<b><u>237,580</u></b>	<u>238,449</u>
 Total Capital	 <b><u>1,652,714</u></b>	 <u>1,735,242</u>

- (b) The breakdown of risk-weighted assets ("RWA") by exposure in each major risk category are as follows:

	<b>30 June 2022 RM'000</b>	31 March 2022 RM'000
Credit risk	<b>8,606,400</b>	8,680,495
Market risk	<b>10,018</b>	58
Operational risk	<b>711,991</b>	694,112
Total RWA and capital requirements	<b><u>9,328,409</u></b>	<u>9,374,665</u>

**A29 Fair Value Measurements**

**(a) Determination of fair value and the fair value hierarchy**

MFRS 13 Fair Value Measurement requires disclosure of financial instruments measured at fair value to be categorised according to a hierarchy of valuation techniques, whether the inputs used are observable or unobservable. The following levels of hierarchy are used for determining and disclosing the fair value of the financial instruments:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

**A29 Fair Value Measurements**

**(a) Determination of fair value and the fair value hierarchy (Cont'd.)**

**(i) Financial instruments in Level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. This includes listed equities and corporate debt securities which are actively traded.

**(ii) Financial instruments in Level 2**

Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Bank then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include government securities, corporate private debt securities, corporate notes and derivatives.

**(iii) Financial instruments in Level 3**

The Bank classifies financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include discounted cash flows, and other appropriate valuation models.

**(b) Financial instruments measured at fair value and the fair value hierarchy**

The following tables show the Bank's financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
30 June 2022				
<u>Financial Assets</u>				
Financial investments at FVOCI				
- Money market instruments	-	494,222	-	494,222
- Unquoted securities	-	1,236,960	-	1,236,960
<hr/>				
31 March 2022				
<u>Financial Assets</u>				
Financial investments at FVOCI				
- Money market instruments	-	507,192	-	507,192
- Unquoted securities	-	1,361,572	-	1,361,572
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There were no transfers between Level 1 and 2 of the fair value hierarchy for the Bank during the financial period/year ended 30 June 2022 and 31 March 2022.

**A30 Offsetting Financial Assets And Financial Liabilities**

In accordance with MFRS 132 Financial Instruments: Presentation, the Bank reports financial assets and financial liabilities on a net basis on the statements of financial position, only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

- (i) all financial assets and liabilities that are reported net on the statements of financial position; and
- (ii) all financial assets and liabilities that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for statements of financial position netting.

**(a) Financial assets**

	Gross amounts of recognised financial assets set off in the statements of financial position RM'000	Gross amounts of recognised financial liabilities set off in the statements of financial position RM'000	Net amounts of financial assets presented in the statements of financial position RM'000	Related amounts not set off in the statements of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral received RM'000	
<u>BANK</u>						
30 June 2022						
Derivative financial assets	<b>392</b>	-	<b>392</b>	-	-	<b>392</b>

**(b) Financial liabilities**

	Gross amounts of recognised financial assets set off in the statements of financial position RM'000	Gross amounts of recognised financial liabilities set off in the statements of financial position RM'000	Net amounts of financial liabilities presented in the statements of financial position RM'000	Related amounts not set off in the statements of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral pledged RM'000	
<u>BANK</u>						
30 June 2022						
Derivative financial liabilities	<b>1,043</b>	-	<b>1,043</b>	-	-	<b>1,043</b>

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements, each agreement between the Bank and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

## **PART B - Review of Performance & Current Year Prospect**

### **B1 Review of Performance for Financial Period Ended 30 June 2022 ("1Q FY2023")**

#### Profitability

The Bank's net profit after taxation was RM45.5 million for the first financial quarter ended 30 June 2022, an increase of RM23.9 million year-on-year ("YOY"). The higher profits were largely due to higher revenue from financing activities and lower allowances for expected credit losses.

Net profit income improved by RM13.5 million or 15.7% YOY. Net profit margin ("NPM") came in higher at 2.69% (1QFY2022: 2.34%).

#### Financing Growth

The Bank's financing and advances stood at RM11.5 billion. The consumer and small and medium enterprise ("SME") financing grew by 1.3% and 1.0% respectively, partly offset by reduction in corporate financing resulting from higher repayments.

#### Other Operating Income

The Bank recorded other operating income of RM4.7 million, lower by RM11.2 million or 70.3% YOY mainly contributed by lower treasury and investment income, partly offset by higher corporate advisory fees and trade fees.

#### Managing Operating Expenses

Operating expenses increased by RM4.3 million or 13.4%, mainly from investments in the sales force, the expansion of the collections team and administrative cost. The cost-to-income ratio ("CIR") stood at 35.1% (1QFY2022: 31.6%). The Bank will continue to be vigilant on managing the cost for the financial year.

#### Asset Quality

The Bank's allowance for expected credit losses on financing and advances and other financial assets stood at RM7.2 million. The net credit cost recorded at 6.2bps (1QFY2022: 37.8bps). Financing loss coverage (including regulatory reserves) was at 144.6% (1QFY2022: 132.4%).

#### Healthy Funding and Liquidity Position

The Bank's customer deposits stood at RM13.1 billion and the Bank maintained a high current account/savings account ("CASA") ratio of 44.9%. The Bank's liquidity coverage and loans-to-funds ratios stood at 138.6% and 84.7% respectively. The Bank will continue to maintain healthy liquidity ratios and ensure sufficient liquidity buffers.

#### Proactive Capital Management

The Bank will continue to prioritise capital conservation in order to support future business expansion. We continued to maintain strong capital levels, with Common Equity Tier-1 ("CET 1") ratio at 14.1%, Tier-1 Capital ratio at 15.2% and Total Capital Ratio at 17.7%.

## **B2 Prospect for the Current Financial Period**

Bank Negara Malaysia (“BNM”) projects Malaysia’s gross domestic product (“GDP”) growth to range between 5.3% and 6.3% in 2022 (2021: 3.1%). External demand is expected to moderate given the global negative headwinds, however we expect this weakness to be offset by solid domestic demand this year.

Headline inflation has averaged 2.4%. It is projected to remain within the 2.2% - 3.2% forecast range for the year. The overall inflation outlook will continue to be subject to local and domestic uncertainties but the extent of upward pressures on inflation will remain partly contained by existing price controls, fuel subsidies and the continued spare capacity in the economy.

As such, we expect BNM to raise the OPR by another 25bps by year-end. This would bring the Overnight Policy Rate (“OPR”) to 2.50% from 2.25% currently.

Notwithstanding the above, the Bank will focus on growing the business prudently in three areas:

- (i) Acquiring more customers by scaling up the Bank’s core segments of SME and Consumer Banking, adding on sales force capacity and improving productivity by equipping relationship managers with digital tools to serve high-value customers. The Bank will also focus on securing more customers via digital channels and diversifying our corporate customer base by focusing on family owned corporates;
- (ii) Capitalising on our Consumer and Business Banking franchises, we will focus on accelerating cross-selling value propositions to our customers to increase market penetration and generate fee-based income; and
- (iii) Enhancing productivity and efficiencies by streamlining processes, automating through digital tools/channels, centralising functions and improving branch productivity.

In addition to the above, the Bank will also focus on addressing asset quality concerns by continuing to prioritise customer engagement and continue managing its loan portfolio with refined credit underwriting to support the above business growth.

With these focus areas, and continuing effort to apply prudent management practices, the Bank expects to deliver sustainable returns to our shareholders while strengthening our market presence.