

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

(Incorporated in Malaysia)

Condensed Interim Financial Statements**Unaudited Statement of Financial Position as at 31 December 2022**

		31 December	31 March
		2022	2022
	Note	RM'000	RM'000
ASSETS			
Cash and short-term funds		2,041,341	1,417,800
Financial investments at fair value through other comprehensive income	A12	1,742,512	1,868,764
Financial investments at amortised cost	A13	459,844	210,114
Derivative financial assets	A14	257	-
Financing and advances	A15	11,736,726	11,332,012
Other assets	A16	10,187	21,954
Statutory deposits with Bank Negara Malaysia		257,000	30,438
Right-of-use assets		394	384
Property, plant and equipment		176	198
Deferred tax assets		47,174	41,558
Intangible assets		2,019	1,444
TOTAL ASSETS		16,297,630	14,924,666
LIABILITIES AND EQUITY			
Deposits from customers	A17	14,194,396	12,612,943
Deposits and placements of banks and other financial institutions	A18	196,849	216,232
Derivative financial liabilities	A14	1,421	-
Recourse obligations on financing sold to Cagamas		100,130	350,449
Lease liabilities		429	411
Other liabilities	A19	272,083	250,941
Provision for taxation		7,047	1,529
Provision for zakat		968	1,162
Subordinated Sukuk		232,258	229,664
TOTAL LIABILITIES		15,005,581	13,663,331
Share capital		600,000	600,000
Reserves		692,049	661,335
TOTAL EQUITY		1,292,049	1,261,335
TOTAL LIABILITIES AND EQUITY		16,297,630	14,924,666
COMMITMENTS AND CONTINGENCIES	A27	3,533,075	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 31 December 2022

	Note	3rd Quarter Ended		Nine Months Ended	
		31 December	31 December	31 December	31 December
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	A20	186,183	148,068	506,852	433,046
Income derived from investment of shareholder's funds	A21	17,144	15,210	48,051	43,877
(Allowance for)/write-back of expected credit losses on financing and advances and other financial assets	A22	(15,574)	6,330	(46,964)	(46,947)
(Allowance for)/write-back of expected credit losses on financial investments	A23	(15)	107	10	216
Total distributable income		187,738	169,715	507,949	430,192
Income attributable to the depositors and financial institutions	A24	(87,260)	(59,080)	(219,098)	(182,272)
Total net income		100,478	110,635	288,851	247,920
Other operating expenses	A25	(38,582)	(33,378)	(112,491)	(99,887)
Profit before taxation		61,896	77,257	176,360	148,033
Taxation		(15,302)	(24,341)	(43,425)	(42,236)
Net profit for the financial period		46,594	52,916	132,935	105,797
Net profit for the financial period attributable to equity holder of the Bank		46,594	52,916	132,935	105,797
Earnings per share attributable to equity holder of the Bank					
- Basic/diluted (sen)	A26	11.2	12.8	32.1	25.5

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 31 December 2022**

	3rd Quarter Ended		Nine Months Ended	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	46,594	52,916	132,935	105,797
Other comprehensive expense:				
Items that may be reclassified subsequently to profit or loss:				
Revaluation reserve on financial investments at fair value through other comprehensive income ("FVOCI")				
- Net gain/(loss) from change in fair value	16,305	(15,253)	(23,295)	(21,782)
- Realised gain transferred to statement of income on disposal	-	(4,713)	-	(16,205)
- Transfer (to)/from deferred tax	(3,913)	4,792	5,591	9,117
- Changes in expected credit losses	15	(7)	(10)	3
Other comprehensive income/(expense), net of tax	12,407	(15,181)	(17,714)	(28,867)
Total comprehensive income for the financial period	59,001	37,735	115,221	76,930
Total comprehensive income for the financial period attributable to equity holder of the Bank	59,001	37,735	115,221	76,930

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 31 December 2022**

	Share <u>capital</u> RM'000	Non-distributable <u>reserves</u> FVOCI <u>reserves</u> RM'000	Distributable <u>reserves</u> Retained <u>profits</u> RM'000	Total <u>equity</u> RM'000
At 1 April 2022	600,000	(7,372)	668,707	1,261,335
Net profit for the financial period	-	-	132,935	132,935
Other comprehensive expense	-	(17,714)	-	(17,714)
Total comprehensive (expense)/income for the financial period	-	(17,714)	132,935	115,221
Dividend paid	-	-	(84,507)	(84,507)
At 31 December 2022	600,000	(25,086)	717,135	1,292,049
At 1 April 2021	600,000	34,989	564,889	1,199,878
Net profit for the financial period	-	-	105,797	105,797
Other comprehensive expense	-	(28,867)	-	(28,867)
Total comprehensive (expense)/income for the financial period	-	(28,867)	105,797	76,930
Dividend paid	-	-	(21,127)	(21,127)
At 31 December 2021	600,000	6,122	649,559	1,255,681

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 31 December 2022**

	31 December 2022 RM'000	31 December 2021 RM'000
Profit before taxation	176,360	148,033
Adjustments for non-cash items	(7,139)	(24,329)
Operating profit before changes in working capital	169,221	123,704
Changes in working capital	915,307	(773,042)
Net tax paid	(37,932)	(15,849)
Zakat paid	(194)	(150)
Net cash generated/(used in) from operating activities	1,046,402	(665,337)
Net cash (used in)/generated from investing activities	(75,572)	522,447
Net cash used in financing activities	(347,289)	(39,188)
Net change in cash and cash equivalents	623,541	(182,078)
Cash and cash equivalents at beginning of financial year	1,417,800	1,373,080
Cash and cash equivalents at end of financial period	2,041,341	1,191,002
Cash and cash equivalents comprise the following:		
Cash and short-term funds	2,041,341	1,191,002

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 financial period ended 31 December 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 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 the 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"; and
- 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 give rise to 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 from those estimates.

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 financial period ended 31 December 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 financial period ended 31 December 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 31 December 2022.

A6 Issuance and Repayment of Debt and Equity Securities

The issuance and repayment of debt and equity securities during the financial period ended 31 December 2022 are disclosed as below:

The Bank had 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 Murabahah 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

- (i) 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.
- (ii) A single tier first interim dividend of 10.42 sen per share, on 414,249,197 ordinary shares amounting to approximately RM43,165,000 in respect of the financial year ended 31 March 2023, was paid on 15 December 2022.

A8 Significant Events

Alliance Investment Bank Berhad ("AIBB"), a related company of the Bank had obtained Vesting Order from the High Court of Malaya on 16 March 2022 and completed the transfer of the Capital Markets Business to the Bank on 31 March 2022.

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 for the third financial quarter ended 31 December 2022.

A12 Financial Investments at Fair Value Through Other Comprehensive Income

	31 December 2022 RM'000	31 March 2022 RM'000
At fair value - debt instruments		
<u>Money market instruments:</u>		
Malaysian Government investment issues	<u>501,423</u>	<u>507,192</u>
	<u>501,423</u>	<u>507,192</u>
<u>Unquoted securities:</u>		
Sukuk	<u>1,241,089</u>	<u>1,361,572</u>
	<u>1,241,089</u>	<u>1,361,572</u>
 Total financial investments at FVOCI	 <u><u>1,742,512</u></u>	 <u><u>1,868,764</u></u>

Movements in allowance for expected credit losses are as follows:

	12-month ECL (Stage 1)	
	31 December 2022 RM'000	31 March 2022 RM'000
At beginning of financial year	137	17
New financial assets originated or purchased	21	9
Financial assets derecognised other than write-off	(3)	-
Changes due to change in credit risk	(28)	111
Total (write-back from)/charge to income statement	(10)	120
At end of financial period/year	<u><u>127</u></u>	<u><u>137</u></u>

A13 Financial Investments at Amortised Cost

	31 December 2022 RM'000	31 March 2022 RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government investment issues	<u>318,490</u>	<u>210,114</u>
	<u>318,490</u>	<u>210,114</u>
<u>Unquoted securities:</u>		
Sukuk	141,354	-
Less: Allowance for expected credit losses	-	-
	<u>141,354</u>	<u>-</u>
 Total financial investments at amortised cost	 <u><u>459,844</u></u>	 <u><u>210,114</u></u>

Movements in allowance for expected credit losses are as follows:

	12-month ECL (Stage 1)	
	31 December 2022 RM'000	31 March 2022 RM'000
At beginning of financial year	-	323
New financial investments originated or purchased	412	-
Financial assets derecognised other than write-off	-	(104)
Changes due to change in credit risk	(412)	(219)
Total write-back from income statement	-	(323)
At end of financial period/year	<u><u>-</u></u>	<u><u>-</u></u>

A14 Derivative Financial Assets/(Liabilities)

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

	As at 31 December 2022			As at 31 March 2022		
	Fair value			Fair value		
	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000
Hedging derivatives						
Interest rate related contracts:						
Interest rate swaps	298,000	257	(1,421)	-	-	-
- over three years	298,000	257	(1,421)	-	-	-
Total derivatives assets/(liabilities)	298,000	257	(1,421)	-	-	-

A15 Financing and Advances

By types and Shariah concepts:

	Notes	Bai` Bithaman Ajl	Tawarruq	Al-Ijarah Thumma Al-Bai`/ AITAB	Murabahah	Qard	Bai` Al-Dayn	Bai` `Inah	Total Financing and Advances
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2022									
At amortised cost									
Cash line financing		16,603	1,150,779	-	-	12,315	-	-	1,179,697
Term financing									
- Housing financing		3,422,527	-	-	-	-	-	-	3,422,527
- Hire purchase receivables	(a)	-	-	80,886	-	-	-	-	80,886
- Other term financing		1,849,767	4,120,826	-	-	-	-	90,733	6,061,326
Bills receivables		-	-	-	9,196	-	-	-	9,196
Trust receipts		-	-	-	57,871	-	-	-	57,871
Claims on customers under acceptance credits		-	-	-	716,234	-	82,935	-	799,169
Staff financing (Financing to Directors: RM Nil)		11,559	-	-	-	-	-	-	11,559
Revolving credits	(b)	59,698	368,911	-	-	-	-	-	428,609
Gross financing and advances		5,360,154	5,640,516	80,886	783,301	12,315	82,935	90,733	12,050,840
Add: Sales commission and handling fees									69,315
Less: Allowance for expected credit losses on financing and advances									(383,429)
Total net financing and advances									11,736,726

A15 Financing and Advances (Contd.)

By types and Shariah concepts: (contd.)

	<u>Notes</u>	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
31 March 2022									
At amortised cost									
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 (Financing to Directors: 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:

	31 December 2022 RM'000	31 March 2022 RM'000
At beginning of financial year	25,947	9,419
Sources of Qard fund:		
- Shareholders' fund	31,641	26,587
Uses of Qard fund:		
- Purchase of landed property - Non-residential	(387)	-
- Personal use	(9,813)	(925)
- Working capital	(20,073)	(7,419)
- Other	(15,000)	(1,715)
At end of financial period/year	<u>12,315</u>	<u>25,947</u>

A15 Financing and Advances (Contd.)

(ii) By maturity structure:

	31 December 2022 RM'000	31 March 2022 RM'000
Within one year	2,524,111	2,939,386
One year to three years	340,586	349,330
Three years to five years	1,036,348	874,456
Over five years	8,149,795	7,523,911
Gross financing and advances	12,050,840	11,687,083

(iii) By type of customers:

	31 December 2022 RM'000	31 March 2022 RM'000
Domestic non-bank financial institutions	86,231	164,716
Domestic business enterprises		
- Small and medium enterprises	4,205,149	3,743,743
- Others	1,279,782	1,474,826
Individuals	6,396,934	6,206,464
Other domestic entities	11,131	21,275
Foreign entities	71,613	76,059
Gross financing and advances	12,050,840	11,687,083

(iv) By profit rate sensitivity:

	31 December 2022 RM'000	31 March 2022 RM'000
Fixed rate		
- Housing financing	16,625	18,808
- Hire purchase receivables	80,887	107,513
- Other fixed rate financing	2,477,422	2,386,512
Variable rate		
- Base financing rate plus	5,248,865	4,883,098
- Base rate plus	3,411,868	3,322,756
- Cost plus	815,173	968,396
Gross financing and advances	12,050,840	11,687,083

(v) By economic purposes:

	31 December 2022 RM'000	31 March 2022 RM'000
Purchase of transport vehicles	95,207	89,548
Purchase of landed property	5,293,691	5,021,554
of which: - Residential	3,474,995	3,473,658
- Non-residential	1,818,696	1,547,896
Purchase of fixed assets excluding land & buildings	62,463	52,162
Personal use	2,980,479	2,769,411
Construction	144,103	122,880
Working capital	2,611,921	2,778,741
Others	862,976	852,787
Gross financing and advances	12,050,840	11,687,083

A15 Financing and Advances (Contd.)

(vi) By economic sectors:

	31 December 2022 RM'000	31 March 2022 RM'000
Primary agriculture	398,382	390,416
Mining and quarrying	25,233	31,260
Manufacturing	1,205,096	1,398,406
Electricity, gas and water	7,968	4,615
Construction	434,799	367,185
Wholesale, retail trade, restaurants and hotels	2,004,304	1,758,036
Transport, storage and communication	207,656	168,058
Financing, insurance, real estate and business services	1,195,632	1,200,432
Community, social and personal services	103,224	86,151
Household	6,468,546	6,282,524
Gross financing and advances	<u>12,050,840</u>	<u>11,687,083</u>

(vii) By geographical distribution:

	31 December 2022 RM'000	31 March 2022 RM'000
Northern region	1,360,700	1,172,168
Central region	8,074,660	7,748,939
Southern region	1,301,897	1,286,911
Sabah region	1,056,537	1,083,936
Sarawak region	257,046	395,129
Gross financing and advances	<u>12,050,840</u>	<u>11,687,083</u>

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

	31 December 2022 RM'000	31 March 2022 RM'000
At beginning of financial year	278,334	296,686
Impaired during the financial period/year	279,635	340,327
Recovered during the financial period/year	(13,148)	(11,161)
Reclassified as unimpaired during the financial period/year	(126,345)	(264,435)
Financial assets derecognised other than write-off during the financial period/year	(19,683)	(43,739)
Amount written-off	(85,076)	(39,344)
At end of financial period/year	<u>313,717</u>	<u>278,334</u>
Gross impaired financing ratio	2.60%	2.38%
Net impaired financing ratio	<u>1.78%</u>	<u>1.33%</u>

A15 Financing and Advances (Contd.)

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

	31 December 2022 RM'000	31 March 2022 RM'000
Purchase of transport vehicles	2,968	4,700
Purchase of landed property	151,429	120,039
of which: - Residential	137,948	105,049
- Non-residential	13,481	14,990
Purchase of fixed assets excluding land & buildings	595	593
Personal use	124,591	77,964
Working capital	30,269	57,294
Others	3,865	17,744
Gross impaired financing and advances	313,717	278,334

(x) Credit impaired financing and advances analysed by economic sectors:

	31 December 2022 RM'000	31 March 2022 RM'000
Primary agriculture	1,065	1,083
Manufacturing	6,455	8,883
Construction	13,120	51,691
Wholesale, retail trade, restaurants and hotels	20,923	23,032
Transport, storage and communication	630	553
Financing, insurance, real estate and business services	513	556
Community, social and personal services	4,320	3,884
Household	266,691	188,652
Gross impaired financing and advances	313,717	278,334

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

	31 December 2022 RM'000	31 March 2022 RM'000
Northern region	32,558	26,958
Central region	226,142	189,154
Southern region	43,542	45,620
Sabah region	10,429	15,249
Sarawak region	1,046	1,353
Gross impaired financing and advances	313,717	278,334

A15 Financing and Advances (Contd.)

(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	52,861	(79,086)	(138)	(26,363)
Transfer to Stage 2	(65,400)	145,348	(30,595)	49,353
Transfer to Stage 3	(663)	(72,699)	81,539	8,177
New financial assets originated or purchased	18,314	12,695	3,446	34,455
Financial assets derecognised other than write-off	(13,132)	(16,257)	(5,109)	(34,498)
Changes due to change in credit risk	(9,018)	25,413	(879)	15,516
	(17,038)	15,414	48,264	46,640
Unwinding of discount	-	-	(766)	(766)
Total (write-back from)/charge to income statement	(17,038)	15,414	47,498	45,874
Write-off	-	(1,267)	(70,034)	(71,301)
At 31 December 2022	79,037	202,822	101,570	383,429
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 transfers between stages are inclusive of net remeasurement of allowances.

A16 Other Assets

	31 December 2022 RM'000	31 March 2022 RM'000
Other receivables	9,320	19,452
Deposits	93	89
Prepayment	3,449	4,157
Amount due from related company	3	3
	<u>12,865</u>	<u>23,701</u>
Less: Allowance for expected credit losses on other receivables [Note]	<u>(2,678)</u>	<u>(1,747)</u>
	<u><u>10,187</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>	
	31 December 2022 RM'000	31 March 2022 RM'000
At beginning of financial year	1,747	1,908
Effect of business transfer	454	-
Total charge to income statement due to change in credit risk	697	4
Write-off	<u>(220)</u>	<u>(165)</u>
At end of financial period/year	<u><u>2,678</u></u>	<u><u>1,747</u></u>

As at 31 December 2022, the Bank's gross exposure of other receivables that are under lifetime expected credit losses was at RM2,678,000 (31 March 2022: RM1,747,000).

A17 Deposits from Customers

A17a By type of deposits:

	31 December 2022 RM'000	31 March 2022 RM'000
Demand deposits		
- Qard	4,129,048	5,081,276
- Tawarruq	241,580	176,614
Savings deposits		
- Qard	413,054	447,690
- Tawarruq	3,477	1,523
Term deposits		
- Tawarruq	6,086,759	5,705,450
- Negotiable Islamic Debt Certificate		
- Bai' Inah	796,494	195,226
- Money market deposits		
- Tawarruq	2,296,133	885,550
- Other deposits		
- Mudharabah	61,936	63,185
- Wakalah	32,184	32,235
- Qard	133,731	24,194
	<u><u>14,194,396</u></u>	<u><u>12,612,943</u></u>

A17 Deposits from Customers (Contd.)

A17b The maturity structure of term deposits are as follows:

	31 December 2022 RM'000	31 March 2022 RM'000
Due within six months	7,193,208	5,464,366
Six months to one year	1,756,546	1,138,967
One year to three years	256,178	106,878
Three years to five years	201,305	195,629
	<u>9,407,237</u>	<u>6,905,840</u>

A17c The deposits are sourced from the following type of customers:

	31 December 2022 RM'000	31 March 2022 RM'000
Domestic financial institutions	796,512	195,409
Domestic non-bank financial institutions	2,266,420	1,311,222
Government and statutory bodies	1,626,908	1,447,574
Business enterprises	3,896,267	3,888,639
Individuals	5,301,397	5,483,490
Foreign entities	97,209	108,461
Others	209,683	178,148
	<u>14,194,396</u>	<u>12,612,943</u>

A18 Deposits and Placements of Banks and Other Financial Institutions

	31 December 2022 RM'000	31 March 2022 RM'000
Non-Mudharabah Fund		
Licensed investment banks	10,899	8,438
Bank Negara Malaysia	185,950	207,794
	<u>196,849</u>	<u>216,232</u>

A19 Other Liabilities

	31 December 2022 RM'000	31 March 2022 RM'000
Other payables	129,659	112,079
Bills payable	40,620	7,754
Clearing account	29,338	56,863
Sundry deposits	7,291	5,161
Provision and accruals	7,787	16,156
Amount due to holding company	50,678	41,292
Amount due to related company	2,304	8,322
Allowance for expected credit losses on commitments and contingencies	4,406	3,314
	<u>272,083</u>	<u>250,941</u>

A19 Other Liabilities (Contd.)

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	39	(503)	-	(464)
Transfer to Stage 2	(47)	1,188	(4)	1,137
Transfer to Stage 3	-	(35)	250	215
New financial assets originated or purchased	613	251	-	864
Financial assets derecognised other than write-off	(407)	(332)	-	(739)
Changes due to change in credit risk	(276)	297	57	78
Other adjustments	1	2	-	3
	(77)	868	303	1,094
Unwinding of discount	-	-	(2)	(2)
Total (write-back from)/charge to income statement	(77)	868	301	1,092
At 31 December 2022	1,097	3,003	306	4,406
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	(395)	(19,671)	-	(20,066)
Changes due to change in credit risk	(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

Note:

(a) The transfers between stages are inclusive of net remeasurement of allowances.

(b) As at 31 December 2022, the Bank's gross exposures of commitments and contingencies that are credit impaired was at RM635,000 (31 March 2022: RM198,000).

A20 Income Derived from Investment of Depositors' Funds and Others

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) Term deposits	115,944	72,285	294,577	212,422
(ii) Other deposits	70,239	75,783	212,275	220,624
	186,183	148,068	506,852	433,046

(i) Income derived from investment of term deposits:

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances	89,829	54,395	231,174	155,781
Financial investments at fair value through other comprehensive income	10,224	8,412	28,523	26,597
Financial investments at amortised cost	2,128	1,209	4,247	3,683
Money at call and deposit placements with financial institutions	6,871	2,291	14,789	7,976
	109,052	66,307	278,733	194,037
Accretion of discount less amortisation of premium	2,558	796	5,929	2,987
Total finance income and hibah	111,610	67,103	284,662	197,024
Other operating income				
- Fee income	4,556	2,989	11,219	7,324
- Investment (loss)/gain	(392)	2,083	(1,764)	7,218
- Other income	170	110	460	856
	115,944	72,285	294,577	212,422

Note:

Included in financing income on financing and advances for the current financial period was profit on impaired financing of the Bank amounting to RM936,000 (31 December 2021: RM73,000).

A20 Income Derived from Investment of Depositors' Funds and Others (Contd.)

(ii) Income derived from investment of other deposits:

	3rd Quarter Ended		Nine Months Ended	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Finance income and hibah				
Financing and advances	54,199	57,007	166,586	161,797
Financial investments at fair value through other comprehensive income	6,004	8,829	20,554	27,624
Financial investments at amortised cost	1,376	1,268	3,061	3,825
Money at call and deposit placements with financial institutions	4,361	2,408	10,657	8,284
	65,940	69,512	200,858	201,530
Accretion of discount less amortisation of premium	1,591	838	4,272	3,102
Total finance income and hibah	67,531	70,350	205,130	204,632
Other operating income				
- Fee income	2,786	3,126	8,084	7,606
- Investment (loss)/gain	(180)	2,190	(1,271)	7,497
- Other income	102	117	332	889
	70,239	75,783	212,275	220,624

Note:

Included in financing income on financing and advances for the current financial period was profit on impaired financing of the Bank amounting to RM674,000 (31 December 2021: RM75,000).

A21 Income Derived from Investment of Shareholder's Funds

	3rd Quarter Ended		Nine Months Ended	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Finance income and hibah				
Financing and advances	13,254	11,438	37,709	32,178
Financial investments at fair value through other comprehensive income	1,487	1,774	4,653	5,494
Financial investments at amortised cost	326	255	693	761
Money at call and deposit placements with financial institutions	1,042	484	2,412	1,647
	16,109	13,951	45,467	40,080
Accretion of discount less amortisation of premium	384	169	967	617
Total finance income and hibah	16,493	14,120	46,434	40,697
Other operating income				
- Fee income	677	626	1,830	1,513
- Investment (loss)/gain	(51)	441	(288)	1,491
- Other income	25	23	75	176
	17,144	15,210	48,051	43,877

Notes:

Included in financing income on financing and advances for the current financial period was profit on impaired financing of the Bank amounting to RM153,000 (31 December 2021: RM15,000).

A22 Allowance for/(write-back of) Expected Credit Losses on Financing and Advances and Other Financial Assets

	3rd Quarter Ended		Nine Months Ended	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Allowance for expected credit losses on:				
(a) Financing and advances				
- Allowance made during the financial period	16,629	13,250	46,640	64,665
(b) Credit impaired on financing and advances				
- Recovered during the financial period	(8,005)	(3,899)	(17,854)	(9,167)
- Write-off during the financial period	6,144	3,713	16,387	11,249
(c) Commitments and contingencies on financing and advances				
- Allowance made/(write-back) during the financial period	581	(19,393)	1,094	(19,784)
	<u>15,349</u>	<u>(6,329)</u>	<u>46,267</u>	<u>46,963</u>
Allowance for/(write-back of) expected credit losses on other receivables	225	(1)	697	(16)
	<u>15,574</u>	<u>(6,330)</u>	<u>46,964</u>	<u>46,947</u>

A23 Allowance for/(write-back of) Expected Credit Losses on Financial Investments

	3rd Quarter Ended		Nine Months Ended	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
(a) Financial investments at fair value through other comprehensive income				
- Allowance made/(write-back) during the financial period	15	(7)	(10)	3
(b) Financial investments at amortised cost				
- Write-back during the financial period	-	(100)	-	(219)
	<u>15</u>	<u>(107)</u>	<u>(10)</u>	<u>(216)</u>

A24 Income Attributable to the Depositors and Financial Institutions

	3rd Quarter Ended		Nine Months Ended	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Deposits from customers:				
- Mudharabah fund	416	288	1,078	886
- Non-Mudharabah fund	82,590	51,291	202,632	158,142
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	204	403	692	1,824
Recourse obligations on financing sold to Cagamas	1,049	3,738	5,533	11,333
Subordinated sukuk	2,994	3,352	9,137	10,062
Lease liabilities	7	8	26	25
	<u>87,260</u>	<u>59,080</u>	<u>219,098</u>	<u>182,272</u>

A25 Other Operating Expenses

	3rd Quarter Ended		Nine Months Ended	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	19,776	18,531	58,487	54,971
- Contribution to EPF	3,180	2,909	9,362	8,591
- Others	2,518	1,634	6,084	4,543
	25,474	23,074	73,933	68,105
<u>Establishment costs</u>				
- Depreciation on property, plant and equipment	30	30	105	80
- Depreciation on right-of-use assets	132	64	369	192
- Amortisation of computer software	113	84	324	227
- Rental of premises	93	140	275	377
- Water and electricity	293	270	809	818
- Repairs and maintenance	404	337	1,042	1,174
- Information technology expenses	6,286	5,898	18,769	16,293
- Others [Note]	473	454	1,452	2,336
	7,824	7,277	23,145	21,497
<u>Marketing expenses</u>				
- Promotion and advertisement	665	124	2,085	426
- Branding and publicity	356	-	1,356	769
- Others	247	64	628	257
	1,268	188	4,069	1,452
<u>Administration and general expenses</u>				
- Communication expenses	550	576	1,360	1,720
- Printing and stationeries	63	59	192	186
- Insurance	898	354	2,681	1,265
- Professional fees	1,685	1,351	4,957	3,927
- Others	820	499	2,154	1,735
	4,016	2,839	11,344	8,833
Total other operating expenses	38,582	33,378	112,491	99,887

Note:

Included in the other operating expenses are the Shariah Committee members' remuneration of RM288,000 (31 December 2021: RM277,000).

A25 Other Operating Expenses (Contd.)

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:

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<u>Sharing of Other Operating Expenses</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	17,184	16,939	50,930	50,329
- Contribution to EPF	2,772	2,654	8,044	7,848
- Others	2,188	1,534	5,120	4,098
	22,144	21,127	64,094	62,275
<u>Establishment costs</u>				
- Rental of premises	93	140	275	377
- Water and electricity	287	266	791	806
- Repairs and maintenance	398	332	1,023	1,160
- Information technology expenses	6,218	5,871	18,421	16,199
- Others [Note]	473	454	1,452	2,336
	7,469	7,063	21,962	20,878
<u>Marketing expenses</u>				
- Promotion and advertisement	777	164	2,085	496
- Branding and publicity	182	-	961	614
- Others	219	60	591	253
	1,178	224	3,637	1,363
<u>Administration and general expenses</u>				
- Communication expenses	349	289	784	974
- Printing and stationeries	45	47	137	145
- Professional fees	965	898	2,782	2,546
- Others	424	210	1,081	659
	1,783	1,444	4,784	4,324
Total sharing of other operating expenses	32,574	29,858	94,477	88,840

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.

	3rd Quarter Ended		Nine Months Ended	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Net profit for the financial period attributable to equity holder of the Bank (RM'000)	46,594	52,916	132,935	105,797
Weighted average numbers of ordinary shares in issue ('000)	414,249	414,249	414,249	414,249
Basic/diluted earnings per share (sen)	11.2	12.8	32.1	25.5

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 off-balance sheet notional exposures of the Bank are as follows:

	31 December 2022 RM'000	31 March 2022 RM'000
<u>Credit-related exposures</u>		
Direct credit substitutes	82,685	70,235
Transaction-related contingent items	66,435	61,208
Short-term self-liquidating trade-related contingencies	22,038	19,250
Irrevocable commitments to extend credit:		
- maturity exceeding one year	456,831	283,555
- maturity not exceeding one year	2,607,086	2,003,204
	3,235,075	2,437,452
<u>Derivative financial instruments</u>		
Profit rate related contracts:		
- over three years	298,000	-
	3,533,075	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:

	31 December 2022	31 March 2022
(i) With transitional arrangements		
<u>Before deducting proposed dividends</u>		
CET 1 capital ratio	13.493%	14.904%
Tier I capital ratio	14.505%	15.966%
Total capital ratio	16.979%	18.510%
<u>After deducting proposed dividends</u>		
CET 1 capital ratio	13.493%	14.463%
Tier 1 capital ratio	14.505%	15.525%
Total capital ratio	16.979%	18.069%
(ii) Without transitional arrangements		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	12.144%	12.995%
Tier I capital ratio	13.156%	14.057%
Total capital ratio	15.630%	16.601%
<u>After deducting proposed dividends</u>		
CET 1 capital ratio	12.144%	12.554%
Tier 1 capital ratio	13.156%	13.616%
Total capital ratio	15.630%	16.160%

(a) Components of CET I, Tier I and Tier II capital under the revised Capital Adequacy Framework are as follows:

	31 December 2022 RM'000	31 March 2022 RM'000
<u>CET I Capital/Total Capital</u>		
Paid-up share capital	600,000	600,000
Retained profits	670,541	668,707
FVOCI reserves	(25,213)	(7,509)
	1,245,328	1,261,198
(Less)/add: Regulatory adjustments		
- Intangible assets	(2,019)	(1,444)
- Deferred tax assets	(47,174)	(41,558)
- Transitional arrangements	132,909	178,984
Total CET I Capital	1,329,044	1,397,180
Additional Tier 1 Sukuk Wakalah	99,743	99,613
Total Additional Tier 1 Capital	99,743	99,613
Total Tier I Capital	1,428,787	1,496,793

A28 Capital Adequacy (Contd.)

- (a) Components of CET I, Tier I and Tier II capital under the revised Capital Adequacy Framework are as follows: (contd.)

	31 December 2022 RM'000	31 March 2022 RM'000
<u>Tier II Capital</u>		
Subordinated Sukuk Murabahah	130,000	129,943
Expected credit losses and regulatory reserves	113,674	108,506
Total Tier II Capital	<u>243,674</u>	<u>238,449</u>
Total Capital	<u>1,672,461</u>	<u>1,735,242</u>

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

	31 December 2022 RM'000	31 March 2022 RM'000
Credit risk	9,093,923	8,680,495
Market risk	7	58
Operational risk	756,063	694,112
Total RWA and capital requirements	<u>9,849,993</u>	<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 (Contd.)

(a) Determination of fair value and the fair value hierarchy (Contd.)

(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 date. 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 market parameters, including but not limited to yield curves, volatilities and foreign exchange rates, as inputs. 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 net tangible assets, net asset value, 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
31 December 2022				
<u>Assets</u>				
Financial investments at FVOCI				
- Money market instruments	-	501,423	-	501,423
- Unquoted securities	-	1,241,089	-	1,241,089
Derivative assets	-	257	-	257
<u>Liabilities</u>				
Derivative liabilities	-	1,421	-	1,421

A29 Fair Value Measurements (Contd.)

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

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: (contd.)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
31 March 2022				
<u>Assets</u>				
Financial investments at FVOCI				
- Money market instruments	-	507,192	-	507,192
- Unquoted securities	-	1,361,572	-	1,361,572

There were no transfers between Level 1 and 2 of the fair value hierarchy for the Bank during the financial period/year ended 31 December 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 statement 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 statement 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 liabilities set off in the statement of financial position	Gross amounts of recognised financial assets	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
	RM'000	RM'000	RM'000	Financial instruments RM'000	Cash collateral received RM'000	RM'000
<u>BANK</u>						
31 December 2022						
Derivative financial assets	<u>257</u>	-	<u>257</u>	-	-	<u>257</u>
31 March 2022						
Derivative financial assets	-	-	-	-	-	-

A30 Offsetting Financial Assets And Financial Liabilities (Contd.)

(b) Financial liabilities

	Gross amounts of recognised financial assets set off in the statement of financial position RM'000	Gross amounts of recognised financial liabilities set off in the statement of financial position RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral pledged RM'000	
<u>BANK</u>						
31 December 2022						
Derivative financial liabilities	(1,421)	-	(1,421)	-	-	(1,421)
31 March 2022						
Derivative financial liabilities	-	-	-	-	-	-

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 31 December 2022 ("3QFY2023")

Profitability

The Bank's net profit after taxation was RM132.9 million for the nine months ended 31 December 2022, an increase of RM27.1 million or 25.7% year-on-year ("YOY"). The higher profits were largely due to higher revenue from financing activities.

Net profit income improved by RM57.0 million or 21.9% YOY due to higher financing growth and Overnight Policy Rate ("OPR") hikes. Net profit margin ("NPM") came in higher at 2.76% (Dec 21: 2.41%).

Financing Growth

The Bank's financing and advances continue to grow by 9.2% YOY to RM12.1 billion mainly driven by growth across major lines of business.

Other Operating Income

The Bank recorded other operating income of RM18.7 million, lower by RM15.9 million or 46.0% YOY mainly due to lower treasury and investment income arising from the challenging investment environment, partly offset by higher corporate advisory fees, processing fees and trade fees.

Managing Operating Expenses

Operating expenses increased by RM12.6 million or 12.6%, mainly from higher personnel cost, marketing cost, administrative and establishment cost. The cost-to-income ratio ("CIR") improved to 33.5% (Dec 21: 33.9%). 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, advances and other financial assets recorded a charge of RM47.0 million, marginally increased by RM0.2 million or 0.5% YOY. The net credit cost was at 39.6bps (Dec 21: 42.6bps). Financing loss coverage (including regulatory reserves) was at 122.2% (Dec 21: 138.8%).

Healthy Funding and Liquidity Position

The Bank's customer deposits stood at RM14.2 billion and the Bank maintained a high current account/savings account ("CASA") ratio of 33.7%. The Bank's liquidity coverage and financing-to-funds ratios stood at 143.3% and 81.8% 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 12.1%, Tier-1 Capital ratio at 13.2% and Total Capital Ratio at 15.6%.

B2 Prospect for the Current Financial Period

The Ministry of Finance (MOF) has projected healthy gross domestic product (GDP) growth of 4.5% in 2023. Despite expectations for a weaker global growth in 2023, Malaysia can take comfort from the relatively resilient domestic demand. Private consumption continues to be the key growth driver, underpinned by a robust labour market and continued policy support.

The MOF expects inflation to range between 2.8%-3.8% for 2023. Price pressures are expected to remain relatively elevated due to cost-pass through effects and increasing demand-driven pressure.

For financial year ending 31 March 2023, the Bank will continue to focus on growing the business prudently in the three areas:

- (i) Acquiring more customers by scaling up the Bank's core segments of SME and Consumer Banking;
- (ii) Focus on deepening customer engagement; and
- (iii) Enhancing productivity and efficiencies by streamlining processes, automating through digital tools/channels, centralising functions and improving branch productivity.

The Bank will continue to focus on managing its asset quality by continuing to prioritise customer engagement and continue managing its financing portfolio with refined credit underwriting to support the above business growth.

In addition to the above, the Bank has also embarked on a strategy refresh which takes on an 8-pronged approach over the next four to five years beginning from the next financial year 2024. The strategy refresh was designed to accelerate the growth and entrench the Group among the leading financial services provider in the country.

The new strategy refresh will cover eight pillars which are i) continue velocity on SME expansion strategy; ii) supporting our business customers through their life cycle; iii) broaden consumer business by targeting new market segments; iv) targeting resilient ecosystems across their value chain; v) become regional champion for selected economic corridors; vi) drive synergies and value creation in our corporate and capital market business; vii) accelerate our Islamic business by leveraging unique propositions; and viii) leverage partnerships to scale product offering, distribution and drive value.