

**ALLIANCE ISLAMIC BANK BERHAD**  
**200701018870 (776882-V)**  
(Incorporated in Malaysia)

**Condensed Interim Financial Statements**  
**Unaudited Statement of Financial Position as at 30 June 2023**

		<b>30 June</b>	31 March
		<b>2023</b>	2023
	Note	<b>RM'000</b>	RM'000
<b>ASSETS</b>			
Cash and short-term funds		<b>965,358</b>	1,474,713
Financial investments at fair value through other comprehensive income	A12	<b>2,106,286</b>	1,752,388
Financial investments at amortised cost	A13	<b>577,173</b>	596,779
Derivative financial assets	A14	-	25
Financing and advances	A15	<b>12,043,779</b>	12,149,772
Other assets	A16	<b>48,682</b>	12,255
Statutory deposits with Bank Negara Malaysia		<b>247,500</b>	244,900
Tax recoverable		<b>7,652</b>	1,094
Right-of-use assets		<b>278</b>	266
Property, plant and equipment		<b>185</b>	150
Deferred tax assets		<b>41,454</b>	44,039
Intangible assets		<b>1,990</b>	2,045
<b>TOTAL ASSETS</b>		<b>16,040,337</b>	16,278,426
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	A17	<b>13,747,696</b>	14,185,132
Deposits and placements of banks and other financial institutions	A18	<b>193,747</b>	195,431
Derivative financial liabilities	A14	-	2,496
Recourse obligations on financing sold to Cagamas		<b>301,535</b>	100,133
Lease liabilities		<b>442</b>	296
Other liabilities	A19	<b>200,011</b>	229,039
Provision for taxation		-	-
Provision for zakat		<b>869</b>	930
Subordinated Sukuk		<b>232,385</b>	232,259
<b>TOTAL LIABILITIES</b>		<b>14,676,685</b>	14,945,716
Share capital		<b>637,500</b>	600,000
Reserves		<b>726,152</b>	732,710
<b>TOTAL EQUITY</b>		<b>1,363,652</b>	1,332,710
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>16,040,337</b>	16,278,426
<b>COMMITMENTS AND CONTINGENCIES</b>	A27	<b>3,572,773</b>	3,492,699

*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 2023.*

**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 2023**

	Note	1st Quarter Ended		Three Months Ended	
		30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Income derived from investment of depositors' funds and others	A20	190,676	151,336	190,676	151,336
Income derived from investment of shareholder's funds	A21	18,513	14,632	18,513	14,632
Allowance for expected credit losses on financing and advances and other financial assets	A22	(17,419)	(7,183)	(17,419)	(7,183)
(Allowance for)/write-back of expected credit losses on financial investments	A23	(3)	13	(3)	13
<b>Total distributable income</b>		<b>191,767</b>	<b>158,798</b>	<b>191,767</b>	<b>158,798</b>
Income attributable to the depositors and financial institutions	A24	(108,183)	(61,870)	(108,183)	(61,870)
<b>Total net income</b>		<b>83,584</b>	<b>96,928</b>	<b>83,584</b>	<b>96,928</b>
Other operating expenses	A25	(44,643)	(36,506)	(44,643)	(36,506)
<b>Profit before taxation</b>		<b>38,941</b>	<b>60,422</b>	<b>38,941</b>	<b>60,422</b>
Taxation and zakat		(9,751)	(14,943)	(9,751)	(14,943)
<b>Net profit for the financial period</b>		<b>29,190</b>	<b>45,479</b>	<b>29,190</b>	<b>45,479</b>
<b>Net profit for the financial period attributable to:</b>					
Equity holder of the Bank		<b>29,190</b>	<b>45,479</b>	<b>29,190</b>	<b>45,479</b>
Earnings per share attributable to:					
Equity holder of the Bank					
- Basic/diluted (sen)	A26	<b>7.0</b>	<b>11.0</b>	<b>7.0</b>	<b>11.0</b>

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**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 2023**

	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>30 June</b>	30 June	<b>30 June</b>	30 June
	<b>2023</b>	2022	<b>2023</b>	2022
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Net profit for the financial period</b>	<b>29,190</b>	45,479	<b>29,190</b>	45,479
Other comprehensive income/(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	<b>2,560</b>	(36,591)	<b>2,560</b>	(36,591)
- Transfer (to)/from deferred tax	<b>(614)</b>	8,782	<b>(614)</b>	8,782
- Changes in expected credit losses	<b>3</b>	(13)	<b>3</b>	(13)
Other comprehensive income/(expense), net of tax	<b>1,949</b>	(27,822)	<b>1,949</b>	(27,822)
<b>Total comprehensive income for the financial period</b>	<b>31,139</b>	17,657	<b>31,139</b>	17,657
<b>Total comprehensive income</b>				
<b>for the financial period attributable to:</b>				
Equity holder of the Bank	<b>31,139</b>	17,657	<b>31,139</b>	17,657

*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 2023.*

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

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**Condensed Interim Financial Statements****Unaudited Statement of Changes in Equity for the Financial Period Ended 30 June 2023**

	Ordinary <u>shares</u> RM'000	Regulatory <u>reserves</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 2023	600,000	19,339	(13,681)	727,052	1,332,710
Net profit for the financial period	-	-	-	29,190	29,190
Other comprehensive income	-	-	1,949	-	1,949
Total comprehensive income for the financial period	-	-	1,949	29,190	31,139
Transfer to regulatory reserves	-	20,684	-	(20,684)	-
Issuance of new ordinary shares pursuant to right issue	37,500	-	-	-	37,500
Dividend paid	-	-	-	(37,697)	(37,697)
<b>At 30 June 2023</b>	<b>637,500</b>	<b>40,023</b>	<b>(11,732)</b>	<b>697,861</b>	<b>1,363,652</b>
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>-</b>	<b>(35,194)</b>	<b>672,844</b>	<b>1,237,650</b>

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 2023.

**ALLIANCE ISLAMIC BANK BERHAD**

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**Condensed Interim Financial Statements  
Unaudited Statement of Cash Flows  
for the Financial Period Ended 30 June 2023**

	<b>30 June 2023 RM'000</b>	30 June 2022 RM'000
Profit before taxation	<b>38,941</b>	60,422
Adjustments for non-cash items	<b>(14,041)</b>	(9,687)
Operating profit before changes in working capital	<b>24,900</b>	50,735
Changes in working capital	<b>(415,438)</b>	551,561
Tax expense and zakat paid	<b>(14,401)</b>	(12,590)
Net cash generated from operating activities	<b>(404,939)</b>	589,706
Net cash generated from investing activities	<b>(262,687)</b>	125,793
Net cash used in financing activities	<b>158,271</b>	(295,834)
Net change in cash and cash equivalents	<b>(509,355)</b>	419,665
Cash and cash equivalents at beginning of financial period	<b>1,474,713</b>	1,417,800
Cash and cash equivalents at end of financial period	<b>965,358</b>	1,837,465
	<b>965,358</b>	1,837,465

Cash and cash equivalents comprise the following:

Cash and short-term funds

*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 2023.*

## **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 30 June 2023 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 2023. 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 2023.

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 2023 and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 April 2023:

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 "Disclosure of Accounting Policies" and "Definition of Accounting Estimates"
- Amendments to MFRS 112 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

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 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 2023 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 30 June 2023.

#### **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 30 June 2023.

**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 financial period ended 30 June 2023.

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

The Bank had on 28 June 2023 increased its issued and paid up capital from RM600,000,000 (comprising 414,249,197 ordinary shares) to RM637,500,000 (comprising 440,139,772 ordinary shares) via issuance of 25,890,575 Right Issue at RM1.4484 per share to Alliance Bank Malaysia Berhad, the holding company of the Bank amounting to RM37,500,000.

**A7 Dividend Paid**

A single tier second interim dividend of 9.10 sen per share, on 414,249,197 ordinary shares amounting to approximately RM37,697,000 in respect of the financial year ended 31 March 2023, was paid on 28 June 2023.

**A8 Significant Events**

There were no significant event during the first financial quarter ended 30 June 2023.

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

There were no material events subsequent to the end of 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 2023.

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

	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
<b>At fair value - debt instruments</b>		
<u>Money market instruments:</u>		
Malaysian Government investment issues	516,601	454,512
Negotiable instruments of deposits	298,132	-
	<b>814,733</b>	<b>454,512</b>
<u>Unquoted securities:</u>		
Sukuk	1,291,553	1,297,876
	<b>1,291,553</b>	<b>1,297,876</b>
Total financial investments at FVOCI	<b>2,106,286</b>	<b>1,752,388</b>

Movements in allowance for expected credit losses are as follows:

	<b>12-Month ECL (Stage 1) RM'000</b>	<b>Lifetime ECL not-credit impaired (Stage 2) RM'000</b>	<b>Lifetime ECL credit impaired (Stage 3) RM'000</b>	<b>Total RM'000</b>
At 1 April 2023	136	-	-	136
New financial assets originated or purchased	6	-	-	6
Financial assets derecognised other than write-off	(1)	-	-	(1)
Changes due to change in credit risk	(2)	-	-	(2)
Total charge to income statement	3	-	-	3
<b>At 30 June 2023</b>	<b>139</b>	<b>-</b>	<b>-</b>	<b>139</b>

	<b>12-Month ECL (Stage 1) RM'000</b>	<b>Lifetime ECL not-credit impaired (Stage 2) RM'000</b>	<b>Lifetime ECL credit impaired (Stage 3) RM'000</b>	<b>Total RM'000</b>
At 1 April 2022	137	-	-	137
New financial assets originated or purchased	39	-	-	39
Financial assets derecognised other than write-off	(4)	-	-	(4)
Changes due to change in credit risk	(36)	-	-	(36)
Total write-back from income statement	(1)	-	-	(1)
At 31 March 2023	<b>136</b>	<b>-</b>	<b>-</b>	<b>136</b>

Note:

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

(b) There were no credit impaired exposures during the current period.



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**A13 Financial Investments at Amortised Cost**

	30 June 2023 RM'000	31 March 2023 RM'000
<b>At amortised cost</b>		
<u>Money market instruments:</u>		
Malaysian Government investment issues	420,571	440,246
	<u>420,571</u>	<u>440,246</u>
<u>Unquoted securities:</u>		
Sukuk	156,602	156,533
	<u>156,602</u>	<u>156,533</u>
Total financial investments at amortised cost	<u><u>577,173</u></u>	<u><u>596,779</u></u>

Movements in allowance for expected credit losses 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 2023	-	-	-	-
New financial investments originated or purchased	-	-	-	-
Changes due to change in credit risk	-	-	-	-
Total write-back from income statement	-	-	-	-
<b>At 30 June 2023</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

	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	-	-	-	-
New financial investments originated or purchased	412	-	-	412
Changes due to change in credit risk	(412)	-	-	(412)
Total write-back from income statement	-	-	-	-
At 31 March 2023	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Note:

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

(b) There were no credit impaired exposures during the current period.

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

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and equity prices) of the underlying instruments. These instruments allow the Bank and the banking customers to transfer, modify or reduce their foreign exchange and interest rate risk via hedge relationships. The Bank also transact in these instruments for proprietary trading purposes.

The table below shows the Bank's derivative financial instruments as at the first quarter of the financial year. The contractual or underlying notional amounts of these derivative financial instruments and their corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values as at the first quarter of the financial year are analysed below.

	As at 30 June 2023			As at 31 March 2023		
	Fair value			Fair value		
	Principal RM'000	Assets RM'000	Liabilities RM'000	Principal RM'000	Assets RM'000	Liabilities RM'000
<b>Hedging derivatives</b>						
Interest rate related contracts:						
Interest rate swap						
- over three years	-	-	-	298,000	25	(2,496)
Total derivatives assets/(liabilities)	-	-	-	298,000	25	(2,496)

**A15 Financing and Advances**

By types and Shariah concepts:

	Notes	Bai` Bithaman	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
<b>30 June 2023</b>									
<b>At amortised cost</b>									
Cash line financing		18,482	1,143,818	-	-	15,208	-	-	1,177,508
Term financing									
- Housing financing		3,452,799	-	-	-	-	-	-	3,452,799
- Hire purchase receivables	(a)	-	-	73,612	-	-	-	-	73,612
- Other term financing		1,799,151	4,481,498	-	-	-	-	75,265	6,355,914
Bills receivables		-	-	-	12,053	-	-	-	12,053
Trust receipts		-	-	-	39,698	-	-	-	39,698
Claims on customers under acceptance credits		-	-	-	719,189	-	99,736	-	818,925
Staff financing (including financing to Directors of RM Nil)		10,998	-	-	-	-	-	-	10,998
Revolving credits	(b)	52,663	392,420	-	-	-	-	-	445,083
Gross financing and advances		5,334,093	6,017,736	73,612	770,940	15,208	99,736	75,265	12,386,590
Add: Sales commission and handling fees									69,084
Less: Allowance for expected credit losses on financing and advances									(411,895)
Total net financing and advances									12,043,779

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

By types and Shariah concepts: (cont'd.)

	<u>Notes</u>	Bai` Bithaman Ajil RM'000	Tawarrug 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 2023									
<b>At amortised cost</b>									
Cash line financing		20,645	1,252,583	-	-	15,914	-	-	1,289,142
Term financing									
- Housing financing		3,435,891	-	-	-	-	-	-	3,435,891
- Hire purchase receivables	(a)	-	-	75,920	-	-	-	-	75,920
- Other term financing		1,824,420	4,323,089	-	-	-	-	82,892	6,230,401
Bills receivables		-	-	-	17,047	-	-	-	17,047
Trust receipts		-	-	-	53,379	-	-	-	53,379
Claims on customers under acceptance credits		-	-	-	857,059	-	110,340	-	967,399
Staff financing (including financing to Directors of RM Nil)		11,560	-	-	-	-	-	-	11,560
Revolving credits	(b)	52,703	362,621	-	-	-	-	-	415,324
Gross financing and advances		5,345,219	5,938,293	75,920	927,485	15,914	110,340	82,892	12,496,063
Add: Sales commission and handling fees									70,120
Less: Allowance for expected credit losses on financing and advances									(416,411)
Total net financing and advances									<u>12,149,772</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:

	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
At beginning of financial period/year	<b>15,914</b>	25,947
Sources of Qard fund:		
- Shareholders' fund	<b>3,026</b>	37,385
Uses of Qard fund:		
- Purchase of landed property - Residential	-	(687)
- Personal use	<b>(774)</b>	(10,457)
- Working capital	<b>(2,958)</b>	(21,274)
- Other	-	(15,000)
At end of financial period/year	<u><b>15,208</b></u>	<u>15,914</u>

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

(ii) By maturity structure:

	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
Within one year	2,532,463	2,788,909
One year to three years	354,825	360,815
Three years to five years	962,666	997,929
Over five years	8,536,636	8,348,410
Gross financing and advances	<u><u>12,386,590</u></u>	<u><u>12,496,063</u></u>

(iii) By type of customers:

	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
Domestic non-bank financial institutions	145,119	118,521
Domestic business enterprises		
- Small and medium enterprises	4,550,487	4,530,060
- Others	1,294,028	1,417,081
Individuals	6,310,516	6,347,558
Other domestic entities	10,542	10,804
Foreign entities	75,898	72,039
Gross financing and advances	<u><u>12,386,590</u></u>	<u><u>12,496,063</u></u>

(iv) By profit rate sensitivity:

	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
Fixed rate		
- Housing financing	15,476	16,044
- Hire purchase receivables	73,612	75,920
- Other fixed rate financing	2,416,503	2,609,910
Variable rate		
- Base financing rate plus	5,510,076	5,505,893
- Base rate plus	3,479,852	3,444,162
- Cost plus	891,071	844,134
Gross financing and advances	<u><u>12,386,590</u></u>	<u><u>12,496,063</u></u>

(v) By economic purposes:

	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
Purchase of transport vehicles	84,916	88,027
Purchase of landed property	5,544,608	5,434,296
of which: - Residential	<u>3,504,948</u>	<u>3,489,110</u>
- Non-residential	<u>2,039,660</u>	<u>1,945,186</u>
Purchase of fixed assets excluding land & buildings	66,204	64,717
Personal use	2,881,159	2,924,093
Construction	192,945	166,561
Working capital	2,715,983	2,905,979
Others	900,775	912,390
Gross financing and advances	<u><u>12,386,590</u></u>	<u><u>12,496,063</u></u>

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**A15 Financing and Advances (Cont'd.)**(vi) By economic sectors:

	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
Primary agriculture	413,169	424,186
Mining and quarrying	21,049	23,372
Manufacturing	1,248,605	1,338,633
Electricity, gas and water	9,407	12,717
Construction	412,898	433,063
Wholesale, retail trade, restaurants and hotels	2,222,187	2,213,570
Transport, storage and communication	197,579	210,172
Financing, insurance, real estate and business services	1,357,043	1,307,586
Community, social and personal services	117,936	113,167
Household	6,386,415	6,419,597
Others	302	-
Gross financing and advances	<b>12,386,590</b>	<b>12,496,063</b>

(vii) By geographical distribution:

	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
Northern region	1,428,952	1,466,426
Central region	8,282,920	8,276,022
Southern region	1,323,668	1,344,449
Sabah region	1,083,796	1,092,768
Sarawak region	267,254	316,398
Gross financing and advances	<b>12,386,590</b>	<b>12,496,063</b>

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

	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
At beginning of financial period/year	352,834	278,334
Impaired during the financial period/year	127,079	413,169
Reclassified as unimpaired during the financial period/year	(65,084)	(186,506)
Recovered during the financial period/year	(6,527)	(21,169)
Financial assets derecognised other than write-off during the financial period/year	(5,341)	(27,056)
Amount written-off	(26,363)	(103,938)
At end of financial period/year	<b>376,598</b>	<b>352,834</b>
Gross impaired financing ratio	<b>3.04%</b>	2.82%
Net impaired financing ratio	<b>1.95%</b>	1.80%

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

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

	<b>30 June</b>	31 March
	<b>2023</b>	2023
	<b>RM'000</b>	RM'000
Purchase of transport vehicles	2,381	2,530
Purchase of landed property	182,825	165,449
of which: - Residential	<b>162,084</b>	<b>146,275</b>
- Non-residential	<b>20,741</b>	<b>19,174</b>
Purchase of fixed assets excluding land & buildings	688	689
Personal use	147,493	143,531
Working capital	36,060	35,226
Others	7,151	5,409
Gross impaired financing and advances	<b>376,598</b>	<b>352,834</b>

(x) Credit impaired loans analysed by economic sectors:

	<b>30 June</b>	31 March
	<b>2023</b>	2023
	<b>RM'000</b>	RM'000
Primary agriculture	1,684	1,242
Manufacturing	11,878	9,577
Construction	13,111	13,229
Wholesale, retail trade, restaurants and hotels	30,057	28,444
Transport, storage and communication	1,090	1,139
Financing, insurance, real estate and business services	1,070	829
Community, social and personal services	4,616	4,592
Household	<b>313,092</b>	<b>293,782</b>
Gross impaired financing and advances	<b>376,598</b>	<b>352,834</b>

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

	<b>30 June</b>	31 March
	<b>2023</b>	2023
	<b>RM'000</b>	RM'000
Northern region	36,947	34,375
Central region	267,533	249,617
Southern region	48,553	50,768
Sabah region	22,404	17,482
Sarawak region	1,161	592
Gross impaired financing and advances	<b>376,598</b>	<b>352,834</b>

**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 2023	66,042	219,623	130,746	416,411
Transfer to Stage 1	11,084	(27,022)	(7)	(15,945)
Transfer to Stage 2	(16,008)	57,049	(15,656)	25,385
Transfer to Stage 3	(728)	(35,499)	36,623	396
New financial assets originated or purchased	5,811	8,238	399	14,448
Financial assets derecognised other than write-off	(2,920)	(13,932)	(1,340)	(18,192)
Changes due to change in credit risk	(4,082)	6,402	1,989	4,309
	(6,843)	(4,764)	22,008	10,401
Unwinding of discount	-	-	3,475	3,475
Total (write-back from)/charge to income statement	(6,843)	(4,764)	25,483	13,876
Write-off	-	(193)	(18,199)	(18,392)
<b>At 30 June 2023</b>	<b>59,199</b>	<b>214,666</b>	<b>138,030</b>	<b>411,895</b>
At 1 April 2022	96,075	188,675	124,106	408,856
Transfer to Stage 1	70,822	(113,379)	(144)	(42,701)
Transfer to Stage 2	(90,241)	212,062	(47,216)	74,605
Transfer to Stage 3	(1,210)	(107,216)	119,127	10,701
New financial assets originated or purchased	23,193	23,457	4,813	51,463
Financial assets derecognised other than write-off	(16,177)	(26,284)	(7,304)	(49,765)
Changes due to change in credit risk	(16,420)	43,953	(2,604)	24,929
	(30,033)	32,593	66,672	69,232
Unwinding of discount	-	-	(1,384)	(1,384)
Total (write-back from)/charge to income statement	(30,033)	32,593	65,288	67,848
Other movements	-	-	23,458	23,458
Write-off	-	(1,645)	(82,106)	(83,751)
At 31 March 2023	66,042	219,623	130,746	416,411

Note:

The transfers between stages are inclusive of net remeasurement of allowances.

**A16 Other Assets**

	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
Other receivables	7,199	7,287
Deposits	93	93
Prepayment	7,087	7,269
Amount due from holding company	<b>36,475</b>	-
	<b>50,854</b>	14,649
Less:		
Allowance for expected credit losses on other receivables [Note]	<b>(2,172)</b>	(2,394)
	<b>48,682</b>	<b>12,255</b>

Note:

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

	<u>Lifetime ECL</u>	
	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
At beginning of financial period/year	2,394	1,747
Effect of business transfer	-	454
New financial assets originated or purchased	135	1,050
Financial assets derecognised other than write-off	(416)	(1,741)
Changes due to change in credit risk	59	1,104
Total (write-off from)/charge to income statement	(222)	413
Write-off	-	(220)
At end of financial period/year	<b>2,172</b>	<b>2,394</b>

As at 30 June 2023, the Bank's gross exposure of other receivables that are under lifetime expected credit losses was at RM2,172,000 (31 March 2023: RM2,394,000).

**A17 Deposits from Customers**

**A17a By type of deposits:**

	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
Demand deposits		
- Qard	4,066,690	3,988,431
- Tawarruq	293,033	313,943
Savings deposits		
- Qard	394,733	402,711
- Tawarruq	5,986	5,108
Term deposits		
- Tawarruq	7,270,598	7,439,686
- Negotiable Islamic Debt Certificate		
- Bai' Inah	305,175	203,373
- Money market deposits		
- Tawarruq	1,225,146	1,713,208
- Other deposits		
- Mudharabah	59,636	59,584
- Wakalah	32,167	32,049
- Qard	94,532	27,039
	<b>13,747,696</b>	<b>14,185,132</b>



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

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

	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
Due within six months	<b>6,560,644</b>	6,701,955
Six months to one year	<b>1,963,084</b>	2,312,160
One year to three years	<b>408,670</b>	257,450
Three years to five years	<b>54,856</b>	203,374
	<b><u>8,987,254</u></b>	<b><u>9,474,939</u></b>

**A17c** By type of customers:

	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
Domestic financial institutions	<b>305,193</b>	203,391
Domestic non-bank financial institutions	<b>1,609,453</b>	1,968,705
Government and statutory bodies	<b>1,570,554</b>	1,692,549
Business enterprises	<b>4,348,994</b>	4,435,343
Individuals	<b>5,561,400</b>	5,574,302
Foreign entities	<b>109,951</b>	102,047
Others	<b>242,151</b>	208,795
	<b><u>13,747,696</u></b>	<b><u>14,185,132</u></b>

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

	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
<b>Non-Mudharabah Fund</b>		
Licensed investment banks	<b>11,654</b>	11,561
Bank Negara Malaysia	<b>182,093</b>	183,870
	<b><u>193,747</u></b>	<b><u>195,431</u></b>

**A19 Other Liabilities**

	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
Other payables	<b>127,553</b>	130,009
Bills payable	<b>10,880</b>	7,311
Clearing account	<b>36,057</b>	32,041
Sundry deposits	<b>11,839</b>	8,814
Provision and accruals	<b>5,038</b>	8,639
Amount due to holding company	-	37,702
Amount due to related company	<b>1,608</b>	1,596
Allowance for expected credit losses on commitments and contingencies [Note]	<b>7,036</b>	2,927
	<b><u>200,011</u></b>	<b><u>229,039</u></b>

**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 2023	693	2,011	223	2,927
Transfer to Stage 1	29	(312)	-	(283)
Transfer to Stage 2	(25)	410	-	385
Transfer to Stage 3	-	(48)	340	292
New financial assets originated or purchased	139	203	-	342
Financial assets derecognised other than write-off	(98)	(103)	(67)	(268)
Changes due to change in credit risk	49	3,650	(56)	3,643
Other adjustments	1	-	-	1
	95	3,800	217	4,112
Unwinding of discount	-	-	(3)	(3)
Total charge to income statement	95	3,800	214	4,109
<b>At 30 June 2023</b>	<b>788</b>	<b>5,811</b>	<b>437</b>	<b>7,036</b>
At 1 April 2022	1,174	2,135	5	3,314
Transfer to Stage 1	60	(1,081)	-	(1,021)
Transfer to Stage 2	(60)	1,732	(105)	1,567
Transfer to Stage 3	-	(60)	429	369
New financial assets originated or purchased	787	543	-	1,330
Financial assets derecognised other than write-off	(528)	(1,111)	(1,415)	(3,054)
Changes due to change in credit risk	(741)	(149)	1,314	424
Other adjustments	1	2	-	3
	(481)	(124)	223	(382)
Unwinding of discount	-	-	(5)	(5)
Total (write-back from)/charge to income statement	(481)	(124)	218	(387)
At 31 March 2023	693	2,011	223	2,927

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

(ii) As at 30 June 2023, the Bank's gross exposures of commitments and contingencies that are credit impaired was at RM1,169,000 (31 March 2023: RM584,000).

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

	1st Quarter Ended		Three Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Income derived from investment of:				
(i) Term deposits	123,482	80,611	123,482	80,611
(ii) Other deposits	67,194	70,725	67,194	70,725
	<u>190,676</u>	<u>151,336</u>	<u>190,676</u>	<u>151,336</u>

(i) Income derived from investment of term deposits:

	1st Quarter Ended		Three Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
<b>Finance income and hibah</b>				
Financing and advances	96,325	63,812	96,325	63,812
Financial investments at fair value through other comprehensive income	10,458	8,891	10,458	8,891
Financial investments at amortised cost	3,467	909	3,467	909
Money at call and deposit placements with financial institutions	5,445	3,192	5,445	3,192
	<u>115,695</u>	<u>76,804</u>	<u>115,695</u>	<u>76,804</u>
Accretion of discount less amortisation of premium	4,037	1,507	4,037	1,507
Total finance income and hibah	<u>119,732</u>	<u>78,311</u>	<u>119,732</u>	<u>78,311</u>
<b>Other operating income</b>				
- Fee income	3,481	2,984	3,481	2,984
- Investment loss	(204)	(798)	(204)	(798)
- Other income	473	114	473	114
	<u>123,482</u>	<u>80,611</u>	<u>123,482</u>	<u>80,611</u>

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 RM513,000 (30 June 2022: RM292,000).

**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 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
<b>Finance income and hibah</b>				
Financing and advances	52,415	55,986	52,415	55,986
Financial investments at fair value through other comprehensive income	5,691	7,801	5,691	7,801
Financial investments at amortised cost	1,887	797	1,887	797
Money at call and deposit placements with financial institutions	2,963	2,801	2,963	2,801
	<u>62,956</u>	<u>67,385</u>	<u>62,956</u>	<u>67,385</u>
Accretion of discount less amortisation of premium	2,197	1,322	2,197	1,322
Total finance income and hibah	<u>65,153</u>	<u>68,707</u>	<u>65,153</u>	<u>68,707</u>
<b>Other operating income</b>				
- Fee income	1,894	2,618	1,894	2,618
- Investment loss	(111)	(700)	(111)	(700)
- Other income	258	100	258	100
	<u>67,194</u>	<u>70,725</u>	<u>67,194</u>	<u>70,725</u>

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 RM279,000 (30 June 2022: RM256,000).

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

	1st Quarter Ended		Three Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
<b>Finance income and hibah</b>				
Financing and advances	14,442	11,582	14,442	11,582
Financial investments at fair value through other comprehensive income	1,568	1,614	1,568	1,614
Financial investments at amortised cost	520	165	520	165
Money at call and deposit placements with financial institutions	816	579	816	579
	<u>17,346</u>	<u>13,940</u>	<u>17,346</u>	<u>13,940</u>
Accretion of discount less amortisation of premium	605	274	605	274
Total finance income and hibah	<u>17,951</u>	<u>14,214</u>	<u>17,951</u>	<u>14,214</u>
<b>Other operating income</b>				
- Fee income	522	542	522	542
- Investment loss	(31)	(145)	(31)	(145)
- Other income	71	21	71	21
	<u>18,513</u>	<u>14,632</u>	<u>18,513</u>	<u>14,632</u>

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 RM77,000 (30 June 2022: RM53,000).

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

	1st Quarter Ended		Three Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Allowance for/(write-back of) expected credit losses on:				
(a) Financing and advances	10,401	4,877	10,401	4,877
(b) Commitments and contingencies on financing and advances	4,112	1,477	4,112	1,477
(c) Other receivable	(222)	261	(222)	261
	<u>14,291</u>	<u>6,615</u>	<u>14,291</u>	<u>6,615</u>
(d) Credit impaired on financing and advances				
- Recovered during the financial period	(4,536)	(5,200)	(4,536)	(5,200)
- Write-off during the financial period	7,664	5,768	7,664	5,768
	<u>17,419</u>	<u>7,183</u>	<u>17,419</u>	<u>7,183</u>

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

	1st Quarter Ended		Three Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Allowance for/(write-back of) expected credit losses on financial investments at fair value through other comprehensive income	3	(13)	3	(13)
	<u>3</u>	<u>(13)</u>	<u>3</u>	<u>(13)</u>

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

	1st Quarter Ended		Three Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Deposits from customers:				
- Mudharabah fund	433	299	433	299
- Non-Mudharabah fund	102,152	54,740	102,152	54,740
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	180	260	180	260
Recourse obligations on financing sold to Cagamas	2,446	3,434	2,446	3,434
Subordinated sukuk	2,964	3,127	2,964	3,127
Lease liabilities	8	10	8	10
	<u>108,183</u>	<u>61,870</u>	<u>108,183</u>	<u>61,870</u>

**A25 Other Operating Expenses**

	1st Quarter Ended		Three Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	24,462	18,850	24,462	18,850
- Contribution to EPF	4,179	2,893	4,179	2,893
- Others	1,905	1,443	1,905	1,443
	<b>30,546</b>	<b>23,186</b>	<b>30,546</b>	<b>23,186</b>
<u>Establishment costs</u>				
- Depreciation on property, plant and equipment	27	37	27	37
- Depreciation on right-of-use assets	278	116	278	116
- Amortisation of computer software	132	104	132	104
- Rental of premises	93	98	93	98
- Water and electricity	351	281	351	281
- Repairs and maintenance	344	268	344	268
- Information technology expenses	7,178	6,251	7,178	6,251
- Others [Note]	481	415	481	415
	<b>8,884</b>	<b>7,570</b>	<b>8,884</b>	<b>7,570</b>
<u>Marketing expenses</u>				
- Promotion and advertisement	423	1,165	423	1,165
- Branding and publicity	1,387	671	1,387	671
- Others	277	161	277	161
	<b>2,087</b>	<b>1,997</b>	<b>2,087</b>	<b>1,997</b>
<u>Administration and general expenses</u>				
- Communication expenses	422	434	422	434
- Printing and stationeries	80	52	80	52
- Insurance	1,029	885	1,029	885
- Professional fees	1,838	1,691	1,838	1,691
- Others	(243)	691	(243)	691
	<b>3,126</b>	<b>3,753</b>	<b>3,126</b>	<b>3,753</b>
Total other operating expenses	<b>44,643</b>	<b>36,506</b>	<b>44,643</b>	<b>36,506</b>

Note:

Included in the other operating expenses are the Shariah Committee members' remuneration of RM109,500 (30 June 2022: RM98,000).

**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 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
<b><u>Sharing of Other Operating Expenses</u></b>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	20,886	16,615	20,886	16,615
- Contribution to EPF	3,635	2,538	3,635	2,538
- Others	1,627	1,214	1,627	1,214
	<b>26,148</b>	<b>20,367</b>	<b>26,148</b>	<b>20,367</b>
<u>Establishment costs</u>				
- Rental of premises	93	98	93	98
- Water and electricity	344	274	344	274
- Repairs and maintenance	332	262	332	262
- Information technology expenses	7,121	6,085	7,121	6,085
- Others [Note]	481	415	481	415
	<b>8,371</b>	<b>7,134</b>	<b>8,371</b>	<b>7,134</b>
<u>Marketing expenses</u>				
- Promotion and advertisement	293	1,081	293	1,081
- Branding and publicity	1,386	492	1,386	492
- Others	247	158	247	158
	<b>1,926</b>	<b>1,731</b>	<b>1,926</b>	<b>1,731</b>
<u>Administration and general expenses</u>				
- Communication expenses	249	197	249	197
- Printing and stationeries	65	37	65	37
- Professional fees	1,093	832	1,093	832
- Others	(749)	388	(749)	388
	<b>658</b>	<b>1,454</b>	<b>658</b>	<b>1,454</b>
Total sharing of other operating expenses	<b>37,103</b>	<b>30,686</b>	<b>37,103</b>	<b>30,686</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.

	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>30 June 2023</b>	30 June 2022	<b>30 June 2023</b>	30 June 2022
Net profit for the financial period attributable to equity holder of the Bank (RM'000)	<b>29,190</b>	45,479	<b>29,190</b>	45,479
Weighted average numbers of ordinary shares in issue ('000)	<b>415,103</b>	414,249	<b>415,103</b>	414,249
Basic/diluted earnings per share (sen)	<b>7.0</b>	11.0	<b>7.0</b>	11.0

**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:

	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
<u>Commitments and contingencies</u>		
Direct credit substitutes	<b>81,627</b>	81,609
Transaction-related contingent items	<b>83,048</b>	72,678
Short-term self-liquidating trade-related contingencies	<b>13,193</b>	17,760
Forward assets purchase	<b>9,974</b>	15,000
Irrevocable commitments to extend credit:		
- maturity exceeding one year	<b>511,988</b>	495,519
- maturity not exceeding one year	<b>2,872,943</b>	2,512,133
	<b>3,572,773</b>	3,194,699
<u>Derivative financial instruments</u>		
Profit rate related contracts:		
- over three years	-	298,000
	-	298,000
	<b>3,572,773</b>	3,492,699



**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 2023</b>	31 March 2023
<b>(i) <u>With transitional arrangements</u></b>		
<u>Before deducting proposed dividends</u>		
CET 1 capital ratio	<b>13.000%</b>	13.717%
Tier I capital ratio	<b>13.971%</b>	14.694%
Total capital ratio	<b>16.390%</b>	17.122%
<u>After deducting proposed dividends</u>		
CET 1 capital ratio	<b>13.000%</b>	13.715%
Tier 1 capital ratio	<b>13.971%</b>	14.692%
Total capital ratio	<b>16.390%</b>	17.120%
<b>(ii) <u>Without transitional arrangements</u></b>		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	<b>12.166%</b>	12.401%
Tier I capital ratio	<b>13.137%</b>	13.377%
Total capital ratio	<b>15.556%</b>	15.806%
<u>After deducting proposed dividends</u>		
CET 1 capital ratio	<b>12.166%</b>	12.399%
Tier 1 capital ratio	<b>13.137%</b>	13.375%
Total capital ratio	<b>15.556%</b>	15.804%

(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 2023 RM'000</b>	31 March 2023 RM'000
<b><u>CET I Capital</u></b>		
Paid-up share capital	<b>637,500</b>	600,000
Retained profits	<b>668,671</b>	727,052
Regulatory reserves	<b>40,023</b>	19,339
FVOCI reserves	<b>(11,871)</b>	(13,817)
	<b>1,334,323</b>	1,332,574
(Less)/add: Regulatory adjustments		
- Intangible assets	<b>(1,990)</b>	(2,045)
- Deferred tax assets	<b>(41,454)</b>	(44,039)
- Regulatory reserves	<b>(40,023)</b>	(19,339)
- Transitional arrangements	<b>85,741</b>	134,523
Total CET I Capital	<b>1,336,597</b>	1,401,674
Additional Tier 1 Sukuk Wakalah	<b>99,839</b>	99,801
Total Additional Tier 1 Capital	<b>99,839</b>	99,801
Total Tier I Capital	<b>1,436,436</b>	1,501,475

**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 2023 RM'000</b>	31 March 2023 RM'000
<b><u>Tier II Capital</u></b>		
Subordinated Sukuk Murabahah	<b>130,000</b>	130,000
Expected credit losses and regulatory reserves	<b>118,746</b>	118,121
Total Tier II Capital	<b><u>248,746</u></b>	<u>248,121</u>
 Total Capital	 <b><u>1,685,182</u></b>	 <u>1,749,596</u>

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

	<b>30 June 2023 RM'000</b>	31 March 2023 RM'000
Credit risk	<b>9,499,656</b>	9,449,676
Market risk	<b>131</b>	123
Operational risk	<b>781,794</b>	768,617
Total RWA and capital requirements	<b><u>10,281,581</u></b>	<u>10,218,416</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 (Cont'd.)**

**(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 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 repurchase agreements.

**(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 2023				
<u>Financial Assets</u>				
Financial investments at FVOCI				
- Money market instruments	-	814,733	-	814,733
- Unquoted securities	-	1,291,553	-	1,291,553
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
31 March 2023				
<u>Financial Assets</u>				
Financial investments at FVOCI				
- Money market instruments	-	454,512	-	454,512
- Unquoted securities	-	1,297,876	-	1,297,876
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Derivative financial assets	-	25	-	25
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>Liabilities</u>				
Derivative financial liabilities	-	2,496	-	2,496
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

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 2023 and 31 March 2023.

**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 liabilities set off in the statements of financial position	Gross amounts of recognised financial assets set off in the statements of financial position	Net amounts of financial assets presented in the statements of financial position	Related amounts not set off in the statements of financial position		Net amount
	<u>financial assets</u>	<u>financial position</u>	<u>financial position</u>	<u>Financial instruments</u>	<u>Cash collateral received</u>	<u>amount</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>BANK</u></b>						
30 June 2023						
Derivative financial assets	-	-	-	-	-	-
31 March 2023						
Derivative financial assets	25	-	25	-	-	25

**(b) Financial liabilities**

	Gross amounts of recognised financial assets set off in the statements of financial position	Gross amounts of recognised financial liabilities set off in the statements of financial position	Net amounts of financial liabilities presented in the statements of financial position	Related amounts not set off in the statements of financial position		Net amount
	<u>financial liabilities</u>	<u>financial position</u>	<u>financial position</u>	<u>Financial instruments</u>	<u>Cash collateral pledged</u>	<u>amount</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>BANK</u></b>						
30 June 2023						
Derivative financial liabilities	-	-	-	-	-	-
31 March 2023						
Derivative financial assets	(2,496)	-	(2,496)	-	-	(2,496)

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 2023 ("1Q FY2024")**

#### Profitability

The Bank's net profit after taxation was RM29.2 million for the first financial quarter ended 30 June 2023, lower by RM16.3 million or 35.8% year-on-year ("YOY").

Net profit income declined by RM4.7 million or 4.7% YOY due to higher funding cost offset with the higher financing income. Net profit margin ("NPM") stood at 2.38% (Jun 22: 2.69%). NPM pressure will continue to remain due to deposit repricing and competition.

#### Financing Growth

Focused on the execution of the ACCELER8 strategic plan, the Bank's financing and advances grew by 7.5% YOY to RM12.4 billion. The growth was mainly driven by the small and medium enterprises ("SME") and commercial banking segment, which grew by 27.1% and 8.7%, respectively.

#### Other Operating Income

The Bank recorded other operating income of RM6.4 million, an increase of RM1.6 million or 34.2% YOY. The increase is mainly due to better treasury and investment income and higher wealth management income and trade fees.

#### Managing Operating Expenses

Operating expenses increased by RM8.1 million or 22.3%, mainly from higher personnel, marketing, and establishment costs. The cost-to-income ratio ("CIR") stood at 44.2% (Jun 22: 35.1%). 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 RM17.4 million, an increase of RM10.3 million YOY. The net credit cost recorded at 14.0bps (Jun 22: 6.2bps). Loan loss coverage (including regulatory reserves) was at 120.0% (Jun 22: 144.6%).

The Bank will continue to be prudent in its implementation of the credit risk framework in each line of business by stratifying customers according to risk levels and prioritising customer calls or visits and its control of credit cost by refining credit policies, tightening credit underwriting and increasing collection efforts.

#### Healthy Funding and Liquidity Position

The Bank's customer deposits stood at RM13.7 billion and the Bank maintained a high current account/savings account ("CASA") ratio of 34.6%. The Bank's liquidity coverage and financing-to-funds ratios stood at 142.6% and 85.3%, respectively.

#### Proactive Capital Management

We continued to maintain strong capital levels, with Common Equity Tier-1 ("CET 1") ratio at 13.0%, Tier-1 Capital Ratio at 14.0% and Total Capital Ratio at 16.4%.

The Bank will continue to prioritise capital conservation in order to support future business expansion.

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

For calendar year 2023, Bank Negara Malaysia (“BNM”) forecasts Malaysia’s gross domestic product (“GDP”) growth to range between 4% and 5%, compared to a growth of 8.7% in the preceding year.

We expect Malaysia’s economic growth trajectory to be supported by sustained domestic demand due to the continued improvement of the labour market conditions. Nevertheless, we remain cautious and mindful of downside risks to growth stemming from external uncertainties especially escalating geopolitical tensions and tightening financial conditions.

Notwithstanding the above, under the ACCELER8 strategic plan, the Bank expects to broaden its focus and expand into new areas beyond SMEs to accelerate its growth and pay more attention to consumer banking, wealth management and Islamic Banking. The Bank will also continue to build strategic partnerships to widen its product offering and distribution, create more value for its customers and expand its business presence in fast-growing states and secondary cities to capture the growth opportunities of these economic corridors.

The Bank will also continue to grow its distinctive value propositions for businesses through our flagship ‘Halal in One’ programme where it aims to provide financing of up to RM600 million in the current financial year and will extend our market access proposition regionally through our partners. Meanwhile, the Bank will also introduce new bancatakaful and syariah-compliant investment offerings.

With prudent financing growth above the industry average, strong credit risk management, controlled financing loss provisions, strengthen deposit/CASA proposition and cost management, the Bank aims to increase the contribution in terms of the profitability and SME financing growth to the Bank.