

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

(Incorporated in Malaysia)

Condensed Interim Financial Statements**Unaudited Statement of Financial Position as at 31 December 2018**

		31 December 2018 RM'000	31 March 2018 RM'000
	Note		
ASSETS			
Cash and short-term funds		321,692	1,290,567
Financial investments at fair value through other comprehensive income	A12	2,088,429	-
Financial investments available-for-sale	A13	-	1,772,502
Financing and advances	A14	8,741,414	8,027,331
Other assets	A15	2,090	2,064
Tax recoverable		8,673	-
Statutory deposits with Bank Negara Malaysia		310,388	276,888
Property, plant and equipment		366	331
Deferred tax assets		-	1,250
Intangible assets		922	1,058
TOTAL ASSETS		11,473,974	11,371,991
LIABILITIES AND EQUITY			
Deposits from customers	A16	9,441,779	9,439,065
Deposits and placements of banks and other financial institutions	A17	245,350	243,848
Recourse obligation on financing sold to Cagamas		500,604	500,667
Other liabilities	A18	235,389	138,200
Provision for taxation		-	465
Provision for zakat		199	252
Deferred tax liabilities		157	-
Subordinated Sukuk Murabahah		131,461	129,602
TOTAL LIABILITIES		10,554,939	10,452,099
Share capital		400,000	400,000
Reserves		519,035	519,892
TOTAL EQUITY		919,035	919,892
TOTAL LIABILITIES AND EQUITY		11,473,974	11,371,991
Restricted investment account ¹		191,561	-
Total Islamic Banking asset ¹		11,665,535	11,371,991
COMMITMENTS AND CONTINGENCIES	A25	2,352,131	2,040,121

¹ The disclosure is in accordance with the requirements of Bank Negara Malaysia's Guideline on Financial Reporting for Islamic Banking Institutions.

<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 2018>

ALLIANCE ISLAMIC BANK BERHAD

(776882-V)

(Incorporated in Malaysia)

Condensed Interim Financial Statements

Unaudited Statement of Income

for the Financial Period Ended 31 December 2018

	Note	3rd Quarter Ended		Nine Months Ended	
		31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Income derived from investment of depositors' funds and others	A19	148,148	116,712	436,106	352,466
Income derived from investment of shareholder's funds	A20	14,244	12,716	40,675	35,819
Allowance for credit losses on financing, advances and other assets	A21	(8,399)	(7,402)	(22,894)	(42,922)
Write-back for credit losses on financial investments		8	-	28	-
Total distributable income		154,001	122,026	453,915	345,363
Wakalah fees income from investment account		-	-	205	-
Income attributable to the depositors and financial institutions	A22	(80,369)	(64,684)	(249,607)	(191,997)
Total net income		73,632	57,342	204,513	153,366
Other operating expenses	A23	(26,962)	(24,972)	(78,757)	(77,216)
Profit before taxation		46,670	32,370	125,756	76,150
Taxation		(11,289)	(6,883)	(29,776)	(17,917)
Net profit for the financial period		35,381	25,487	95,980	58,233
Net profit for the financial period attributable to:					
Equity holder of the Bank		35,381	25,487	95,980	58,233
Earnings per share attributable to Equity holder of the Bank					
- basic/diluted (sen)	A24	10.3	7.4	27.8	16.9

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ALLIANCE ISLAMIC BANK BERHAD

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Condensed Interim Financial Statements

Unaudited Statement of Comprehensive Income

for the Financial Period Ended 31 December 2018

	3rd Quarter Ended		Nine Months Ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Net profit for the financial period	35,381	25,487	95,980	58,233
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Revaluation reserve on financial investments at fair value through other comprehensive income ("FVOCI")				
- Net (loss)/gain from change in fair value	(714)	-	6,020	-
- Realised loss/(gain) transferred to statement of income on disposal	76	-	(528)	-
- Transfer from/(to) deferred tax	153	-	(1,318)	-
- Changes in credit losses	(8)	-	(28)	-
	<u>(493)</u>	-	<u>4,146</u>	-
Revaluation reserve on financial investments available-for-sale				
- Net (loss)/gain from change in fair value	-	(2,246)	-	2,200
- Realised gain transferred to statement of income on disposal and impairment	-	-	-	(1,229)
- Transfer from/(to) deferred tax	-	539	-	(233)
	-	<u>(1,707)</u>	-	<u>738</u>
Other comprehensive (expense)/income, net of tax	<u>(493)</u>	<u>(1,707)</u>	<u>4,146</u>	<u>738</u>
Total comprehensive income for the financial period	34,888	23,780	100,126	58,971
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	<u>34,888</u>	<u>23,780</u>	<u>100,126</u>	<u>58,971</u>

<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 2018>

ALLIANCE ISLAMIC BANK BERHAD

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Condensed Interim Financial Statements

Unaudited Statement of Changes in Equity for the Financial Period Ended 31 December 2018

	← Non-distributable reserves →				Distributable reserve	Total equity RM'000
	Ordinary shares RM'000	Regulatory reserves RM'000	FVOCI reserves RM'000	Revaluation reserves RM'000	Retained profits RM'000	
At 1 April 2018						
As previously stated	400,000	21,430	-	246	498,216	919,892
Effect of adoption of MFRS 9	-	(21,430)	319	(246)	(22,832)	(44,189)
As restated	400,000	-	319	-	475,384	875,703
Net profit for the financial period	-	-	-	-	95,980	95,980
Other comprehensive income	-	-	4,146	-	-	4,146
Total comprehensive income for the financial period	-	-	4,146	-	95,980	100,126
Transfer to regulatory reserves	-	8,530	-	-	(8,530)	-
Dividend paid	-	-	-	-	(56,794)	(56,794)
At 31 December 2018	400,000	8,530	4,465	-	506,040	919,035

<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 2018>

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Condensed Interim Financial Statements

Unaudited Statement of Changes in Equity for the Financial Period Ended 31 December 2018 (Contd.)

	← Non-distributable reserves →					Distributable reserve		Total equity RM'000
	Ordinary shares RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000	Revaluation reserves RM'000	Equity contribution from former ultimate holding company RM'000	Retained profits RM'000	
At 1 April 2017	345,045	54,955	224,720	9,891	151	192	215,766	850,720
Net profit for the financial period	-	-	-	-	-	-	58,233	58,233
Other comprehensive income	-	-	-	-	738	-	-	738
Total comprehensive income for the financial period	-	-	-	-	738	-	58,233	58,971
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	24	-	24
Payment for ESS recharged from former ultimate holding company	-	-	-	-	-	(181)	-	(181)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(35)	35	-
Transition to no par-value regime pursuant to Companies Act, 2016	54,955	(54,955)	-	-	-	-	-	-
Transfer (to)/from retained profits	-	-	(224,720)	2,909	-	-	221,811	-
Dividend paid	-	-	-	-	-	-	(16,370)	(16,370)
At 31 December 2017	400,000	-	-	12,800	889	-	479,475	893,164

<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 2018>

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

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Condensed Interim Financial Statements**Unaudited Statement of Cash Flows****for the Financial Period Ended 31 December 2018**

	31 December 2018 RM'000	31 December 2017 RM'000
Profit before taxation	125,756	76,150
Adjustments for non-cash items	(40,510)	(31,680)
Operating profit before changes in working capital	85,246	44,470
Changes in working capital	(726,626)	(755,145)
Taxation paid	(24,902)	(20,019)
Zakat paid	(134)	(102)
Net cash used in operating activities	(666,416)	(730,796)
Net cash (used in)/generated from investing activities	(225,535)	251,888
Net cash (used in)/generated from financing activities	(76,924)	465,324
Net change in cash and cash equivalents	(968,875)	(13,584)
Cash and cash equivalents at beginning of the financial period	1,290,567	170,255
Cash and cash equivalents at end of the financial period	321,692	156,671
	321,692	156,671

Cash and cash equivalents comprise the following:

Cash and short term funds

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Explanatory Notes

PART A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("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 third financial quarter and nine months ended 31 December 2018 have been prepared under the historical cost convention.

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") and IAS 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

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 2018. 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 2018.

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 2018, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 April 2018:

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- Annual Improvements to MFRSs 2014 - 2016 Cycles
 - Amendments to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

The adoption of the above standards, amendments to published standards and interpretation to existing standards are not anticipated to have any significant impact on the financial statements of the Bank other than the adoption of MFRS 9 where the impact are shown in Note A28.

The following MFRS have been issued by the MASB and are effective for annual period commencing on or after 1 April 2019, and have yet to be adopted by the Bank:

- MFRS 16 "Leases" (effective from 1 January 2019)
- Amendments to MFRS 9 "Prepayment features with negative compensation" (effective from 1 January 2019)
- Annual Improvement to MFRS's 2015-2017 Cycle (effective from 1 January 2019)
 - Amendments to MFRS 3 "Business Combinations"
 - Amendments to MFRS 11 "Joint Arrangements"
 - Amendments to MFRS 112 "Income Taxes"
 - Amendments to MFRS 123 "Borrowing Costs"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective from 1 January 2019)

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.

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A2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2018 was not subject to any qualification.

A3 Seasonality or Cyclicity of Operations

The operations of the Bank was not materially affected by any seasonal or cyclical fluctuations during the third financial quarter and nine months ended 31 December 2018.

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 third financial quarter and nine months ended 31 December 2018.

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 third financial quarter and nine months ended 31 December 2018.

A6 Issuance and Repayment of Debt and Equity Securities

There were no issuance nor repayment of debt and equity securities during the third financial quarter and nine months ended 31 December 2018.

A7 Dividend Paid

During the nine months ended 31 December 2018:

- (a) A second interim dividend of 7.66 sen, tax exempt under the single tier system, on 345,045,045 ordinary shares amounting to approximately RM26,430,000 in respect of financial year ended 31 March 2018, was paid on 21 June 2018.
- (b) A first interim dividend of 8.8 sen, tax exempt under the single tier system, on 345,045,045 ordinary shares amounting to approximately RM30,364,000 in respect of the financial year ending 31 March 2019, was paid on 18 December 2018.

A8 Material Event During The Financial Reporting Period

There was no material event during the third financial quarter and nine months ended 31 December 2018.

A9 Material Event Subsequent to the end of the Financial Reporting Period

There was no material event 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 Dividends

No dividend has been proposed or declared for the third financial quarter and nine months ended 31 December 2018.

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A12 Financial Investments at Fair Value through Other Comprehensive Income

	31 December 2018 RM'000	31 March 2018 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government investment issues	840,093	-
Negotiable instruments of deposits	199,278	-
	<u>1,039,371</u>	<u>-</u>
<u>Unquoted securities:</u>		
Sukuk	1,049,058	-
	<u>1,049,058</u>	<u>-</u>
Total financial investments at FVOCI	<u><u>2,088,429</u></u>	<u><u>-</u></u>

The financial investments at FVOCI category was introduced upon the adoption of MFRS 9 on 1 April 2018. Comparative figures are not restated in line with transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A28.

Movements in allowances for impairment losses which reflect the ECL model on impairment are as follows:

	Non-credit impaired Collectively Assessed 12-Month ECL (Stage 1) RM'000
At 1 April 2018	
As previously stated	-
Effect of adoption of MFRS 9	73
As restated	<u>73</u>
New financial assets originated or purchased	7
Financial assets derecognised	
other than write-off	(9)
Changes due to change in credit risk	(26)
Total write-back from income statement	<u>(28)</u>
At end of financial period	<u><u>45</u></u>

A13 Financial Investments Available-for-Sale

	31 December 2018 RM'000	31 March 2018 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government investment issues	-	633,122
Negotiable instruments of deposits	-	98,526
	<u>-</u>	<u>731,648</u>
<u>Unquoted securities:</u>		
Sukuk	-	1,040,854
	<u>-</u>	<u>1,040,854</u>
Total financial investments available-for-sale	<u><u>-</u></u>	<u><u>1,772,502</u></u>

The financial investments available-for-sale category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A28.

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A14 Financing and AdvancesBy types and Shariah concepts:

	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 December 2018								
At amortised cost								
Cash line financing	100,913	1,190,671	-	-	6,405	-	-	1,297,989
Term financing								
- Housing financing	2,816,024	-	-	-	-	-	-	2,816,024
- Hire purchase receivables ¹	-	-	330,584	-	-	-	-	330,584
- Other term financing	1,910,134	1,104,767	-	-	-	-	226,512	3,241,413
Bills receivables	-	-	-	9,609	-	-	-	9,609
Trust receipts	-	-	-	42,368	-	-	-	42,368
Claims on customers under acceptance credits	-	-	-	580,478	-	70,357	-	650,835
Staff financing (including financing to Directors of RM Nil)	17,077	-	-	-	-	-	-	17,077
Revolving credits ²	296,950	121,786	-	-	-	-	-	418,736
Gross financing and advances	5,141,098	2,417,224	330,584	632,455	6,405	70,357	226,512	8,824,635
Add: Sales commission and handling fees								47,091
Less: Allowances for credit losses on financing and advances:								
- Individual assessment allowance								(20,302)
- Collective assessment allowance								(110,010)
Total net financing and advances								<u>8,741,414</u>

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A14 Financing and Advances (Contd.)By types and Shariah concepts (Contd.):

	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 2018								
At amortised cost								
Cash line financing	169,599	695,001	-	-	982	-	-	865,582
Term financing								
- Housing financing	2,445,368	-	-	-	-	-	-	2,445,368
- Hire purchase receivables ¹	-	-	431,393	-	-	-	-	431,393
- Other term financing	1,972,775	743,504	-	-	-	-	279,673	2,995,952
Bills receivables	-	-	-	5,247	-	-	-	5,247
Trust receipts	-	-	-	28,624	-	-	-	28,624
Claims on customers under acceptance credits	-	-	-	690,347	-	67,935	-	758,282
Staff financing (including financing to Directors of RM Nil)	18,101	-	-	-	-	-	-	18,101
Revolving credits ²	319,580	215,172	-	-	-	-	-	534,752
Gross financing and advances	4,925,423	1,653,677	431,393	724,218	982	67,935	279,673	8,083,301
Add: Sales commission and handling fees								30,236
Less: Allowances for impairment on financing and advances:								
- Individual assessment allowance								(10,766)
- Collective assessment allowance								(75,440)
Total net financing and advances								<u>8,027,331</u>

¹ 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.

² The total Financing and Advances under Bai` Bithaman Ajil ("BBA") includes Revolving Credit-I (Murabahah) which substantively adopts a BBA product structure.

The Bank has entered into an arrangement on Commodity Murabahah Term Financing ("CMTF") with Alliance Bank Malaysia Berhad ("ABMB"), the holding company of the Bank, where ABMB will provide the funds, while the assets are managed by the Bank (as the Wakeel or agent) based on the Wakalah principle. The risk and rewards of the underlying assets are recognised and borne by ABMB. Hence, the underlying assets and allowances for credit losses are recognised and accounted for by ABMB. The total net financing and advances for CMTF was at RM191,561,000 as at 31 December 2018.

A14 Financing and Advances (Contd.)

(i) Purpose and source of fund for Qard Financing

	31 December 2018 RM'000	31 March 2018 RM'000
At beginning of financial period/year	982	635
Sources of Qard fund:		
- Shareholders' fund	13,036	5,763
- Purchase of landed property (Non-residential)	(192)	-
- Personal use	(915)	(818)
- Working capital	(6,506)	(3,990)
- Other	-	(608)
At end of financial period/year	<u><u>6,405</u></u>	<u><u>982</u></u>

(ii) By maturity structure:

	31 December 2018 RM'000	31 March 2018 RM'000
Within one year	2,499,127	2,263,688
One year to three years	384,155	361,410
Three years to five years	686,673	582,290
Over five years	5,254,680	4,875,913
Gross financing and advances	<u><u>8,824,635</u></u>	<u><u>8,083,301</u></u>

(iii) By type of customers:

	31 December 2018 RM'000	31 March 2018 RM'000
Domestic non-bank financial institutions	57,133	77,311
Domestic business enterprises		
- Small and medium enterprises	2,226,409	2,124,722
- Others	1,587,070	1,748,075
Individuals	4,862,674	4,043,303
Other domestic entities	4,212	-
Foreign entities	87,137	89,890
Gross financing and advances	<u><u>8,824,635</u></u>	<u><u>8,083,301</u></u>

(iv) By profit rate sensitivity:

	31 December 2018 RM'000	31 March 2018 RM'000
Fixed rate		
- House financing	28,463	31,180
- Hire purchase receivables	330,584	431,393
- Other fixed rate financing	1,467,259	1,373,531
Variable rate		
- House financing	2,797,997	2,425,210
- Other variable rate financing	4,200,332	3,821,987
Gross financing and advances	<u><u>8,824,635</u></u>	<u><u>8,083,301</u></u>

A14 Financing and Advances (Contd.)

(v) By economic purposes:

	31 December 2018 RM'000	31 March 2018 RM'000
Purchase of transport vehicles	311,860	408,379
Purchase of landed property	4,108,607	3,695,825
of which: - Residential	2,865,782	2,482,261
- Non-residential	1,242,825	1,213,564
Purchase of fixed assets excluding land & buildings	41,707	45,809
Personal use	1,874,500	1,371,027
Construction	22,591	17,904
Working capital	2,007,480	1,965,671
Others	457,890	578,686
Gross financing and advances	8,824,635	8,083,301

(vi) By geographical distribution:

	31 December 2018 RM'000	31 March 2018 RM'000
Northern region	778,167	654,619
Central region	5,962,879	5,403,930
Southern region	1,206,845	1,102,633
Sabah region	661,586	613,694
Sarawak region	215,158	308,425
Gross financing and advances	8,824,635	8,083,301

(vii) Movements in credit impaired financing and advances ("impaired financing") under Stage 3

	31 December 2018 RM'000
At 1 April 2018	
As previously stated	104,232
Effect of adoption of MFRS 9	(709)
As restated	103,523
Impaired during the financial period	143,719
Reclassified as unimpaired during the financial period	(88,103)
Recoveries during the financial period	(21,769)
Financial assets derecognised during the period other than write-off	(4,300)
Amount written-off	(35,139)
At end of financial period	97,931
Gross impaired financing as a % of gross financing and advances	1.1%

Movements in impaired financing under MFRS 139

	31 March 2018 RM'000
At beginning of financial year	51,389
Impaired during the financial year	212,371
Reclassified as unimpaired during the financial year	(81,010)
Recoveries	(33,522)
Amount written-off	(44,996)
At end of financial year	104,232
Gross impaired financing as a % of gross financing and advances	1.3%

A14 Financing and Advances (Contd.)

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

	31 December 2018				Total	31 March 2018	
	Non-credit impaired		Credit Impaired			Collectively Assessed	Individually Assessed
	Collectively Assessed		Collectively Assessed	Individually Assessed			
	12 months ECL	Lifetime ECL	Lifetime ECL				
	(Stage 1)	(Stage 2)	(Stage 3)				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 April 2018							
As previously stated					86,206	77,336	2,480
Effect of adoption of MFRS 9					33,961	-	-
As restated	21,745	63,788	17,207	17,427	120,167	77,336	2,480
Transfer to 12 month ECL	6,902	(31,574)	(411)	(925)	(26,008)	-	-
Transfer to lifetime ECL non credit-impaired	(11,825)	59,816	(16,120)	(8,625)	23,246	-	-
Transfer to lifetime ECL credit-impaired	(32)	(36,782)	45,327	11,734	20,247	-	-
New financial assets originated or purchased	17,797	26,626	7,460	344	52,227	-	-
Financial assets derecognised other than write-off	(9,688)	(26,912)	(496)	(738)	(37,834)	-	-
Changes due to change in credit risk	(3,172)	10,900	(5,739)	2,187	4,176	43,596	7,790
Total (write-back)/charged to income statement on allowance	(18)	2,074	30,021	3,977	36,054	43,596	7,790
Unwind of discount	-	-	-	(1,102)	(1,102)	-	-
Total (write-back)/charged to income statement	(18)	2,074	30,021	2,875	34,952	43,596	7,790
Write-off	-	(68)	(24,739)	-	(24,807)	(44,384)	(612)
Transfer from collective assessment allowance to individual assessment allowance	-	-	-	-	-	(1,108)	1,108
At end of financial period/year	21,727	65,794	22,489	20,302	130,312	75,440	10,766

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A14 Financing and Advances (Contd.)(ix) Credit impaired financing and advances by economic purposes:

	31 December 2018 RM'000	31 March 2018 RM'000
Purchase of transport vehicles	2,657	3,511
Purchase of landed property	40,633	63,478
of which: - Residential	18,133	31,449
- Non-residential	22,500	32,029
Purchase of fixed assets excluding land & buildings	691	881
Personal use	28,566	21,177
Working capital	22,488	8,569
Others	2,896	6,616
Gross impaired financing and advances	97,931	104,232

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

	31 December 2018 RM'000	31 March 2018 RM'000
Northern region	9,465	7,882
Central region	71,492	78,565
Southern region	12,767	12,857
Sabah region	3,308	3,882
Sarawak region	899	1,046
Gross impaired financing and advances	97,931	104,232

A15 Other Assets

	31 December 2018 RM'000	31 March 2018 RM'000
Other receivables	3,269	2,937
Deposits	89	76
Prepayment	326	455
Amount due from related company	3	-
	3,687	3,468
Less:		
Allowance for credit losses on other receivables	(1,597)	(1,404)
	2,090	2,064

Movement for allowance for credit losses are as follows:

	Credit impaired Individually Assessed Lifetime ECL (Stage 3) RM'000
At 1 April 2018	
As previously stated	1,404
Effect of adoption of MFRS 9	-
As restated	1,404
Changes due to change in credit risk	193
At end of financial period	1,597

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A16 Deposits from Customers

	31 December 2018 RM'000	31 March 2018 RM'000
Demand deposits		
- Qard	2,868,187	-
- Wadiah	-	2,426,503
Savings deposits		
- Qard	320,567	-
- Wadiah	-	323,936
Term deposits		
- Commodity Murabahah	5,157,089	5,251,685
- Negotiable Islamic Debt Certificate		
- Bai' Inah	813,992	934,367
- Money market deposits		
- Commodity Murabahah	122,069	263,862
- Other deposits		
- Mudharabah	96,314	106,666
- Wakalah	42,065	48,174
- Qard	21,496	83,872
	9,441,779	9,439,065

(i) The maturity structure of term deposits are as follows:

	31 December 2018 RM'000	31 March 2018 RM'000
Due within six months	4,466,408	3,088,958
Six months to one year	958,470	2,762,923
One year to three years	572,931	585,824
Three years to five years	255,216	250,921
	6,253,025	6,688,626

(ii) By type of customers:

	31 December 2018 RM'000	31 March 2018 RM'000
Domestic financial institutions	813,991	934,367
Government and statutory bodies	1,924,932	2,206,190
Business enterprises	3,448,144	3,043,789
Individuals	2,950,429	2,509,132
Domestic non-bank financial institutions	140,234	627,002
Foreign entities	72,930	61,394
Others	91,119	57,191
	9,441,779	9,439,065

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A17 Deposits and Placements of Banks and Other Financial Institutions

	31 December	31 March
	2018	2018
	RM'000	RM'000
Non-Mudharabah Fund		
Bank Negara Malaysia	<u>245,350</u>	<u>243,848</u>

A18 Other Liabilities

	31 December	31 March
	2018	2018
	RM'000	RM'000
Other payables	44,337	25,818
Bills payable	14,560	14,209
Clearing account	85,741	39,344
Sundry deposits	5,364	7,617
Provision and accruals	5,072	6,504
Amount due to holding company	74,739	44,004
Amount due to related company	877	704
Allowance for credit losses on commitments and contingencies [Note (a)]	4,699	-
	<u>235,389</u>	<u>138,200</u>

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A18 Other Liabilities (Contd.)

Note (a):

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

	31 December 2018				
	Non-credit impaired		Credit Impaired		Total
	Collectively Assessed		Collectively Assessed	Individually Assessed	
	12 months ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)		
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2018					
As previously stated	-	-	-	-	-
Effect of adoption of MFRS 9	793	5,707	9,960	-	16,460
As restated	793	5,707	9,960	-	16,460
Transfer to 12 month ECL	118	(1,444)	-	-	(1,326)
Transfer to lifetime ECL non credit-impaired	(107)	1,017	-	(6)	904
Transfer to lifetime ECL credit-impaired	-	(12)	-	229	217
New financial assets originated or purchased	433	1,378	-	-	1,811
Financial assets derecognised					
other than write-off	(303)	(1,279)	(7,460)	(1,932)	(10,974)
Changes due to change in credit risk	(161)	(1,926)	(2,500)	2,190	(2,397)
Other adjustments	1	7	-	-	8
Total (write-back)/charged to income statement					
on allowance	(19)	(2,259)	(9,960)	481	(11,757)
Unwind of discount	-	-	-	(4)	(4)
Total (write-back)/charged to income statement	(19)	(2,259)	(9,960)	477	(11,761)
At end of financial period	774	3,448	-	477	4,699

A19 Income Derived from Investment of Depositors' Funds and Others

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) Term deposits	95,554	74,885	290,604	227,430
(ii) Other deposits	52,594	41,827	145,502	125,036
	148,148	116,712	436,106	352,466

(i) Income derived from investment of term deposits:

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances	73,021	56,967	215,045	170,185
Financial investments at FVOCI	11,837	-	35,075	-
Financial investments available-for-sale	-	10,139	-	26,822
Financial investments held-to-maturity	-	-	-	382
Money at call and deposits placements with financial institutions	1,240	1,015	11,821	6,073
	86,098	68,121	261,941	203,462
Accretion of discount less amortisation of premium	5,028	3,915	16,541	14,164
Total finance income and hibah	91,126	72,036	278,482	217,626
Other operating income				
- Fee income	4,311	2,435	11,175	7,530
- Investment (loss)/income	(46)	282	505	1,777
- Other income	163	132	442	497
	95,554	74,885	290,604	227,430

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 RM675,000 (31.12.2017: RM90,000).

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A19 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 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Finance income and hibah				
Financing and advances	40,020	31,807	107,670	93,564
Financial investments at FVOCI	6,493	-	17,562	-
Financial investments available-for-sale	-	5,646	-	14,746
Financial investments held-to-maturity	-	-	-	209
Money at call and deposit placements with financial institutions	879	580	5,919	3,339
	47,392	38,033	131,151	111,858
Accretion of discount less amortisation of premium	2,798	2,196	8,282	7,787
Total finance income and hibah	50,190	40,229	139,433	119,645
Other operating income				
- Fee income	2,326	1,361	5,595	4,140
- Investment (loss)/income	(10)	163	253	978
- Other income	88	74	221	273
	52,594	41,827	145,502	125,036

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 RM338,000 (31.12.2017: RM49,000).

A20 Income Derived from Investment of Shareholder's Funds

	3rd Quarter Ended		Nine Months Ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Finance income and hibah				
Financing and advances	10,853	9,656	30,099	26,803
Financial investments at FVOCI	1,760	-	4,909	-
Financial investments available-for-sale	-	1,697	-	4,224
Financial investments held-to-maturity	-	2	-	60
Money at call and deposit placements with financial institutions	221	191	1,655	957
	12,834	11,546	36,663	32,044
Accretion of discount less amortisation of premium	755	678	2,315	2,230
Total finance income and hibah	13,589	12,224	38,978	34,274
Other operating income				
- Fee income	634	414	1,564	1,186
- Investment (loss)/income	(3)	55	71	281
- Other income	24	23	62	78
	14,244	12,716	40,675	35,819

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 RM93,000 (31.12.2017: RM14,000).

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A21 Allowance for Credit Losses on Financing, Advances and Other Assets

	3rd Quarter Ended		Nine Months Ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Allowance for credit losses on financing, advances:				
(a) Individual assessment allowance				
- Made during the financial period (net)	1,824	1,483	3,977	6,872
(b) Collective assessment allowance				
- Made during the financial period (net)	6,536	4,346	32,077	34,831
(c) Bad debts on financing				
- Written-off	3,916	2,575	10,595	7,888
- Recovered	(2,986)	(1,075)	(12,191)	(6,872)
(d) Commitments and contingencies	(926)	-	(11,757)	-
	8,364	7,329	22,701	42,719
Allowance for credit losses on other receivables	35	73	193	203
	8,399	7,402	22,894	42,922

A22 Income Attributable to the Depositors and Financial Institutions

	3rd Quarter Ended		Nine Months Ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Deposits from customers:				
- Mudharabah fund	780	807	2,219	2,511
- Non-Mudharabah fund	71,395	56,774	222,732	176,104
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	866	1,402	2,729	3,336
Financing sold to Cagamas	5,514	3,888	16,483	8,194
Subordinated Sukuk Murabahah	1,814	1,813	5,444	1,852
	80,369	64,684	249,607	191,997

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A23 Other Operating Expenses

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	13,296	12,286	39,939	38,485
- Contribution to EPF	2,126	1,995	6,304	6,090
- Share options/grants under ESS	-	-	-	24
- Others	1,668	1,768	4,825	4,312
	17,090	16,049	51,068	48,911
<u>Establishment costs</u>				
- Depreciation on property, plant and equipment	32	29	89	70
- Amortisation of computer software	80	64	240	186
- Rental	1,234	1,256	3,732	3,826
- Repairs and maintenance	410	250	1,357	1,011
- Water and electricity	324	255	929	1,083
- Information technology expenses	1,566	1,515	4,751	4,725
- Others [Note (a)]	2,395	1,698	5,728	5,252
	6,041	5,067	16,826	16,153
<u>Marketing expenses</u>				
- Promotion and advertisement	448	56	976	313
- Branding and publicity	503	117	1,198	747
- Others	205	135	488	390
	1,156	308	2,662	1,450
<u>Administration and general expenses</u>				
- Communication expenses	461	368	1,555	1,340
- Printing and stationeries	96	88	313	300
- Insurance	263	237	819	726
- Professional fees	1,134	1,059	2,866	2,976
- Others	721	1,796	2,648	5,360
	2,675	3,548	8,201	10,702
Total other operating expenses	26,962	24,972	78,757	77,216

Included in the other operating expenses are the Shariah Committee members' remuneration of RM230,000 (31.12.2017: RM236,000).

A23 Other Operating Expenses (Contd.)

The following represent 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
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>Sharing of Other Operating Expenses</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	12,003	11,176	35,965	34,654
- Contribution to EPF	1,922	1,820	5,684	5,512
- Others	1,526	1,600	4,218	3,684
	15,451	14,596	45,867	43,850
<u>Establishment costs</u>				
- Rental	1,156	1,178	3,500	3,599
- Repairs and maintenance	401	244	1,338	997
- Water and electricity	311	252	901	1,070
- Information technology expenses	1,539	1,500	4,683	4,664
- Others [Note (a)]	2,390	1,698	5,637	5,244
	5,797	4,872	16,059	15,574
<u>Marketing expenses</u>				
- Promotion and advertisement	355	26	770	203
- Branding and publicity	428	107	1,110	682
- Others	205	133	481	387
	988	266	2,361	1,272
<u>Administration and general expenses</u>				
- Communication expenses	290	267	978	858
- Printing and stationeries	72	70	231	213
- Professional fees	509	516	1,678	1,586
- Others	211	297	629	1,382
	1,082	1,150	3,516	4,039
Total sharing of other operating expenses	23,318	20,884	67,803	64,735

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

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A24 Earnings Per Share

Basic/Diluted

Basic/diluted earnings per share amounts are calculated by dividing profit for the financial period attributable to 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	31 December	31 December	31 December
	2018	2017	2018	2017
Net profit for the financial period attributable to Equity holder of the Bank (RM'000)	<u>35,381</u>	<u>25,487</u>	<u>95,980</u>	<u>58,233</u>
Weighted average numbers of ordinary shares in issue ('000)	<u>345,045</u>	<u>345,045</u>	<u>345,045</u>	<u>345,045</u>
Basic/diluted earnings per share (sen)	<u>10.3</u>	<u>7.4</u>	<u>27.8</u>	<u>16.9</u>

A25 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:

	31 December	31 March
	2018	2018
	RM'000	RM'000
<u>Credit-related exposures</u>		
Direct credit substitutes	159,152	154,702
Transaction-related contingent items	63,401	77,381
Short-term self-liquidating trade-related contingencies	66,987	19,611
Irrevocable commitments to extend credit:		
- maturity exceeding one year	448,223	289,834
- maturity not exceeding one year	1,614,368	1,498,593
Total	<u>2,352,131</u>	<u>2,040,121</u>

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A26 Capital Adequacy

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

(a) The capital adequacy ratios of the Bank are as follows:

	31 December 2018	31 March 2018
<u>Before deducting proposed dividends</u>		
CET I/Tier I capital ratio	11.632%	12.569%
Total capital ratio	14.522%	15.421%
<u>After deducting proposed dividends</u>		
CET I/Tier I capital ratio	11.632%	12.198%
Total capital ratio	14.522%	15.050%
	31 December 2018	31 March 2018
	RM'000	RM'000
<u>CET I Capital</u>		
Paid-up share capital	400,000	400,000
Retained profits	470,659	498,216
Regulatory reserves	8,530	-
Revaluation reserves	4,420	246
	883,609	898,462
Less: Regulatory adjustments		
- Intangible assets	(922)	(1,058)
- Deferred tax assets	-	(1,250)
- 55% of revaluation reserves	(2,431)	(135)
- Regulatory reserves	(8,530)	-
Total CET I Capital/Total Tier I Capital	871,726	896,019
<u>Tier II Capital</u>		
Subordinated Sukuk Murabahah	129,600	129,543
Collective assessment allowance and regulatory reserves	87,041	73,810
Total Tier II Capital	216,641	203,353
Total Capital	1,088,367	1,099,372

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

	31 December 2018	31 March 2018
	RM'000	RM'000
Credit risk	6,963,258	6,638,122
Operational risk	531,241	490,929
Total RWA and capital requirements	7,494,499	7,129,051

A27 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 recognise 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.

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting 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 determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include government securities, corporate private debt securities, corporate notes and 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.

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A27 Fair Value Measurements (Contd.)**(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:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2018				
Assets				
Financial investments at FVOCI				
- Money market instruments	-	1,039,371	-	1,039,371
- Unquoted securities	-	1,049,058	-	1,049,058
31 March 2018				
Assets				
Financial investments available-for-sale				
- Money market instruments	-	731,648	-	731,648
- Unquoted securities	-	1,040,854	-	1,040,854

There were no transfers between Levels 1 and 2 of the fair value hierarchy for the Bank during the financial period/year ended 31 December 2018 and 31 March 2018.

A28 Changes in Accounting Policy

With effective from the financial year beginning on or after 1 April 2018, the Bank adopted MFRS 9 “Financial Instruments”, replacing MFRS 139 “Financial Instruments: Recognition and Measurement”, and includes requirements for classification and measurement for financial asset and liabilities and impairment of financial assets.

(a) Classification and Measurement

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss (“FVTPL”) and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

The combined application of the entity's business model and the cash flow characteristics of the financial assets do not result in the significant change in the classification of financial asset when compared to the existing classification of financial assets in the statement of financial position.

There was no significant impact arising from the changes in classification and measurement of the financial assets.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

- (i) For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.
- (ii) When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

There will be no changes to the Bank's accounting for financial liabilities. All the financial liabilities, except for financial liabilities designated at fair value and derivatives financial liabilities which is at FVTPL, will remain as amortised cost as there has not been significant change in the requirements for financial liabilities under MFRS 9.

A28 Changes in Accounting Policy (Contd.)

(b) Impairment of Financial Assets

MFRS 9 introduces an expected credit loss (“ECL”) model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The new impairment model requires the recognition of impairment allowances based on ECL rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments, financial guarantee contracts and other loan commitments.

Under MFRS 9, impairment will be measured on each reporting date according to a three-stage expected credit loss impairment model:

- (i) Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).
- (ii) Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset (Lifetime ECL).
- (iii) Stage 3 – when a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL).

As all financial assets within the scope of MFRS 9 impairment model will be assessed for at least 12-month ECL, and the population of financial assets to which full lifetime ECL applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with MFRS 139, the total allowance for credit losses is expected to increase under MFRS 9 relative to the allowance for credit losses under MFRS 139.

In addition, changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month ECL) and Stage 2 (lifetime ECL) and the application of forward looking information, will be recorded in profit or loss, allowance for credit losses will be more volatile under MFRS 9.

A28 Changes in Accounting Policy (Contd.)

(c) Impact on Adoption of MFRS 9

Statement of Financial Position as at 31 March 2018

	Original classification under MFRS 139	New classification under MFRS 9	MFRS 139 carrying amount 31 March 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 April 2018 RM'000
ASSETS						
Cash and short-term funds	Receivables	Amortised Cost	1,290,567	-	-	1,290,567
Financial investments at fair value through other comprehensive income	AFS	FVOCI	-	1,772,502	-	1,772,502
Financial investments available-for-sale	AFS	FVOCI	1,772,502	(1,772,502)	-	-
Financing and advances	Financing and receivables	Amortised Cost	8,027,331	(7,745)	(33,961)	7,985,625
Other assets	Receivables	Amortised Cost	2,064	-	-	2,064
Tax recoverable			-	1,394	12,118	13,512
Statutory deposits with Bank Negara Malaysia	Receivables	Amortised Cost	276,888	-	-	276,888
Property, plant and equipment			331	-	-	331
Deferred tax assets			1,250	-	-	1,250
Intangible assets			1,058	-	-	1,058
TOTAL ASSETS			11,371,991	(6,351)	(21,843)	11,343,797
LIABILITIES AND EQUITY						
Deposits from customers	Amortised Cost	Amortised Cost	9,439,065	-	-	9,439,065
Deposits and placements of banks and other financial institutions	Amortised Cost	Amortised Cost	243,848	-	-	243,848
Recourse obligation on financing sold to Cagamas	Amortised Cost	Amortised Cost	500,667	-	-	500,667
Other liabilities			138,200	-	16,460	154,660
Provision for taxation			465	(465)	-	-
Provision for zakat			252	-	-	252
Subordinated Sukuk Murabahah	Amortised Cost	Amortised Cost	129,602	-	-	129,602
TOTAL LIABILITIES			10,452,099	(465)	16,460	10,468,094
Share capital			400,000	-	-	400,000
Reserves			519,892	(5,886)	(38,303)	475,703
- Regulatory reserves			21,430	-	(21,430)	-
- FVOCI reserves			-	246	73	319
- Revaluation reserves			246	(246)	-	-
- Retained profits			498,216	(5,886)	(16,946)	475,384
TOTAL EQUITY			919,892	(5,886)	(38,303)	875,703
TOTAL LIABILITIES AND EQUITY			11,371,991	(6,351)	(21,843)	11,343,797

ALLIANCE ISLAMIC BANK BERHAD

(776882-V)

(Incorporated in Malaysia)

PART B - Review of Performance & Current Year Prospect

B1 Review of Performance

The Bank recorded a Net Profit After Tax (NPAT) of RM96.0 million for the 9 months ended 31 December 2018, representing an increase of 64.8% or RM37.7 million compared to the last corresponding period. The increase in NPAT is primarily due to higher net profit income and lower expected credit loss.

Net profit income was higher mainly due to higher profit income from better risk adjusted return financing, financial investment at FVOCI and interbank lending.

Other operating income recorded at RM20.1 million. Fee based income increased by 44.2% or RM5.7 million mainly from higher wealth management income and trade fees.

Gross financing and advances expanded by 9.2% or RM741.3 million to RM8.8 billion as at 31 December 2018. This growth was driven mainly by the segments with better risk adjusted returns, namely Alliance One Account, cash line and term financing.

Total customer deposits stood at RM9.4 billion, with the Bank's Current Account and Savings Account (CASA) ratio recorded at 33.8%.

The Bank maintained a Total Capital ratio of 14.5%, while both Common Equity Tier 1 and Tier 1 ratios stood at 11.6% as at 31 December 2018.

B2 Current Year Prospect

The outlook for the Islamic Banking industry is expected to be marked by steady growth in the consumer financing segment, and moderated by softening in the business financing segment.

From the funding perspective, continued competition among banks for deposits to comply with liquidity ratio requirements is expected to create pressure on funding costs.

The Bank will continue to grow its financing portfolio with better risk-adjusted returns, moderate funding costs by garnering lower cost deposits and expand revenue streams from wealth management.

This will be done while aligning AIS' products, distribution, and marketing efforts towards the Group's strategic initiatives which encompasses Alliance One Account, SME financing programme, Alliance@Work and deposit garnering initiatives. The Bank will also explore opportunities to enhance brand visibility in affinity market segments.

Notwithstanding the challenging economic outlook, the Bank expects that the transformation initiatives will position its businesses for sustainable revenue and profitability for the remainder of financial year 2019.