

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

(Incorporated in Malaysia)

Condensed Interim Financial Statements**Unaudited Statement of Financial Position as at 30 June 2019**

		30 June	31 March
		2019	2019
	Note	RM'000	RM'000
ASSETS			
Cash and short-term funds		562,565	348,407
Financial assets at fair value through profit or loss	A12	10,038	-
Financial investments at fair value through other comprehensive income	A13	2,059,823	2,100,887
Financing and advances	A14	9,549,949	9,306,879
Other assets	A15	16,623	2,261
Statutory deposits with Bank Negara Malaysia		346,988	335,388
Tax recoverable		7,374	3,912
Right-of-use assets		353	-
Property, plant and equipment		303	332
Deferred tax assets		6,965	11,156
Intangible assets		915	897
TOTAL ASSETS		12,561,896	12,110,119
LIABILITIES AND EQUITY			
Deposits from customers	A16	10,426,047	9,932,901
Deposits and placements of banks and other financial institutions	A17	251,016	243,731
Recourse obligation on financing sold to Cagamas		500,616	500,592
Lease liabilities		370	-
Other liabilities	A18	187,067	252,529
Provision for zakat		720	686
Subordinated Sukuk		232,161	228,855
TOTAL LIABILITIES		11,597,997	11,159,294
Share capital		400,000	400,000
Reserves		563,899	550,825
TOTAL EQUITY		963,899	950,825
TOTAL LIABILITIES AND EQUITY		12,561,896	12,110,119
Restricted investment account ¹		169,795	179,795
Total Islamic Banking asset ¹		12,731,691	12,289,914
COMMITMENTS AND CONTINGENCIES	A26	2,462,578	2,290,438

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

ALLIANCE ISLAMIC BANK BERHAD

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Condensed Interim Financial Statements

Unaudited Statement of Income

for the Financial Period Ended 30 June 2019

	Note	1st Quarter Ended		Three Months Ended	
		30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Income derived from investment of depositors' funds and others	A19	156,054	139,115	156,054	139,115
Income derived from investment of shareholder's funds	A20	14,626	13,060	14,626	13,060
Allowance for expected credit losses on financing and advances and other financial assets	A21	(14,589)	(3,299)	(14,589)	(3,299)
(Allowance for)/write-back of expected credit losses on financial investments	A22	(1)	20	(1)	20
Total distributable income		156,090	148,896	156,090	148,896
Income attributable to the depositors and financial institutions	A23	(89,131)	(83,106)	(89,131)	(83,106)
Total net income		66,959	65,790	66,959	65,790
Other operating expenses	A24	(29,605)	(27,191)	(29,605)	(27,191)
Profit before taxation		37,354	38,599	37,354	38,599
Taxation		(9,360)	(8,707)	(9,360)	(8,707)
Net profit for the financial period		27,994	29,892	27,994	29,892
Net profit for the financial period attributable to:					
Equity holder of the Bank		27,994	29,892	27,994	29,892
Earnings per share attributable to Equity holder of the Bank - basic/diluted (sen)	A25	8.1	8.7	8.1	8.7

<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 2019>

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

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Condensed Interim Financial Statements**Unaudited Statement of Comprehensive Income
for the Financial Period Ended 30 June 2019**

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	27,994	29,892	27,994	29,892
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 gain/(loss) from change in fair value	18,611	(3,685)	18,611	(3,685)
- Realised gain transferred to statement of income on disposal and impairment	(1,901)	(20)	(1,901)	(20)
- Transfer (to)/from deferred tax	(4,010)	884	(4,010)	884
- Changes in expected credit losses	1	-	1	-
Other comprehensive income/(expense), net of tax	12,701	(2,821)	12,701	(2,821)
Total comprehensive income for the financial period	40,695	27,071	40,695	27,071
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	40,695	27,071	40,695	27,071

<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 2019>

ALLIANCE ISLAMIC BANK BERHAD

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Condensed Interim Financial Statements

Unaudited Statement of Changes in Equity for the Financial Period Ended 30 June 2019

	← Non-distributable reserves →			Distributable reserve	Total equity RM'000
	Ordinary shares RM'000	Regulatory reserves RM'000	FVOCI reserves RM'000	Retained profits RM'000	
At 1 April 2019					
As previously stated	400,000	9,060	18,834	522,931	950,825
Effects of adoption of MFRS 16	-	-	-	(17)	(17)
As restated	400,000	9,060	18,834	522,914	950,808
Net profit for the financial period	-	-	-	27,994	27,994
Other comprehensive income	-	-	12,701	-	12,701
Total comprehensive income for the financial period	-	-	12,701	27,994	40,695
Transfer to regulatory reserves	-	341	-	(341)	-
Dividend paid	-	-	-	(27,604)	(27,604)
At 30 June 2019	400,000	9,401	31,535	522,963	963,899

<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 2019>

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Condensed Interim Financial Statements

Unaudited Statement of Changes in Equity for the Financial Period Ended 30 June 2019 (Contd.)

	← 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
Effects of adoption of MFRS 9	-	(21,430)	319	(246)	(25,300)	(46,657)
As restated	400,000	-	319	-	472,916	873,235
Net profit for the financial period	-	-	-	-	29,892	29,892
Other comprehensive expense	-	-	(2,821)	-	-	(2,821)
Total comprehensive (expense)/income for the financial period	-	-	(2,821)	-	29,892	27,071
Transfer to regulatory reserves	-	3,440	-	-	(3,440)	-
Dividend paid	-	-	-	-	(26,430)	(26,430)
At 30 June 2018	400,000	3,440	(2,502)	-	472,938	873,876

<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 2019>

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

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**Condensed Interim Financial Statements
Unaudited Statement of Cash Flows
for the Financial Period Ended 30 June 2019**

	30 June 2019 RM'000	30 June 2018 RM'000
Profit before taxation	37,354	38,599
Adjustments for non-cash items	(24,343)	(23,946)
Operating profit before changes in working capital	13,011	14,653
Changes in working capital	142,674	(40,600)
Net tax paid	(12,642)	(7,977)
Zakat paid	(5)	(144)
Net cash generated from/(used in) operating activities	143,038	(34,068)
Net cash generated from/(used in) investing activities	104,212	(325,299)
Net cash used in financing activities	(33,092)	(24,644)
Net change in cash and cash equivalents	214,158	(384,011)
Cash and cash equivalents at beginning of financial period	348,407	1,290,567
Cash and cash equivalents at end of financial period	562,565	906,556
	562,565	906,556

Cash and cash equivalents comprise the following:

Cash and short term funds

562,565 **906,556**

<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 2019>

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Explanatory Notes

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

A1 Basis of Preparation

The unaudited condensed interim financial statements for the first financial quarter and three months ended 30 June 2019 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 2019. 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 2019.

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 2019, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 April 2019:

- MFRS 16 "Leases"
- Amendments to MFRS 9 "Prepayment features with negative compensation"
- Annual Improvements to MFRSs 2015 - 2017 Cycles
 - 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"

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 16 where the impact are shown in Note A29.

The following MFRS have been issued by the MASB and are effective for annual periods commencing on or after 1 April 2020, and have yet to be adopted by the Bank:

- Amendments to MFRS 3 "Definition of a Business" (effective from 1 January 2020)

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 2019 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 first financial quarter and three months ended 30 June 2019.

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 first financial quarter and three months ended 30 June 2019.

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 first financial quarter and three months ended 30 June 2019.

A6 Issuance and Repayment of Debt and Equity Securities

There were no issuance nor repayment of debt and equity securities during the first financial quarter and three months ended 30 June 2019.

A7 Dividend Paid

A second interim dividend of 8.00 sen on 345,045,045 ordinary shares amounting to RM27,604,000 in respect of financial year ending 31 March 2019, was paid on 20 June 2019.

A8 Material Event During The Financial Reporting Period

There was no material event during the first financial quarter and three months ended 30 June 2019.

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 have been entered into in the normal course of business.

A11 Proposed Dividend

No dividend has been proposed or declared for the first financial quarter and three months ended 30 June 2019.

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A12 Financial Assets at Fair Value through Profit or Loss ("FVTPL")

	30 June 2019 RM'000	31 March 2019 RM'000
At fair value		
<u>Money market instruments:</u>		
Commercial papers	10,038	-
	10,038	-
Total financial assets at FVTPL	10,038	-

A13 Financial Investments at Fair Value through Other Comprehensive Income ("FVOCI")

	30 June 2019 RM'000	31 March 2019 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government investment issues	966,557	1,064,786
	966,557	1,064,786
<u>Unquoted securities:</u>		
Sukuk	1,093,266	1,036,101
	1,093,266	1,036,101
Total financial investments at FVOCI	2,059,823	2,100,887

Movements in allowance for expected credit losses are as follows:

	12-Month ECL (Stage 1)	
	30 June 2019 RM'000	31 March 2019 RM'000
At beginning of financial period/year		
As previously stated	39	-
Effects of adoption of MFRS 9	-	73
As restated	39	73
New financial assets originated or purchased	1	7
Financial assets derecognised other than write-off	-	(15)
Changes due to change in credit risk	-	(26)
Total charge to/(write-back from) income statement	1	(34)
At end of financial period/year	40	39

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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
30 June 2019								
At amortised cost								
Cash line financing	71,768	1,421,933	-	-	5,472	-	-	1,499,173
Term financing								
- Housing financing	3,082,168	-	-	-	-	-	-	3,082,168
- Hire purchase receivables ¹	-	-	267,664	-	-	-	-	267,664
- Other term financing	1,868,718	1,383,977	-	-	-	-	203,623	3,456,318
Bills receivables	-	-	-	24,223	-	-	-	24,223
Trust receipts	-	-	-	36,009	-	-	-	36,009
Claims on customers under acceptance credits	-	-	-	624,571	-	80,717	-	705,288
Staff financing (including financing to Directors of RM Nil)	16,441	-	-	-	-	-	-	16,441
Revolving credits ²	286,978	264,955	-	-	-	-	-	551,933
Gross financing and advances	5,326,073	3,070,865	267,664	684,803	5,472	80,717	203,623	9,639,217
Add: Sales commission and handling fees								50,452
Less: Allowances for expected credit losses on financing and advances								(139,720)
Total net financing and advances								<u>9,549,949</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 2019								
At amortised cost								
Cash line financing	96,749	1,340,827	-	-	5,124	-	-	1,442,700
Term financing								
- Housing financing	2,948,273	-	-	-	-	-	-	2,948,273
- Hire purchase receivables ¹	-	-	296,474	-	-	-	-	296,474
- Other term financing	1,948,379	1,204,830	-	-	-	-	214,502	3,367,711
Bills receivables	-	-	-	12,081	-	-	-	12,081
Trust receipts	-	-	-	39,565	-	-	-	39,565
Claims on customers under acceptance credits	-	-	-	683,926	-	86,195	-	770,121
Staff financing (including financing to Directors of RM Nil)	16,777	-	-	-	-	-	-	16,777
Revolving credits ²	287,995	215,115	-	-	-	-	-	503,110
Gross financing and advances	5,298,173	2,760,772	296,474	735,572	5,124	86,195	214,502	9,396,812
Add: Sales commission and handling fees								48,577
Less: Allowance for expected credit losses on financing and advances								(138,510)
Total net financing and advances								<u>9,306,879</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 expected credit losses are recognised and accounted for by ABMB. The total net financing and advances for CMTF was at RM169,795,000 as at 30 June 2019 (31 March 2019: RM 179,795,000).

A14 Financing and Advances (Contd.)

(i) Purpose and source of fund for Qard Financing

	30 June 2019 RM'000	31 March 2019 RM'000
At beginning of financial period/year	5,124	982
Sources of Qard fund:		
- Shareholders' fund	3,359	14,454
Uses of Qard fund:		
- Purchase of non-residential landed property	-	(192)
- Personal use	(158)	(3,017)
- Working capital	(2,853)	(7,103)
At end of financial period/year	<u>5,472</u>	<u>5,124</u>

(ii) By maturity structure:

	30 June 2019 RM'000	31 March 2019 RM'000
Within one year	2,850,202	2,806,896
One year to three years	437,710	432,115
Three years to five years	632,708	682,581
Over five years	5,718,597	5,475,220
Gross financing and advances	<u>9,639,217</u>	<u>9,396,812</u>

(iii) By type of customers:

	30 June 2019 RM'000	31 March 2019 RM'000
Domestic non-bank financial institutions	77,054	57,081
Domestic business enterprises		
- Small and medium enterprises	2,390,591	2,358,476
- Others	1,635,463	1,728,815
Individuals	5,438,651	5,154,376
Other domestic entities	14,768	13,330
Foreign entities	82,690	84,734
Gross financing and advances	<u>9,639,217</u>	<u>9,396,812</u>

(iv) By profit rate sensitivity:

	30 June 2019 RM'000	31 March 2019 RM'000
Fixed rate		
- House financing	26,347	27,105
- Hire purchase receivables	267,638	296,447
- Other fixed rate financing	2,024,142	2,044,961
Variable rate		
- House financing	3,065,431	2,931,296
- Other variable rate financing	4,255,659	4,097,003
Gross financing and advances	<u>9,639,217</u>	<u>9,396,812</u>

A14 Financing and Advances (Contd.)

(v) By economic purposes:

	30 June 2019 RM'000	31 March 2019 RM'000
Purchase of transport vehicles	251,609	281,168
Purchase of landed property	4,405,143	4,271,410
of which: - Residential	3,144,472	3,010,880
- Non-residential	1,260,671	1,260,530
Purchase of fixed assets excluding land & buildings	42,876	38,956
Personal use	2,218,699	2,048,622
Construction	69,484	56,228
Working capital	2,211,573	2,171,438
Others	439,833	528,990
Gross financing and advances	9,639,217	9,396,812

(vi) By geographical distribution:

	30 June 2019 RM'000	31 March 2019 RM'000
Northern region	837,147	821,198
Central region	6,522,784	6,386,035
Southern region	1,254,032	1,253,223
Sabah region	756,040	693,573
Sarawak region	269,214	242,783
Gross financing and advances	9,639,217	9,396,812

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

	30 June 2019 RM'000	31 March 2019 RM'000
At beginning of financial period/year		
As previously stated	106,925	104,232
Effects of adoption of MFRS 9	-	178
As restated	106,925	104,410
Impaired during the financial period/year	52,242	189,668
Reclassified as unimpaired during the financial period/year	(20,131)	(104,932)
Recovered during the financial period/year	(2,303)	(24,828)
Financial assets derecognised during the financial period/year		
other than write-off	(9,394)	(10,151)
Amount written-off	(15,328)	(47,242)
At end of financial period/year	112,011	106,925
Gross impaired financing as a % of gross financing and advances	1.2%	1.1%

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A14 Financing and Advances (Contd.)

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

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
At 1 April 2019	23,032	69,895	45,583	138,510
Transfer to Stage 1	1,785	(9,017)	(3)	(7,235)
Transfer to Stage 2	(3,716)	21,359	(7,211)	10,432
Transfer to Stage 3	(2)	(13,207)	17,477	4,268
New financial assets originated or purchased	6,184	3,913	1,038	11,135
Financial assets derecognised other than write-off	(2,855)	(4,944)	(1,729)	(9,528)
Changes due to change in credit risk	(1,949)	5,394	469	3,914
	(553)	3,498	10,041	12,986
Unwinding of discount	-	-	(662)	(662)
Total charge to income statement	(553)	3,498	9,379	12,324
Write-off	(2)	(11)	(11,101)	(11,114)
30 June 2019	22,477	73,382	43,861	139,720
At 1 April 2018				86,206
As previously stated under MFRS 139				37,209
Effects of adoption of MFRS 9				123,415
As restated	22,429	66,027	34,959	123,415
Transfer to Stage 1	9,004	(41,354)	(1,341)	(33,691)
Transfer to Stage 2	(15,260)	78,803	(31,276)	32,267
Transfer to Stage 3	(33)	(48,822)	75,489	26,634
New financial assets originated or purchased	23,766	33,937	8,018	65,721
Financial assets derecognised other than write-off	(12,600)	(33,939)	(2,918)	(49,457)
Changes due to change in credit risk	(4,274)	15,369	(2,598)	8,497
	603	3,994	45,374	49,971
Unwinding of discount	-	-	(1,533)	(1,533)
Total charge to income statement	603	3,994	43,841	48,438
Write-off	-	(126)	(33,217)	(33,343)
At 31 March 2019	23,032	69,895	45,583	138,510

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A14 Financing and Advances (Contd.)

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

	30 June	31 March
	2019	2019
	RM'000	RM'000
Purchase of transport vehicles	1,536	2,309
Purchase of landed property	55,993	49,337
of which: - Residential	29,237	23,445
- Non-residential	26,756	25,892
Purchase of fixed assets excluding land & buildings	143	641
Personal use	34,987	33,299
Working capital	16,827	18,697
Others	2,525	2,642
Gross impaired financing and advances	112,011	106,925

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

	30 June	31 March
	2019	2019
	RM'000	RM'000
Northern region	9,978	9,793
Central region	85,703	79,488
Southern region	12,677	14,188
Sabah region	2,998	2,762
Sarawak region	655	694
Gross impaired financing and advances	112,011	106,925

A15 Other Assets

	30 June	31 March
	2019	2019
	RM'000	RM'000
Other receivables	3,694	3,508
Deposits	89	89
Prepayment	989	305
Amount due from holding company	13,518	-
Amount due from related company	3	-
	18,293	3,902
Less:		
Allowance for expected credit losses on other receivables [Note (a)]	(1,670)	(1,641)
	16,623	2,261

Note:

(a) Movements in allowances for expected credit losses on other receivables are as follows:

	Lifetime ECL	
	Credit impaired (Stage 3)	
	30 June	31 March
	2019	2019
	RM'000	RM'000
At beginning of financial period/year		
As previously stated	1,641	1,404
Effects of adoption of MFRS 9	-	-
As restated	1,641	1,404
Changes due to change in credit risk	29	237
At end of financial period/year	1,670	1,641

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A16 Deposits from Customers

	30 June 2019 RM'000	31 March 2019 RM'000
Demand deposits		
- Qard	2,813,487	2,724,725
Savings deposits		
- Qard	327,943	320,557
Term deposits		
- Commodity Murabahah	6,169,747	5,452,519
- Negotiable Islamic Debt Certificate		
- Bai' Inah	745,059	805,845
- Money market deposits		
- Commodity Murabahah	152,727	261,717
- Other deposits		
- Mudharabah	84,299	95,537
- Wakalah	39,405	39,744
- Qard	93,380	232,257
	10,426,047	9,932,901

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

	30 June 2019 RM'000	31 March 2019 RM'000
Due within six months	3,886,590	4,020,974
Six months to one year	2,142,119	1,838,605
One year to three years	900,597	672,770
Three years to five years	355,311	355,270
	7,284,617	6,887,619

(ii) By type of customers:

	30 June 2019 RM'000	31 March 2019 RM'000
Domestic financial institutions	734,271	795,162
Government and statutory bodies	2,882,857	2,475,387
Business enterprises	3,739,789	3,646,508
Individuals	2,736,928	2,720,243
Domestic non-bank financial institutions	171,937	134,874
Foreign entities	72,923	70,963
Others	87,342	89,764
	10,426,047	9,932,901

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A17 Deposits and Placements of Banks and Other Financial Institutions

	30 June	31 March
	2019	2019
	RM'000	RM'000
Non-Mudharabah Fund		
Licensed investment banks	16,434	-
Bank Negara Malaysia	234,582	243,731
	251,016	243,731

A18 Other Liabilities

	30 June	31 March
	2019	2019
	RM'000	RM'000
Other payables	52,915	42,613
Bills payable	78,599	8,474
Clearing account	38,460	50,063
Sundry deposits	5,356	5,257
Provision and accruals	6,355	8,609
Amount due to holding company	-	132,364
Amount due to related company	1,136	1,150
Allowance for expected credit losses on commitments and contingencies [Note (a)]	4,246	3,999
	187,067	252,529

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A18 Other Liabilities (Contd.)

Note (a):

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

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
At 1 April 2019	712	3,182	105	3,999
Transfer to Stage 1	40	(344)	-	(304)
Transfer to Stage 2	(48)	537	-	489
New financial assets originated or purchased	92	803	-	895
Financial assets derecognised other than write-off	(70)	(224)	-	(294)
Changes due to change in credit risk	(158)	(378)	(1)	(537)
	(144)	394	(1)	249
Unwinding of discount	-	-	(2)	(2)
Total (write-back from)/charge to income statement	(144)	394	(3)	247
At 30 June 2019	568	3,576	102	4,246
At 1 April 2018				
As previously stated under MFRS 139	-	-	-	-
Effects of adoption of MFRS 9	793	5,707	9,960	16,460
As restated	793	5,707	9,960	16,460
Transfer to Stage 1	156	(1,806)	-	(1,650)
Transfer to Stage 2	(139)	1,306	(6)	1,161
Transfer to Stage 3	-	(12)	229	217
New financial assets originated or purchased	560	1,549	-	2,109
Financial assets derecognised other than write-off	(360)	(1,771)	(9,693)	(11,824)
Changes due to change in credit risk	(299)	(1,798)	(378)	(2,475)
Other adjustments	1	7	-	8
	(81)	(2,525)	(9,848)	(12,454)
Unwinding of discount	-	-	(7)	(7)
Total write-back from income statement	(81)	(2,525)	(9,855)	(12,461)
At 31 March 2019	712	3,182	105	3,999

As at 30 June 2019, the gross exposures of financing commitments and financial guarantee contracts that are credit impaired was at RM2,291,000 (31 March 2019: RM1,979,000).

A19 Income Derived from Investment of Depositors' Funds and Others

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) Term deposits	105,469	95,916	105,469	95,916
(ii) Other deposits	50,585	43,199	50,585	43,199
	156,054	139,115	156,054	139,115

(i) Income derived from investment of term deposits:

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances	80,846	69,732	80,846	69,732
Financial investments at fair value through other comprehensive income	13,241	11,412	13,241	11,412
Money at call and deposit placements with financial institutions	1,333	5,569	1,333	5,569
	95,420	86,713	95,420	86,713
Accretion of discount less amortisation of premium	4,065	5,615	4,065	5,615
Total finance income and hibah	99,485	92,328	99,485	92,328
Other operating income				
- Fee income	4,352	3,365	4,352	3,365
- Investment income	1,655	118	1,655	118
- Other (expense)/income	(23)	105	(23)	105
	105,469	95,916	105,469	95,916

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 RM410,000 (30.06.2018: RM345,000).

A19 Income Derived from Investment of Depositors' Funds and Others (Contd.)

(ii) Income derived from investment of other deposits:

	1st Quarter Ended		Three Months Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Finance income and hibah				
Financing and advances	38,775	31,406	38,775	31,406
Financial investments at fair value through other comprehensive income	6,351	5,140	6,351	5,140
Money at call and deposit placements with financial institutions	639	2,508	639	2,508
	<u>45,765</u>	<u>39,054</u>	<u>45,765</u>	<u>39,054</u>
Accretion of discount less amortisation of premium	1,950	2,529	1,950	2,529
Total finance income and hibah	<u>47,715</u>	<u>41,583</u>	<u>47,715</u>	<u>41,583</u>
Other operating income				
- Fee income	2,087	1,516	2,087	1,516
- Investment income	794	53	794	53
- Other (expense)/income	(11)	47	(11)	47
	<u>50,585</u>	<u>43,199</u>	<u>50,585</u>	<u>43,199</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 RM197,000 (30.06.2018: RM155,000).

A20 Income Derived from Investment of Shareholder's Funds

	1st Quarter Ended		Three Months Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Finance income and hibah				
Financing and advances	11,211	9,495	11,211	9,495
Financial investments at fair value through other comprehensive income	1,836	1,554	1,836	1,554
Money at call and deposit placements with financial institutions	185	758	185	758
	<u>13,232</u>	<u>11,807</u>	<u>13,232</u>	<u>11,807</u>
Accretion of discount less amortisation of premium	564	765	564	765
Total finance income and hibah	<u>13,796</u>	<u>12,572</u>	<u>13,796</u>	<u>12,572</u>
Other operating income				
- Fee income	603	458	603	458
- Investment income	230	16	230	16
- Other (expense)/income	(3)	14	(3)	14
	<u>14,626</u>	<u>13,060</u>	<u>14,626</u>	<u>13,060</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 RM57,000 (30.06.2018: RM47,000).

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A21 Allowance for Expected Credit Losses on Financing and Advances and Other Financial Assets

	1st Quarter Ended		Three Months Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Allowance for expected credit losses on:				
(a) Financing and advances				
- Net charge during the financial period	12,986	18,784	12,986	18,784
(b) Credit impaired on financing and advances				
- Recovered	(3,044)	(6,451)	(3,044)	(6,451)
- Written-off	4,369	3,217	4,369	3,217
(c) Commitments and contingencies on financing and advances				
- Net charge/(write-back) during the financial period	249	(12,331)	249	(12,331)
	<u>14,560</u>	<u>3,219</u>	<u>14,560</u>	<u>3,219</u>
Allowance for expected credit losses on other receivables	29	80	29	80
	<u>14,589</u>	<u>3,299</u>	<u>14,589</u>	<u>3,299</u>

A22 Allowance for/(Write-back of) Expected Credit Losses on Financial Investments

	1st Quarter Ended		Three Months Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Allowance for/(write-back of) expected credit losses on:				
Financial investments at fair value through other comprehensive income	1	(20)	1	(20)
	<u>1</u>	<u>(20)</u>	<u>1</u>	<u>(20)</u>

A23 Income Attributable to the Depositors and Financial Institutions

	1st Quarter Ended		Three Months Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Deposits from customers:				
- Mudharabah fund	628	721	628	721
- Non-Mudharabah fund	78,735	74,168	78,735	74,168
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	908	926	908	926
Financing sold to Cagamas	5,512	5,497	5,512	5,497
Other Borrowings	42	-	42	-
Subordinated Sukuk	3,306	1,794	3,306	1,794
	<u>89,131</u>	<u>83,106</u>	<u>89,131</u>	<u>83,106</u>

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A24 Other Operating Expenses

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	15,023	13,551	15,023	13,551
- Contribution to EPF	2,412	2,101	2,412	2,101
- Others	2,014	1,510	2,014	1,510
	19,449	17,162	19,449	17,162
<u>Establishment costs</u>				
- Depreciation on property, plant and equipment	33	27	33	27
- Depreciation on right-of-use assets	71	-	71	-
- Amortisation of computer software	81	56	81	56
- Rental	1,252	1,254	1,252	1,254
- Repairs and maintenance	572	627	572	627
- Water and electricity	300	327	300	327
- Information technology expenses	2,126	1,583	2,126	1,583
- Others [Note (a)]	2,198	1,688	2,198	1,688
	6,633	5,562	6,633	5,562
<u>Marketing expenses</u>				
- Promotion and advertisement	23	354	23	354
- Branding and publicity	853	610	853	610
- Others	185	142	185	142
	1,061	1,106	1,061	1,106
<u>Administration and general expenses</u>				
- Communication expenses	492	669	492	669
- Printing and stationeries	98	115	98	115
- Insurance	408	292	408	292
- Professional fees	1,001	1,076	1,001	1,076
- Others	463	1,209	463	1,209
	2,462	3,361	2,462	3,361
Total other operating expenses	29,605	27,191	29,605	27,191

Included in the other operating expenses are the Shariah Committee members' remuneration of RM80,000 (30.06.2018: RM77,000).

A24 Other Operating Expenses (Contd.)

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

	1st Quarter Ended		Three Months Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Sharing of Other Operating Expenses				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	13,640	12,136	13,640	12,136
- Contribution to EPF	2,195	1,884	2,195	1,884
- Others	1,777	1,288	1,777	1,288
	17,612	15,308	17,612	15,308
<u>Establishment costs</u>				
- Rental	1,252	1,177	1,252	1,177
- Repairs and maintenance	568	622	568	622
- Water and electricity	294	316	294	316
- Information technology expenses	2,108	1,553	2,108	1,553
- Others [Note (a)]	2,189	1,607	2,189	1,607
	6,411	5,275	6,411	5,275
<u>Marketing expenses</u>				
- Promotion and advertisement	11	233	11	233
- Branding and publicity	627	610	627	610
- Others	156	139	156	139
	794	982	794	982
<u>Administration and general expenses</u>				
- Communication expenses	258	465	258	465
- Printing and stationeries	59	79	59	79
- Professional fees	555	622	555	622
- Others	201	224	201	224
	1,073	1,390	1,073	1,390
Total sharing of other operating expenses	25,890	22,955	25,890	22,955

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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A25 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.

	1st Quarter Ended		Three Months Ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Net profit for the financial period attributable to Equity holder of the Bank (RM'000)	<u>27,994</u>	<u>29,892</u>	<u>27,994</u>	<u>29,892</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>8.1</u>	<u>8.7</u>	<u>8.1</u>	<u>8.7</u>

A26 Commitments and Contingencies

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

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

	30 June 2019 RM'000	31 March 2019 RM'000
<u>Commitments and contingencies</u>		
Direct credit substitutes	162,633	160,578
Transaction-related contingent items	66,072	68,909
Short-term self-liquidating trade-related contingencies	34,940	46,589
Irrevocable commitments to extend credit:		
- maturity exceeding one year	433,999	415,302
- maturity not exceeding one year	1,764,934	1,599,060
Total	<u>2,462,578</u>	<u>2,290,438</u>

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A27 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:

	30 June 2019	31 March 2019
<u>Before deducting proposed dividends</u>		
CET I capital ratio	11.215%	11.690%
Tier I capital ratio	12.448%	12.950%
Total capital ratio	15.225%	15.762%
<u>After deducting proposed dividends</u>		
CET I capital ratio	11.215%	11.339%
Tier I capital ratio	12.448%	12.599%
Total capital ratio	15.225%	15.411%
	30 June 2019	31 March 2019
	RM'000	RM'000
<u>CET I Capital</u>		
Paid-up share capital	400,000	400,000
Retained profits	494,969	522,931
Regulatory reserves	9,401	9,060
FVOCI reserves	31,495	18,795
	935,865	950,786
Less: Regulatory adjustments		
- Intangible assets	(915)	(897)
- Deferred tax assets	(6,965)	(11,156)
- 55% of FVOCI reserves	(17,322)	(10,337)
- Regulatory reserves	(9,401)	(9,060)
Total CET I Capital	901,262	919,336
Additional Tier 1 Sukuk Wakalah	99,140	99,113
Total Tier I Capital	1,000,402	1,018,449
<u>Tier II Capital</u>		
Subordinated Sukuk Murabahah	129,646	129,634
Expected credit losses and regulatory reserves	93,464	91,478
Total Tier II Capital	223,110	221,112
Total Capital	1,223,512	1,239,561

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

	30 June 2019	31 March 2019
	RM'000	RM'000
Credit risk	7,477,099	7,318,223
Market risk	564	-
Operational risk	558,740	546,146
Total RWA and capital requirements	8,036,403	7,864,369

A28 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.

(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 determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include government securities, corporate private debt securities, corporate notes and 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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A28 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
30 June 2019				
Assets				
Financial assets at FVTPL				
- Money market instruments	-	10,038	-	10,038
Financial investments at FVOCI				
- Money market instruments	-	966,557	-	966,557
- Unquoted securities	-	1,093,266	-	1,093,266
31 March 2019				
Assets				
Financial investments at FVOCI				
- Money market instruments	-	1,064,786	-	1,064,786
- Unquoted securities	-	1,036,101	-	1,036,101

There were no transfers between Levels 1 and 2 of the fair value hierarchy for the Bank during the financial period/year ended 30 June 2019 and 31 March 2019.

A29 Changes in Accounting Policy

The Bank has adopted MFRS16 “Leases” issued by MASB with its mandatory adoption date of 1 April 2019.

MFRS 16 supersedes MFRS 117 “Leases” and the related interpretations. As permitted by MFRS 16, the Bank has adopted the simplified retrospective approach and will not restate comparative amounts for the year prior to first adoption.

The Bank recognised lease liabilities in relation to leases which had previously been classified as operating leases under MFRS 117 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted by the Bank’s borrowing rate (5.34% - 5.55%) as at 1 April 2019.

Right-of-use assets will be measured on transition as if the new rules had always been applied.

The adoption of MFRS 16 has resulted in a decreased of RM17,000 in the Bank's retained profits as at 1 April 2019.

The financial impacts are as follows:

Statement of Financial Position as at 31 March 2019

	<u>As previously stated</u> RM'000	Adoption of <u>MFRS 16</u> RM'000	<u>As restated</u> RM'000
Assets			
Right-of-use assets	-	424	424
Liabilities			
Lease liabilities	-	441	441
Equity			
Retained profits	522,931	(17)	522,914

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PART B - Review of Performance & Current Year Prospect

B1 Review of Performance

Profitability

For the first quarter ended 30 June 2019 (“1QFY20”), the Bank reported Net Profit After Taxation of RM28.0 million. The decline of RM1.9 million or 6.4% year-on-year (“YOY”) was mainly due to higher net credit cost, and the continued investment in IT infrastructure to support the Group transformation initiatives.

Despite the Overnight Policy Rate (“OPR”) cut in May 2019, net income grew by RM12.5 million or 18.1% to RM81.5 million. This was driven by net profit income growth of RM8.5 million or 13.4% YOY from the growth in gross financing and the improved mix from better risk adjusted return financing. Net profit margin (“NPM”) improved by 18 bps YOY to 2.45%.

Better Financing Growth

Gross financing and advances grew 15.4% YOY to RM9.6 billion, driven by the SME and Alliance ONE Account (“AOA”) portfolios. Financing for the SME and commercial segments expanded 14.9% and 3.8% YOY respectively, while consumer personal financing grew by RM114 million or 10.7% YOY. AOA financing balances tripled to RM2.0 billion from RM0.6 billion in the previous year. The financing mix continued to improve with better risk adjusted return financing making up 57.3% of the portfolio, as compared to 44.3% in the previous year.

Higher Other Operating Income

The Bank recorded other operating income of RM9.7million, contributed by capital gains of RM2.5 million YOY arising from sales of Government Investment Issues (“GII”) and Negotiable Instruments of Deposit (“NID”) and higher unit trust fee income by RM1.7 million YOY.

Operating Expenses

Cost to income ratio (“CIR”) improved to 36.3%, a reduction of 3.1% from a year ago. The Bank continues to invest in IT infrastructure to support the Group transformation initiatives.

Asset Quality

1QFY20 annualised net credit cost was at 61.6 bps, an increase by 45.6 bps YOY. The increase was mainly due to the normalisation of credit costs during the quarter as compared to the substantial write backs in the corporate and commercial segments and bad debts recoveries experienced in the previous year. Additionally, higher expected credit loss from the personal financing and AOA portfolios were in line with the expansion of the segment.

The gross impaired financing ratio improved by 26 bps YOY to 1.16%. The improvement was mainly due to the ongoing efforts to regularise residential properties accounts through proactive collection efforts and repayments in the non-residential properties portfolio from several business accounts. Financing loss coverage (including Regulatory Reserve) remained healthy at 133.1%.

Healthy Funding and Liquidity Position

The Bank’s funding position remains healthy despite the intense market competition for deposits. Customer based funding grew 7.7% YOY to RM9.7 billion, mostly from corporate segment term deposits. The Bank was able to maintain high Current Account/Savings Account (“CASA”) ratio of 30.1% due to pro-active efforts in Alliance SavePlus Account and Alliance@Work. Term deposits grew RM510 million or 8.7%.

The Bank’s liquidity coverage ratio and financing to fund ratio remained healthy at 206.7% and 83.9% respectively.

Proactive Capital Management

We continue to maintain our strong capital levels, with Tier-1 Capital ratio at 12.4%, Common Equity Tier-1 ratio at 11.2% and total capital ratio at 15.2%.

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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 bear pressure on funding costs.

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

The Bank's products, distribution, and marketing efforts will remain aligned with the Group's strategic propositions encompassing Alliance One Account, SME financing, and Alliance@Work: and with the Group's deposit garnering and cross selling initiatives. The Bank will also commence rolling out initiatives to enhance brand visibility in affinity market segments.

The Bank is focused on building capabilities around serving the Halal SME sector better, as well as developing value-based intermediation (VBI) propositions focused on empowering social businesses that generate positive impact to the society and environment.

The banking industry's lackluster outlook prompts us to be even more vigilant in managing our credit portfolios and conservative in our provisioning practice. We anticipate these headwinds while we continue to enhance value with new products and services.

The Bank expects that the abovementioned initiatives will position its businesses for sustainable revenue and profitability for financial year 2020.