

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

(Incorporated in Malaysia)

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

		30 September	31 March
		2019	2019
	Note	RM'000	RM'000
ASSETS			
Cash and short-term funds		442,472	348,407
Financial investments at fair value through other comprehensive income	A12	2,394,285	2,100,887
Financial investments at amortised cost	A13	80,756	-
Financing and advances	A14	10,024,419	9,306,879
Other assets	A15	5,258	2,261
Statutory deposits with Bank Negara Malaysia		375,988	335,388
Tax recoverable		9,569	3,912
Right-of-use assets		283	-
Property, plant and equipment		288	332
Deferred tax assets		5,673	11,156
Intangible assets		893	897
TOTAL ASSETS		13,339,884	12,110,119
LIABILITIES AND EQUITY			
Deposits from customers	A16	11,171,711	9,932,901
Deposits and placements of banks and other financial institutions	A17	240,090	243,731
Recourse obligation on financing sold to Cagamas		500,634	500,592
Lease liabilities		298	-
Other liabilities	A18	207,746	252,529
Provision for zakat		720	686
Subordinated Sukuk		228,911	228,855
TOTAL LIABILITIES		12,350,110	11,159,294
Share capital		400,000	400,000
Reserves		589,774	550,825
TOTAL EQUITY		989,774	950,825
TOTAL LIABILITIES AND EQUITY		13,339,884	12,110,119
Restricted investment account ¹		160,000	179,795
Total Islamic Banking asset ¹		13,499,884	12,289,914
COMMITMENTS AND CONTINGENCIES	A26	2,491,961	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

200701018870 (776882-V)

(Incorporated in Malaysia)

Condensed Interim Financial Statements

Unaudited Statement of Income

for the Financial Period Ended 30 September 2019

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
Note	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	A19 158,510	148,843	314,564	287,958
Income derived from investment of shareholder's funds	A20 14,290	13,371	28,916	26,431
Allowance for expected credit losses on financing and advances and other financial assets	A21 (28,405)	(11,196)	(42,994)	(14,495)
(Allowance for)/write-back of expected credit losses on financial investments	A22 (93)	-	(94)	20
Total distributable income	144,302	151,018	300,392	299,914
Wakalah fees income from investment account	-	205	-	205
Income attributable to the depositors and financial institutions	A23 (94,410)	(86,132)	(183,541)	(169,238)
Total net income	49,892	65,091	116,851	130,881
Other operating expenses	A24 (32,510)	(24,604)	(62,115)	(51,795)
Profit before taxation	17,382	40,487	54,736	79,086
Taxation	(4,542)	(9,780)	(13,902)	(18,487)
Net profit for the financial period	12,840	30,707	40,834	60,599
Net profit for the financial period attributable to:				
Equity holder of the Bank	12,840	30,707	40,834	60,599
Earnings per share attributable to Equity holder of the Bank				
- basic/diluted (sen)	A25 3.7	8.9	11.8	17.6

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**200701018870 (776882-V)**

(Incorporated in Malaysia)

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

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	12,840	30,707	40,834	60,599
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 from change in fair value	17,138	10,419	35,749	6,734
- Realised gain transferred to statement of income on disposal and impairment	-	(604)	(1,901)	(604)
- Transfer to deferred tax	(4,114)	(2,355)	(8,124)	(1,471)
- Changes in expected credit losses	7	-	8	(20)
Other comprehensive income, net of tax	13,031	7,460	25,732	4,639
Total comprehensive income for the financial period	25,871	38,167	66,566	65,238
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	25,871	38,167	66,566	65,238

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

200701018870 (776882-V)

(Incorporated in Malaysia)

Condensed Interim Financial Statements

Unaudited Statement of Changes in Equity for the Financial Period Ended 30 September 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	-	-	-	(13)	(13)
As restated	400,000	9,060	18,834	522,918	950,812
Net profit for the financial period	-	-	-	40,834	40,834
Other comprehensive income	-	-	25,732	-	25,732
Total comprehensive income for the financial period	-	-	25,732	40,834	66,566
Transfer to regulatory reserves	-	6,570	-	(6,570)	-
Dividend paid	-	-	-	(27,604)	(27,604)
At 30 September 2019	400,000	15,630	44,566	529,578	989,774

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

200701018870 (776882-V)

(Incorporated in Malaysia)

Condensed Interim Financial Statements

Unaudited Statement of Changes in Equity for the Financial Period Ended 30 September 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	-	-	-	-	60,599	60,599
Other comprehensive expense	-	-	4,639	-	-	4,639
Total comprehensive income for the financial period	-	-	4,639	-	60,599	65,238
Transfer to regulatory reserves	-	866	-	-	(866)	-
Dividend paid	-	-	-	-	(26,430)	(26,430)
At 30 September 2018	400,000	866	4,958	-	506,219	912,043

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

200701018870 (776882-V)

(Incorporated in Malaysia)

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

	30 September 2019 RM'000	30 September 2018 RM'000
Profit before taxation	54,736	79,086
Adjustments for non-cash items	(139)	(42,333)
Operating profit before changes in working capital	54,597	36,753
Changes in working capital	387,477	176,620
Net tax paid	(22,114)	(14,564)
Zakat paid	(5)	(19)
Net cash generated from operating activities	419,955	198,790
Net cash used in investing activities	(280,520)	(600,067)
Net cash used in financing activities	(45,370)	(26,401)
Net change in cash and cash equivalents	94,065	(427,678)
Cash and cash equivalents at beginning of financial period	348,407	1,290,567
Cash and cash equivalents at end of financial period	442,472	862,889
	442,472	862,889

Cash and cash equivalents comprise the following:

Cash and short term funds

442,472 862,889

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

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 second financial quarter and financial half year ended 30 September 2019 have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and financial investments through other comprehensive income, that are measured at fair value.

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

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of Alliance Islamic Bank Berhad ("the Bank") for the financial year ended 31 March 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 A30.

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.

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 second financial quarter and financial half year ended 30 September 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 second financial quarter and financial half year ended 30 September 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 second financial quarter and financial half year ended 30 September 2019.

A6 Issuance and Repayment of Debt and Equity Securities

There were no issuance nor repayment of debt and equity securities during the second financial quarter and financial half year ended 30 September 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

The Bank had on 22 April 2019 entered into an exclusive 15-year bancatakaful agreement with Zurich General Takaful Malaysia Berhad. The agreement will see the Bank strengthen its position in providing end-to-end financing solutions for both individuals and small and medium enterprise (SME) community.

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

The Directors of the Bank have proposed a single tier first interim dividend of 5.92 sen on 345,045,045 ordinary shares amounting to approximately RM20,427,000.00 in respect of financial year ending 31 March 2020.

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

	30 September 2019 RM'000	31 March 2019 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government investment issues	1,158,201	1,064,786
Commercial papers	9,976	-
	<u>1,168,177</u>	<u>1,064,786</u>
<u>Unquoted securities:</u>		
Sukuk	1,226,108	1,036,101
	<u>1,226,108</u>	<u>1,036,101</u>
Total financial investments at FVOCI	<u><u>2,394,285</u></u>	<u><u>2,100,887</u></u>

Movements in allowance for expected credit losses are as follows:

	12-Month ECL (Stage 1)	
	30 September 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	<u>39</u>	<u>73</u>
New financial assets originated or purchased	8	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	<u>8</u>	<u>(34)</u>
At end of financial period/year	<u><u>47</u></u>	<u><u>39</u></u>

A13 Financial Investments at Amortised Cost

	30 September 2019 RM'000	31 March 2019 RM'000
At amortised cost		
<u>Unquoted securities:</u>		
Sukuk	80,842	-
Allowance for expected credit losses	(86)	-
Total financial investments at amortised cost	<u>80,756</u>	<u>-</u>

Movements in allowance for expected credit losses are as follows:

	12-Month ECL (Stage 1)	
	30 September 2019 RM'000	31 March 2019 RM'000
At beginning of financial period/year	-	-
New financial assets originated or purchased	85	-
Changes due to change in credit risk	1	-
Total charge to income statement	<u>86</u>	<u>-</u>
At end of financial period/year	<u><u>86</u></u>	<u><u>-</u></u>

A14 Financing and Advances

By types and Shariah concepts:

	Bai` Bithaman Ajil RM'000	Tawarruq RM'000	Al-Ijarah Thumma Al-Bai`/ AITAB Murabahah RM'000	Qard RM'000	Bai` Al-Dayn RM'000	Bai` `Inah RM'000	Total Financing and Advances RM'000
30 September 2019							
At amortised cost							
Cash line financing	44,408	1,556,241	-	-	6,646	-	1,607,295
Term financing		-					
- Housing financing	3,255,825	-	-	-	-	-	3,255,825
- Hire purchase receivables ¹	-	-	241,234	-	-	-	241,234
- Other term financing	1,876,651	1,580,007	-	-	-	192,278	3,648,936
Bills receivables	-	-	-	50,051	-	-	50,051
Trust receipts	-	-	-	50,808	-	-	50,808
Claims on customers under acceptance credits	-	-	-	608,147	-	82,118	690,265
Staff financing (including financing to Directors of RM Nil)	16,640	-	-	-	-	-	16,640
Revolving credits ²	288,453	281,581	-	-	-	-	570,034
Gross financing and advances	5,481,977	3,417,829	241,234	709,006	6,646	82,118	10,131,088
Add: Sales commission and handling fees							51,828
Less: Allowances for expected credit losses on financing and advances							(158,497)
Total net financing and advances							<u>10,024,419</u>

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 Murabahah RM'000	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 RM160,000,000 as at 30 September 2019 (31 March 2019: RM 179,795,000).

A14 Financing and Advances (Contd.)

(i) Purpose and source of fund for Qard Financing

	30 September 2019 RM'000	31 March 2019 RM'000
At beginning of financial period/year	5,124	982
Sources of Qard fund:		
- Shareholders' fund	15,173	14,454
Uses of Qard fund:		
- Purchase of non-residential landed property	-	(192)
- Personal use	(508)	(3,017)
- Working capital	(13,143)	(7,103)
At end of financial period/year	<u><u>6,646</u></u>	<u><u>5,124</u></u>

(ii) By maturity structure:

	30 September 2019 RM'000	31 March 2019 RM'000
Within one year	2,998,459	2,806,896
One year to three years	448,771	432,115
Three years to five years	613,081	682,581
Over five years	6,070,777	5,475,220
Gross financing and advances	<u><u>10,131,088</u></u>	<u><u>9,396,812</u></u>

(iii) By type of customers:

	30 September 2019 RM'000	31 March 2019 RM'000
Domestic non-bank financial institutions	56,971	57,081
Domestic business enterprises		
- Small and medium enterprises	2,510,895	2,358,476
- Others	1,673,568	1,728,815
Individuals	5,786,022	5,154,376
Other domestic entities	22,876	13,330
Foreign entities	80,756	84,734
Gross financing and advances	<u><u>10,131,088</u></u>	<u><u>9,396,812</u></u>

(iv) By profit rate sensitivity:

	30 September 2019 RM'000	31 March 2019 RM'000
Fixed rate		
- House financing	25,516	27,105
- Hire purchase receivables	241,210	296,447
- Other fixed rate financing	2,056,046	2,044,961
Variable rate		
- House financing	3,239,848	2,931,296
- Other variable rate financing	4,568,468	4,097,003
Gross financing and advances	<u><u>10,131,088</u></u>	<u><u>9,396,812</u></u>

A14 Financing and Advances (Contd.)

(v) By economic purposes:

	30 September 2019 RM'000	31 March 2019 RM'000
Purchase of transport vehicles	226,066	281,168
Purchase of landed property	4,621,778	4,271,410
of which: - Residential	3,322,675	3,010,880
- Non-residential	1,299,103	1,260,530
Purchase of fixed assets excluding land & buildings	46,711	38,956
Personal use	2,404,620	2,048,622
Construction	72,658	56,228
Working capital	2,262,687	2,171,438
Others	496,568	528,990
Gross financing and advances	10,131,088	9,396,812

(vi) By geographical distribution:

	30 September 2019 RM'000	31 March 2019 RM'000
Northern region	877,131	821,198
Central region	6,888,945	6,386,035
Southern region	1,252,068	1,253,223
Sabah region	829,227	693,573
Sarawak region	283,717	242,783
Gross financing and advances	10,131,088	9,396,812

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

	30 September 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	147,936	189,668
Reclassified as unimpaired during the financial period/year	(38,692)	(104,932)
Recovered during the financial period/year	(4,338)	(24,828)
Financial assets derecognised during the financial period/year		
other than write-off	(18,870)	(10,151)
Amount written-off	(27,932)	(47,242)
At end of financial period/year	165,029	106,925
Gross impaired financing as a % of gross financing and advances	1.63%	1.14%

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	3,399	(16,628)	(364)	(13,593)
Transfer to Stage 2	(6,955)	39,882	(13,212)	19,715
Transfer to Stage 3	(7)	(26,766)	51,569	24,796
New financial assets originated or purchased	11,800	9,796	1,821	23,417
Financial assets derecognised other than write-off	(4,975)	(9,944)	(3,956)	(18,875)
Changes due to change in credit risk	(3,483)	7,772	1,916	6,205
	(221)	4,112	37,774	41,665
Unwinding of discount	-	-	(1,195)	(1,195)
Total (write-back from)/charge to income statement	(221)	4,112	36,579	40,470
Write-off	(3)	(51)	(20,429)	(20,483)
30 September 2019	22,808	73,956	61,733	158,497
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

A14 Financing and Advances (Contd.)

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

	30 September	31 March
	2019	2019
	RM'000	RM'000
Purchase of transport vehicles	2,869	2,309
Purchase of landed property	85,634	49,337
of which: - Residential	49,981	23,445
- Non-residential	35,653	25,892
Purchase of fixed assets excluding land & buildings	400	641
Personal use	51,000	33,299
Working capital	23,249	18,697
Others	1,877	2,642
Gross impaired financing and advances	165,029	106,925

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

	30 September	31 March
	2019	2019
	RM'000	RM'000
Northern region	21,644	9,793
Central region	119,957	79,488
Southern region	16,429	14,188
Sabah region	6,275	2,762
Sarawak region	724	694
Gross impaired financing and advances	165,029	106,925

A15 Other Assets

	30 September	31 March
	2019	2019
	RM'000	RM'000
Other receivables	4,306	3,508
Deposits	89	89
Prepayment	2,566	305
	6,961	3,902
Less:		
Allowance for expected credit losses on other receivables [Note (a)]	(1,703)	(1,641)
	5,258	2,261

Note:

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

	Lifetime ECL	
	30 September	31 March
	2019	2019
	RM'000	RM'000
At beginning of financial period/year	1,641	1,404
Changes due to change in credit risk	62	237
At end of financial period/year	1,703	1,641

As at 30 September 2019, the Bank's gross exposure of other receivables that are under lifetime ECL was at RM1,703,000 (31 March 2019: RM1,641,000).

A16 Deposits from Customers

	30 September 2019 RM'000	31 March 2019 RM'000
Demand deposits		
- Qard	3,078,288	2,724,725
Savings deposits		
- Qard	325,895	320,557
Term deposits		
- Commodity Murabahah	6,432,010	5,452,519
- Negotiable Islamic Debt Certificate		
- Bai' Inah	992,769	805,845
- Money market deposits		
- Commodity Murabahah	159,253	261,717
- Other deposits		
- Mudharabah	80,432	95,537
- Wakalah	35,428	39,744
- Qard	67,636	232,257
	11,171,711	9,932,901

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

	30 September 2019 RM'000	31 March 2019 RM'000
Due within six months	4,895,792	4,020,974
Six months to one year	1,629,556	1,838,605
One year to three years	886,677	672,770
Three years to five years	355,503	355,270
	7,767,528	6,887,619

(ii) By type of customers:

	30 September 2019 RM'000	31 March 2019 RM'000
Domestic financial institutions	981,875	795,162
Government and statutory bodies	2,380,491	2,475,387
Business enterprises	3,707,572	3,646,508
Individuals	3,731,967	2,720,243
Domestic non-bank financial institutions	194,068	134,874
Foreign entities	85,522	70,963
Others	90,216	89,764
	11,171,711	9,932,901

A17 Deposits and Placements of Banks and Other Financial Institutions

	30 September	31 March
	2019	2019
	RM'000	RM'000
Non-Mudharabah Fund		
Licensed investment banks	8,310	-
Bank Negara Malaysia	231,780	243,731
	240,090	243,731

A18 Other Liabilities

	30 September	31 March
	2019	2019
	RM'000	RM'000
Other payables	54,447	42,613
Bills payable	8,159	8,474
Clearing account	60,642	50,063
Sundry deposits	4,856	5,257
Provision and accruals	7,858	8,609
Amount due to holding company	65,082	132,364
Amount due to related company	2,744	1,150
Allowance for expected credit losses on commitments and contingencies [Note (a)]	3,958	3,999
	207,746	252,529

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	81	(605)	-	(524)
Transfer to Stage 2	(100)	1,006	-	906
Transfer to Stage 3	-	-	1	1
New financial assets originated or purchased	181	988	-	1,169
Financial assets derecognised other than write-off	(110)	(453)	-	(563)
Changes due to change in credit risk	(195)	(822)	(9)	(1,026)
	(143)	114	(8)	(37)
Unwinding of discount	-	-	(4)	(4)
Total (write-back from)/charge to income statement	(143)	114	(12)	(41)
At 30 September 2019	569	3,296	93	3,958
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 September 2019, the gross exposures of financing commitments and financial guarantee contracts that are credit impaired was at RM2,326,000 (31 March 2019: RM1,979,000).

A19 Income Derived from Investment of Depositors' Funds and Others

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) Term deposits	106,495	99,134	211,964	195,050
(ii) Other deposits	52,015	49,709	102,600	92,908
	158,510	148,843	314,564	287,958

(i) Income derived from investment of term deposits:

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances	82,456	72,292	163,302	142,024
Financial investments at fair value through other comprehensive income	14,389	11,826	27,630	23,238
Financial investments at amortised cost	520	-	520	-
Money at call and deposit placements with financial institutions	897	5,012	2,230	10,581
	98,262	89,130	193,682	175,843
Accretion of discount less amortisation of premium	3,611	5,898	7,676	11,513
Total finance income and hibah	101,873	95,028	201,358	187,356
Other operating income				
- Fee income	4,541	3,499	8,893	6,864
- Investment income	28	104	1,683	222
- Other income	53	503	30	608
	106,495	99,134	211,964	195,050

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 RM740,000 (30.09.2018: RM555,000).

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

(ii) Income derived from investment of other deposits:

	2nd Quarter Ended		Six Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Finance income and hibah				
Financing and advances	40,271	36,244	79,046	67,650
Financial investments at fair value through other comprehensive income	7,023	5,929	13,374	11,069
Financial investments at amortised cost	252	-	252	-
Money at call and deposit placements with financial institutions	440	2,532	1,079	5,040
	47,986	44,705	93,751	83,759
Accretion of discount less amortisation of premium	1,766	2,955	3,716	5,484
Total finance income and hibah	49,752	47,660	97,467	89,243
Other operating income				
- Fee income	2,217	1,753	4,304	3,269
- Investment income	20	53	814	106
- Other income	26	243	15	290
	52,015	49,709	102,600	92,908

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 RM358,000 (30.09.2018: RM264,000).

A20 Income Derived from Investment of Shareholder's Funds

	2nd Quarter Ended		Six Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Finance income and hibah				
Financing and advances	11,067	9,751	22,278	19,246
Financial investments at fair value through other comprehensive income	1,933	1,595	3,769	3,149
Financial investments at amortised cost	71	-	71	-
Money at call and deposit placements with financial institutions	119	676	304	1,434
	13,190	12,022	26,422	23,829
Accretion of discount less amortisation of premium	483	795	1,047	1,560
Total finance income and hibah	13,673	12,817	27,469	25,389
Other operating income				
- Fee income	610	472	1,213	930
- Investment income	-	14	230	30
- Other income	7	68	4	82
	14,290	13,371	28,916	26,431

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 RM101,000 (30.09.2018: RM75,000).

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

	2nd Quarter Ended		Six Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Allowance for expected credit losses on:				
(a) Financing and advances				
- Net charge during the financial period	28,679	8,910	41,665	27,694
(b) Credit impaired on financing and advances				
- Recovered	(3,348)	(2,754)	(6,392)	(9,205)
- Written-off	3,327	3,462	7,696	6,679
(c) Commitments and contingencies on financing and advances				
- (write-back)/Net charge during the financial period	(286)	1,500	(37)	(10,831)
	<u>28,372</u>	<u>11,118</u>	<u>42,932</u>	<u>14,337</u>
Allowance for expected credit losses on other receivables	33	78	62	158
	<u>28,405</u>	<u>11,196</u>	<u>42,994</u>	<u>14,495</u>

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

	2nd Quarter Ended		Six Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Allowance for/(write-back of) expected credit losses on:				
Financial investments at fair value through other comprehensive income	7	-	8	(20)
Financial investments at amortised cost	86	-	86	-
	<u>93</u>	<u>-</u>	<u>94</u>	<u>(20)</u>

A23 Income Attributable to the Depositors and Financial Institutions

	2nd Quarter Ended		Six Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Deposits from customers:				
- Mudharabah fund	564	718	1,192	1,439
- Non-Mudharabah fund	83,594	77,169	162,329	151,337
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	1,359	937	2,267	1,863
Financing sold to Cagamas	5,504	5,472	11,016	10,969
Other Borrowings	-	-	42	-
Subordinated Sukuk	3,389	1,836	6,695	3,630
	<u>94,410</u>	<u>86,132</u>	<u>183,541</u>	<u>169,238</u>

A24 Other Operating Expenses

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	17,697	13,092	32,720	26,643
- Contribution to EPF	2,868	2,077	5,280	4,178
- Others	1,988	1,647	4,002	3,157
	22,553	16,816	42,002	33,978
<u>Establishment costs</u>				
- Depreciation on property, plant and equipment	33	30	66	57
- Depreciation on right-of-use assets	70	-	141	-
- Amortisation of computer software	72	104	153	160
- Rental	1,308	1,244	2,560	2,498
- Repairs and maintenance	408	320	980	947
- Water and electricity	299	278	599	605
- Information technology expenses	2,041	1,602	4,167	3,185
- Others [Note (a)]	1,980	1,645	4,178	3,333
	6,211	5,223	12,844	10,785
<u>Marketing expenses</u>				
- Promotion and advertisement	100	174	123	528
- Branding and publicity	727	85	1,580	695
- Others	227	141	412	283
	1,054	400	2,115	1,506
<u>Administration and general expenses</u>				
- Communication expenses	441	425	933	1,094
- Printing and stationeries	91	102	189	217
- Insurance	369	264	777	556
- Professional fees	1,149	656	2,150	1,732
- Others	642	718	1,105	1,927
	2,692	2,165	5,154	5,526
Total other operating expenses	32,510	24,604	62,115	51,795

Included in the other operating expenses are the Shariah Committee members' remuneration of RM164,000 (30.09.2018: RM153,000).

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:

	2nd Quarter Ended		Six Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Sharing of Other Operating Expenses				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	15,770	11,826	29,410	23,962
- Contribution to EPF	2,575	1,878	4,770	3,762
- Others	1,951	1,404	3,728	2,692
	20,296	15,108	37,908	30,416
<u>Establishment costs</u>				
- Rental	1,308	1,167	2,560	2,344
- Repairs and maintenance	402	315	970	937
- Water and electricity	291	274	585	590
- Information technology expenses	2,018	1,591	4,126	3,144
- Others [Note (a)]	1,973	1,640	4,162	3,247
	5,992	4,987	12,403	10,262
<u>Marketing expenses</u>				
- Promotion and advertisement	12	182	23	415
- Branding and publicity	58	72	685	682
- Others	114	137	270	276
	184	391	978	1,373
<u>Administration and general expenses</u>				
- Communication expenses	349	223	607	688
- Printing and stationeries	91	80	150	159
- Professional fees	860	547	1,415	1,169
- Others	42	194	243	418
	1,342	1,044	2,415	2,434
Total sharing of other operating expenses	27,814	21,530	53,704	44,485

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.

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.

	2nd Quarter Ended		Six Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Net profit for the financial period attributable to Equity holder of the Bank (RM'000)	12,840	30,707	40,834	60,599
Weighted average numbers of ordinary shares in issue ('000)	345,045	345,045	345,045	345,045
Basic/diluted earnings per share (sen)	3.7	8.9	11.8	17.6

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 September 2019	31 March 2019
	RM'000	RM'000
<u>Commitments and contingencies</u>		
Direct credit substitutes	189,263	160,578
Transaction-related contingent items	64,657	68,909
Short-term self-liquidating trade-related contingencies	18,523	46,589
Irrevocable commitments to extend credit:		
- maturity exceeding one year	398,504	415,302
- maturity not exceeding one year	1,821,014	1,599,060
Total	2,491,961	2,290,438

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(Incorporated in Malaysia)

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 September 2019	31 March 2019
<u>Before deducting proposed dividends</u>		
CET I capital ratio	11.092%	11.690%
Tier I capital ratio	12.258%	12.950%
Total capital ratio	14.950%	15.762%
<u>After deducting proposed dividends</u>		
CET I capital ratio	10.852%	11.339%
Tier I capital ratio	12.018%	12.599%
Total capital ratio	14.710%	15.411%
	30 September 2019	31 March 2019
	RM'000	RM'000
<u>CET I Capital</u>		
Paid-up share capital	400,000	400,000
Retained profits	529,578	522,931
Regulatory reserves	15,630	9,060
FVOCI reserves	44,519	18,795
	989,727	950,786
Less: Regulatory adjustments		
- Intangible assets	(893)	(897)
- Deferred tax assets	(5,673)	(11,156)
- 55% of FVOCI reserves	(24,485)	(10,337)
- Regulatory reserves	(15,630)	(9,060)
Total CET I Capital	943,046	919,336
Additional Tier 1 Sukuk Wakalah	99,191	99,113
Total Additional Tier 1 Capital	99,191	99,113
Total Tier I Capital	1,042,237	1,018,449
<u>Tier II Capital</u>		
Subordinated Sukuk Murabahah	129,684	129,634
Expected credit losses and regulatory reserves	99,147	91,478
Total Tier II Capital	228,831	221,112
Total Capital	1,271,068	1,239,561

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

	30 September 2019	31 March 2019
	RM'000	RM'000
Credit risk	7,931,739	7,318,223
Market risk	-	-
Operational risk	570,450	546,146
Total RWA and capital requirements	8,502,189	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.

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 September 2019				
Assets				
Financial investments at FVOCI				
- Money market instruments	-	1,168,177	-	1,168,177
- Unquoted securities	-	1,226,108	-	1,226,108
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 September 2019 and 31 March 2019.

A29 Credit Transactions And Exposures With Connected Parties

	30 September 2019 RM'000	31 March 2019 RM'000
Outstanding credit exposures with connected parties	2,382	2,101
of which:		
Total credit exposure which is impaired or in default	-	-
Total credit exposures	14,186,104	12,894,377
Percentage of outstanding credit exposures to connected parties:		
- as a proportion of total credit exposures	0.02%	0.02%
- which is impaired or default	0.00%	0.00%

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with para 9.1 of Bank Negara Malaysia's Guidelines on Credit Transactions and Exposures with Connected Parties for Islamic Banks, which became effective on 1 January 2008.

A30 Changes in Accounting Policy

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

MFRS 16 "Leases" 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.

Under MFRS 117 “Leases”, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

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 (5.52% - 5.53%) as at 1 April 2019. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period.

Right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

The Bank leases various office premises. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option are considered. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Payments associated with leases where does not have the right to control the use of an identified asset, short-term leases and leases of low-value assets are recognised as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The adoption of MFRS 16 has resulted in a decrease of RM13,000 in the Bank’s retained profits as at 1 April 2019.

The financial impacts are as follows:

Statement of Financial Position as at 1 April 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
Deferred tax assets	11,156	4	11,160
Liabilities			
Lease liabilities	-	441	441
Equity			
Retained profits	522,931	(13)	522,918

PART B - Review of Performance & Current Year Prospect

B1 Review of Performance

Profitability

The Bank's Net Profit After Taxation was recorded at RM40.8 million for the first half ended 30 September 2019 ("1HFY20"). The decline of RM19.8 million or 32.6% year-on-year ("YOY") was mainly due to higher credit losses.

Operating profit before allowance grew RM4.3 million, or 4.6% YOY. Net income grew by RM14.6 million or 10.0% to RM159.9 million driven by net finance income growth of RM10.1 million or 7.6% YOY from the growth in gross financing and the improved mix from better risk adjusted return financing. Net profit margin ("NPM") improved by 3 bps YOY to 2.36%.

Better Financing Growth

Gross financing and advances grew 19.6% YOY to RM10.1 billion, driven by the SME and Consumer portfolios. Financing for SMEs expanded 17.7% YOY, while consumer personal financing grew by RM119.0 million or 10.8% YOY. AOA financing balances increased more than double to RM2.3 billion from RM1.0 billion in the previous year. The financing mix continued to improve with better risk adjusted return financing making up 59.5% of the total portfolio, as compared to 49.1% in the previous year.

Higher Other Operating Income

The Bank recorded other operating income of RM17.2 million or 36.3% YOY, contributed by higher unit trust fee income of RM1.7 million and higher treasury and investment income of RM1.3 million.

Operating Expenses

Cost to income ratio ("CIR") was within expectation at 38.8%. The Bank continues to invest in human capital and IT infrastructure to support the Group Transformation initiatives.

Asset Quality

1HFY20 annualised net credit cost was 88.1 bps, an increase of 53.1 bps YOY. The increase was due to the normalisation of credit costs during the period as compared to the substantial write backs in the corporate and commercial segments and bad debt recoveries experienced in the previous year. Additionally, higher credit losses from mortgage portfolios were in line with the expansion of the segment.

Gross impaired financing ("GIF") ratio increased by 39 bps YOY to 1.63%. The increase was mainly from the residential properties portfolio, as well as a few large business accounts. This was partly mitigated by repayments in the non-residential properties portfolio and several business accounts. Financing loss coverage (including Regulatory Reserve) remained stable at 105.5%.

Healthy Funding and Liquidity Position

The Bank's funding position remains healthy despite the intense market competition for deposits. Customer based funding grew 9.3% YOY to RM10.2 billion, mostly from consumer segment deposits. The Bank was able to maintain high Current Account/Savings Account ("CASA") ratio of 30.5% driven by the growth in Alliance SavePlus Account balances. Term deposits grew RM643 million or 10.8% YOY.

The Bank's liquidity coverage and financing to funds ratios remain healthy at 261.0% and 82.8% respectively.

Proactive Capital Management

We continue to maintain our strong capital levels, with Tier-1 Capital ratio at 12.0%, Common Equity Tier-1 ratio at 10.9% and Total Capital ratio at 14.7%.

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.

The lagging effects of the OPR cut on fixed deposits as well as keen competition amidst a more challenging financing market will keep margin under pressure.

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 (VBI) propositions focused on empowering social businesses that generate positive impact to the society and environment.

In view of the slower expected economic growth rate and tough credit environment, we remain vigilant in managing our credit portfolios and conservative in our provisioning practices.

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