

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

(Incorporated in Malaysia)

Condensed Interim Financial Statements**Unaudited Statement of Financial Position as at 30 September 2020**

		30 September	31 March
		2020	2020
	Note	RM'000	RM'000
ASSETS			
Cash and short-term funds		859,491	714,632
Financial investments at fair value through other comprehensive income	A12	2,411,634	2,301,866
Financial investments at amortised cost	A13	294,156	80,628
Financing and advances	A14	10,588,574	10,673,613
Other assets	A15	2,264	4,791
Statutory deposits with Bank Negara Malaysia		29,988	219,488
Tax recoverable		32,330	21,550
Right-of-use assets		778	136
Property, plant and equipment		211	236
Intangible assets		750	825
TOTAL ASSETS		14,220,176	14,017,765
LIABILITIES AND EQUITY			
Deposits from customers	A16	11,603,537	11,805,145
Deposits and placements of banks and other financial institutions	A17	302,316	220,851
Obligations on securities sold under repurchase agreements		-	148,082
Recourse obligation on financing sold to Cagamas		805,102	500,642
Lease liabilities		778	119
Other liabilities	A18	186,060	113,820
Deferred tax liabilities		25,256	1,688
Provision for zakat		1,040	1,245
Subordinated sukuk		229,208	229,075
TOTAL LIABILITIES		13,153,297	13,020,667
Share capital		400,000	400,000
Reserves		666,879	597,098
TOTAL EQUITY		1,066,879	997,098
TOTAL LIABILITIES AND EQUITY		14,220,176	14,017,765
Restricted investment account ¹		54,795	74,795
Total Islamic Banking asset ¹		14,274,971	14,092,560
COMMITMENTS AND CONTINGENCIES	A26	2,774,052	2,438,545

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

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2020

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 2020**

	Note	2nd Quarter Ended		Six Months Ended	
		30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Income derived from investment of depositors' funds and others	A19	153,846	158,510	319,227	314,564
Income derived from investment of shareholder's funds	A20	13,827	14,290	27,792	28,916
Allowance for expected credit losses on financing and advances and other financial assets	A21	(49,380)	(28,405)	(83,031)	(42,994)
Write-back of/(allowance for) expected credit losses on financial investments	A22	32	(93)	(46)	(94)
Total distributable income		118,325	144,302	263,942	300,392
Income attributable to the depositors and financial institutions	A23	(82,815)	(94,415)	(175,765)	(183,551)
Total net income		35,510	49,887	88,177	116,841
Other operating expenses	A24	(27,911)	(32,505)	(59,156)	(62,105)
Profit before taxation		7,599	17,382	29,021	54,736
Taxation		(2,547)	(4,542)	(8,103)	(13,902)
Net profit for the financial period		5,052	12,840	20,918	40,834
Net profit for the financial period attributable to:					
Equity holder of the Bank		5,052	12,840	20,918	40,834
Earnings per share attributable to:					
Equity holder of the Bank					
- Basic/diluted (sen)	A25	1.5	3.7	6.1	11.8

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 2020

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 2020**

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	5,052	12,840	20,918	40,834
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	23,411	17,138	68,513	35,749
- Realised gain transferred to statement of income on disposal	(1,429)	-	(4,225)	(1,901)
- Transfer to deferred tax	(5,276)	(4,114)	(15,429)	(8,124)
- Changes in expected credit losses	16	7	4	8
Other comprehensive income, net of tax	16,722	13,031	48,863	25,732
Total comprehensive income for the financial period	21,774	25,871	69,781	66,566
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	21,774	25,871	69,781	66,566

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 2020

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 2020

	← 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 2020	400,000	34,748	38,925	523,425	997,098
Net profit for the financial period	-	-	-	20,918	20,918
Other comprehensive income	-	-	48,863	-	48,863
Total comprehensive income for the financial period	-	-	48,863	20,918	69,781
Transfer from regulatory reserves	-	(34,748)	-	34,748	-
At 30 September 2020	400,000	-	87,788	579,091	1,066,879
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 2020

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 2020**

	30 September 2020 RM'000	30 September 2019 RM'000
Profit before taxation	29,021	54,736
Adjustments for non-cash items	41,276	(139)
Operating profit before changes in working capital	70,297	54,597
Changes in working capital	2,488	387,477
Net tax paid	(10,745)	(22,114)
Zakat paid	(205)	(5)
Net cash generated from operating activities	61,835	419,955
Net cash used in investing activities	(199,357)	(280,520)
Net cash generated from/(used in) financing activities	282,381	(45,370)
Net change in cash and cash equivalents	144,859	94,065
Cash and cash equivalents at beginning of financial period	714,632	348,407
Cash and cash equivalents at end of financial period	859,491	442,472
	859,491	442,472

Cash and cash equivalents comprise the following:

Cash and short term funds

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2020

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 quarter and financial half year ended 30 September 2020 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 2020. 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 2020.

(a) 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 2020, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 April 2020:

- Amendments to MFRS 3 "Definition of a Business"
- Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors"
- Revised Conceptual Framework
- Amendments to MFRS 9, MFRS 139 and MFRS 7 "Interest Rate Benchmark Reform"

The adoption of the above standards, amendments to published standards and interpretation to existing standards are not expected to have any significant impact on the Bank's financial statements.

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.

(b) Measures to Assist Individuals, Small-Medium Enterprises ("SMEs") and Corporates Affected by COVID-19

On 24 March 2020, BNM had announced that banking institutions would grant a 6 months automatic moratorium on repayments of financing from 1 April 2020 to all small and medium enterprises and individuals to alleviate the financial difficulties of customers impacted by the COVID-19 pandemic. The 6 months moratorium granted is applicable for financing denominated in Ringgit Malaysia, that have not been in arrears for more than 90 days as at 1 April 2020.

Banking institutions will also facilitate requests by corporate customers to defer or restructure their financing repayments in a way that will enable viable corporations to preserve jobs and resume economic activities when conditions stabilised and improved.

The moratorium should not automatically result in stage transfer under MFRS 9 in the absence of other factors relevant to the assessment.

A2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2020 was not qualified.

A3 Seasonality or Cyclicity of Operations

The operations of the Bank was not materially affected by any seasonal or cyclical fluctuations during the second quarter and financial half year ended 30 September 2020.

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 second quarter and financial half year ended 30 September 2020.

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 quarter and financial half year ended 30 September 2020.

A6 Issuance and Repayment of Debt and Equity Securities

There were no issuance nor repayment of debt and equity securities during the second quarter and financial half year ended 30 September 2020.

A7 Dividend Paid

No dividend has been paid during the second quarter and financial half year ended 30 September 2020.

A8 Material Events During The Financial Reporting Period

There were no material events during the second quarter and financial half year ended 30 September 2020.

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

There were no material events subsequent to the end of the financial reporting period that require disclosure or adjustment to the unaudited condensed interim financial statements.

A10 Related Party Transactions

All related party transactions within the Bank have been entered into in the normal course of business.

A11 Proposed Dividend

No dividend has been proposed or declared during the second quarter and financial half year ended 30 September 2020.

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

	30 September 2020 RM'000	31 March 2020 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government investment issues	<u>1,121,262</u>	<u>1,016,589</u>
	1,121,262	1,016,589
<u>Unquoted securities:</u>		
Sukuk	<u>1,290,372</u>	<u>1,285,277</u>
	1,290,372	1,285,277
 Total financial investments at FVOCI	 <u>2,411,634</u>	 <u>2,301,866</u>

Movements in allowance for expected credit losses are as follows:

	12 months ECL (Stage 1)	
	30 September 2020 RM'000	31 March 2020 RM'000
At beginning of financial period/year	37	39
New financial assets originated or purchased	-	7
Financial assets derecognised other than write-off	(7)	(1)
Changes due to change in credit risk	11	(8)
Total charge to/(write-back from) income statement	4	(2)
At end of financial period/year	<u>41</u>	<u>37</u>

A13 Financial Investments at Amortised Cost

	30 September 2020 RM'000	31 March 2020 RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government investment issues	<u>213,631</u>	-
	213,631	-
<u>Unquoted securities:</u>		
Sukuk	<u>80,792</u>	80,853
Allowance for expected credit losses	<u>(267)</u>	(225)
	80,525	80,628
 Total financial investments at amortised cost	 <u>294,156</u>	 <u>80,628</u>

Movements in allowance for expected credit losses are as follows:

	12 months ECL (Stage 1)	
	30 September 2020 RM'000	31 March 2020 RM'000
At beginning of financial period/year	225	-
New financial assets originated or purchased	-	109
Changes due to change in credit risk	42	116
Total charge to income statement	42	225
At end of financial period/year	<u>267</u>	<u>225</u>

A14 Financing and Advances

By 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 September 2020								
At amortised cost								
Cash line financing	19,722	1,482,837	-	-	8,344	-	-	1,510,903
Term financing								
- Housing financing	3,543,042	-	-	-	-	-	-	3,543,042
- Hire purchase receivables ¹	-	-	195,351	-	-	-	-	195,351
- Other term financing	1,933,478	2,006,349	-	-	-	-	164,906	4,104,733
Bills receivables	-	-	-	20,606	-	-	-	20,606
Trust receipts	-	-	-	356,870	-	-	-	356,870
Claims on customers under acceptance credits	-	-	-	376,491	-	48,911	-	425,402
Staff financing (including financing to Directors of RM Nil)	15,220	-	-	-	-	-	-	15,220
Revolving credits ²	189,721	433,730	-	-	-	-	-	623,451
Gross financing and advances	5,701,183	3,922,916	195,351	753,967	8,344	48,911	164,906	10,795,578
Add: Sales commission and handling fees								48,916
Less: Allowances for expected credit losses on financing and advances								(255,920)
Total net financing and advances								<u>10,588,574</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 2020								
At amortised cost								
Cash line financing	31,036	1,658,404	-	-	9,121	-	-	1,698,561
Term financing								
- Housing financing	3,419,778	-	-	-	-	-	-	3,419,778
- Hire purchase receivables ¹	-	-	214,832	-	-	-	-	214,832
- Other term financing	1,890,964	1,816,986	-	-	-	-	171,694	3,879,644
Bills receivables	-	-	-	49,096	-	-	-	49,096
Trust receipts	-	-	-	54,216	-	-	-	54,216
Claims on customers under acceptance credits	-	-	-	687,009	-	111,683	-	798,692
Staff financing (including financing to Directors of RM Nil)	15,779	-	-	-	-	-	-	15,779
Revolving credits ²	210,845	478,513	-	-	-	-	-	689,358
Gross financing and advances	5,568,402	3,953,903	214,832	790,321	9,121	111,683	171,694	10,819,956
Add: Sales commission and handling fees								52,641
Less: Allowance for expected credit losses on financing and advances								(198,984)
Total net financing and advances								<u>10,673,613</u>

a) 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 RM54,795,000 as at 30 September 2020 (31 March 2020: RM74,795,000).

b) As at 30 September 2020, the modification loss arising from the 6-month payment moratorium amounting to RM34,638,000 for the Bank is netted off against the gross financing and advances balance.

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.

A14 Financing and Advances (Contd.)

(i) Purpose and source of fund for Qard Financing

	30 September 2020 RM'000	31 March 2020 RM'000
At beginning of financial period/year	9,121	5,124
Sources of Qard fund:		
- Shareholders' fund	4,286	13,089
Uses of Qard fund:		
- Personal use	(224)	(462)
- Working capital	(4,839)	(8,630)
At end of financial period/year	<u>8,344</u>	<u>9,121</u>

(ii) By maturity structure:

	30 September 2020 RM'000	31 March 2020 RM'000
Within one year	2,978,999	3,345,242
One year to three years	454,472	354,037
Three years to five years	617,847	685,056
Over five years	6,744,260	6,435,621
Gross financing and advances	<u>10,795,578</u>	<u>10,819,956</u>

(iii) By type of customers:

	30 September 2020 RM'000	31 March 2020 RM'000
Domestic non-bank financial institutions	108,220	64,816
Domestic business enterprises		
- Small and medium enterprises	2,760,216	2,710,603
- Others	1,486,534	1,817,910
Individuals	6,336,908	6,123,563
Other domestic entities	23,391	24,507
Foreign entities	80,309	78,557
Gross financing and advances	<u>10,795,578</u>	<u>10,819,956</u>

(iv) By profit rate sensitivity:

	30 September 2020 RM'000	31 March 2020 RM'000
Fixed rate		
- House financing	23,549	24,161
- Hire purchase receivables	195,335	214,811
- Other fixed rate financing	2,039,266	2,142,414
Variable rate		
- House financing	3,528,126	3,404,507
- Other variable rate financing	5,009,302	5,034,063
Gross financing and advances	<u>10,795,578</u>	<u>10,819,956</u>

A14 Financing and Advances (Contd.)

(v) By economic purposes:

	30 September 2020 RM'000	31 March 2020 RM'000
Purchase of transport vehicles	169,423	188,433
Purchase of landed property	5,005,031	4,835,794
of which: - Residential	3,616,128	3,494,678
- Non-residential	1,388,903	1,341,116
Purchase of fixed assets excluding land & buildings	56,528	57,272
Personal use	2,713,069	2,604,777
Construction	103,872	96,629
Working capital	2,204,174	2,522,151
Others	543,481	514,900
Gross financing and advances	10,795,578	10,819,956

(vi) By economic sectors:

	30 September 2020 RM'000	31 March 2020 RM'000
Primary agriculture	411,850	396,825
Mining and quarrying	45,756	47,680
Manufacturing	1,010,473	1,149,925
Electricity, gas and water	681	649
Wholesale, retail trade, restaurant and hotels	1,390,627	1,500,755
Construction	265,134	277,987
Transport, storage and communication	149,614	175,991
Financing, insurance and business services	1,028,390	990,721
Community and recreation	74,378	73,942
Household	6,417,217	6,202,120
Others	1,458	3,361
Gross financing and advances	10,795,578	10,819,956

(vii) By geographical distribution:

	30 September 2020 RM'000	31 March 2020 RM'000
Northern region	909,892	968,397
Central region	7,468,318	7,363,319
Southern region	1,242,123	1,279,947
Sabah region	948,317	887,967
Sarawak region	226,928	320,326
Gross financing and advances	10,795,578	10,819,956

A14 Financing and Advances (Contd.)

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

	30 September	31 March
	2020	2020
	RM'000	RM'000
At beginning of financial period/year	232,569	106,925
Impaired during the financial period/year	28,441	331,156
Reclassified as unimpaired during the financial period/year	(34,557)	(104,984)
Recovered during the financial period/year	(4,127)	(12,048)
Financial assets derecognised other than write-off during the financial period/year	(8,877)	(35,961)
Amount written-off	(20,185)	(52,519)
At end of financial period/year	193,264	232,569
Gross impaired financing as a % of gross financing and advances	1.79%	2.15%

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

	30 September	31 March
	2020	2020
	RM'000	RM'000
Purchase of transport vehicles	5,098	5,844
Purchase of landed property	104,504	116,660
of which: - Residential	78,838	89,331
- Non-residential	25,666	27,329
Purchase of fixed assets excluding land & buildings	352	352
Personal use	59,798	81,327
Working capital	21,409	25,738
Others	2,103	2,648
Gross impaired financing and advances	193,264	232,569

A14 Financing and Advances (Contd.)

(x) Credit impaired loans analysed by economic sectors:

	30 September 2020 RM'000	31 March 2020 RM'000
Primary agriculture	1,127	1,128
Manufacturing	7,087	7,901
Wholesale, retail trade, restaurants and hotels	26,436	31,689
Construction	13,651	14,170
Transport, storage and communication	2,048	2,048
Financing, insurance, real estate and business services	1,260	1,201
Household	141,655	174,432
Gross impaired financing and advances	<u>193,264</u>	<u>232,569</u>

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

	30 September 2020 RM'000	31 March 2020 RM'000
Northern region	22,932	24,885
Central region	143,624	173,305
Southern region	17,443	24,060
Sabah region	7,137	8,175
Sarawak region	2,128	2,144
Gross impaired financing and advances	<u>193,264</u>	<u>232,569</u>

A14 Financing and Advances (Contd.)

(xii) 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 2020	32,177	92,092	74,715	198,984
Transfer to Stage 1	35,605	(40,828)	(1,336)	(6,559)
Transfer to Stage 2	(15,327)	58,148	(6,014)	36,807
Transfer to Stage 3	(64)	(2,772)	6,508	3,672
New financial assets originated or purchased	10,030	16,646	1,329	28,005
Financial assets derecognised other than write-off	(7,914)	(19,753)	(2,313)	(29,980)
Changes due to change in credit risk	25,141	15,494	(1,524)	39,111
	47,471	26,935	(3,350)	71,056
Unwinding of discount	-	-	(1,975)	(1,975)
Total charge to/(write-back from) income statement	47,471	26,935	(5,325)	69,081
Write-off	-	(51)	(12,094)	(12,145)
30 September 2020	79,648	118,976	57,296	255,920
At 1 April 2019	23,032	69,895	45,583	138,510
Transfer to Stage 1	9,779	(49,268)	(550)	(40,039)
Transfer to Stage 2	(15,292)	88,314	(29,801)	43,221
Transfer to Stage 3	(17)	(53,130)	103,693	50,546
New financial assets originated or purchased	22,190	26,224	6,939	55,353
Financial assets derecognised other than write-off	(9,007)	(24,059)	(9,259)	(42,325)
Changes due to change in credit risk	1,495	34,637	(324)	35,808
	9,148	22,718	70,698	102,564
Unwinding of discount	-	-	(2,799)	(2,799)
Total charge to income statement	9,148	22,718	67,899	99,765
Write-off	(3)	(521)	(38,767)	(39,291)
At 31 March 2020	32,177	92,092	74,715	198,984

A15 Other Assets

	30 September 2020 RM'000	31 March 2020 RM'000
Other receivables	2,180	4,406
Deposits	89	89
Prepayment	1,868	2,042
Amount due from related company	-	3
	4,137	6,540
Less:		
Allowance for expected credit losses on other receivables [Note (a)]	(1,873)	(1,749)
	2,264	4,791

Note:

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

	<u>Lifetime ECL</u>	
	30 September 2020 RM'000	31 March 2020 RM'000
At beginning of financial period/year	1,749	1,641
Changes due to change in credit risk	124	108
At end of financial period/year	1,873	1,749

As at 30 September 2020, the Bank's gross exposure of other receivables that are under lifetime ECL was at RM1,873,000 (31 March 2020: RM1,749,000).

A16 Deposits from Customers

	30 September 2020 RM'000	31 March 2020 RM'000
Demand deposits		
- Qard	3,954,718	3,422,562
Savings deposits		
- Qard	387,882	339,006
Term deposits		
- Commodity Murabahah	6,151,132	6,364,480
- Negotiable Islamic Debt Certificate		
- Bai' Inah	445,729	512,193
- Money market deposits		
- Commodity Murabahah	519,848	1,043,198
- Other deposits		
- Mudharabah	72,485	77,304
- Wakalah	33,871	34,292
- Qard	37,872	12,110
	11,603,537	11,805,145

Included as part of Deposit from Customers is government financing scheme received by the Bank amounting to RM170,000,000 for the purpose of lending at a below market/concession rate with a six-year maturity. The benefit arising from the placement of funds with the Bank is applied to address the financial and accounting impact incurred from lending at concession rates for COVID-19 related relief measures.

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

	30 September 2020 RM'000	31 March 2020 RM'000
Due within six months	4,848,973	4,998,550
Six months to one year	1,507,543	1,985,271
One year to three years	664,330	854,103
Three years to five years	240,091	205,653
	7,260,937	8,043,577

(ii) By type of customers:

	30 September 2020 RM'000	31 March 2020 RM'000
Domestic financial institutions	434,400	501,083
Government and statutory bodies	2,035,785	1,889,921
Business enterprises	3,683,495	4,171,591
Individuals	4,587,007	4,145,593
Domestic non-bank financial institutions	652,472	881,043
Foreign entities	110,096	101,894
Others	100,282	114,020
	11,603,537	11,805,145

A17 Deposits and Placements of Banks and Other Financial Institutions

	30 September 2020 RM'000	31 March 2020 RM'000
Non-Mudharabah Fund		
Licensed investment banks	79,829	11,162
Bank Negara Malaysia	222,487	209,689
	<u>302,316</u>	<u>220,851</u>

A18 Other Liabilities

	30 September 2020 RM'000	31 March 2020 RM'000
Other payables	89,257	49,118
Bills payable	4,748	5,712
Clearing account	31,185	23,418
Sundry deposits	5,104	4,521
Provision and accruals	5,225	7,891
Amount due to holding company	38,263	17,871
Amount due to related company	310	835
Allowance for expected credit losses on commitments and contingencies [Note (a)]	11,968	4,454
	<u>186,060</u>	<u>113,820</u>

Included as part of Other Liabilities is the deferred benefit recognised on the government financing scheme at below market/concession rates amounting RM15,898,000 for the Bank. The deferred amount will be amortised over the tenure of the government financing scheme.

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 2020	1,012	3,441	1	4,454
Transfer to Stage 1	435	(981)	-	(546)
Transfer to Stage 2	(100)	893	(2)	791
Transfer to Stage 3	-	-	1	1
New financial assets originated or purchased	455	101	-	556
Financial assets derecognised other than write-off	(219)	(172)	-	(391)
Changes due to change in credit risk	(204)	7,307	-	7,103
Total charge to/(write-back from) income statement	367	7,148	(1)	7,514
At 30 September 2020	1,379	10,589	-	11,968
At 1 April 2019	712	3,182	105	3,999
Transfer to Stage 1	445	(3,605)	-	(3,160)
Transfer to Stage 2	(204)	2,674	(1)	2,469
Transfer to Stage 3	(1)	-	4	3
New financial assets originated or purchased	321	1,840	-	2,161
Financial assets derecognised other than write-off	(205)	(811)	(105)	(1,121)
Changes due to change in credit risk	(57)	161	(9)	95
Other adjustments	1	-	-	1
	300	259	(111)	448
Unwinding of discount	-	-	7	7
Total charge to/(write-back from) income statement	300	259	(104)	455
At 31 March 2020	1,012	3,441	1	4,454

As at 30 September 2020, the gross exposures of financing commitments and financial guarantee contracts that are credit impaired was at RM10,000 (31 March 2020: RM1,009,000).

A19 Income Derived from Investment of Depositors' Funds and Others

	2nd Quarter Ended		Six Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Income derived from investment of:				
(i) Term deposits	96,189	106,495	206,852	211,964
(ii) Other deposits	57,657	52,015	112,375	102,600
	153,846	158,510	319,227	314,564

(i) Income derived from investment of term deposits:

	2nd Quarter Ended		Six Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Finance income and hibah				
Financing and advances	74,428	82,456	158,457	163,302
Financial investments at fair value through other comprehensive income	13,476	14,389	27,915	27,630
Financial investments at amortised cost	1,677	520	2,642	520
Money at call and deposit placements with financial institutions	2,755	897	6,989	2,230
	92,336	98,262	196,003	193,682
Accretion of discount less amortisation of premium	737	3,611	3,075	7,676
Total finance income and hibah	93,073	101,873	199,078	201,358
Other operating income				
- Fee income	2,724	4,541	5,539	8,893
- Investment income	271	28	1,996	1,683
- Other income	121	53	239	30
	96,189	106,495	206,852	211,964

Included in financing income earned on financing and advances for the current financial period:

- a) Financing accrued on impaired financing of the Bank amounting to RM1,302,000 (30 September 2019: RM740,000).
- b) The Bank granted an automatic moratorium on certain financing repayments/payments by individuals and small and medium enterprises (SMEs) for a period of six months from 1 April 2020. The automatic moratorium was applicable to financing that are not in arrears exceeding 90 days and denominated in Malaysian Ringgit. This measure was to assist borrowers experiencing temporary financial constraints due to the COVID-19 pandemic. As a result of the payment moratorium, the Bank recognised a loss of RM20,647,000 arising from the modification of cash flows of the financing.

The Bank also received government financing scheme for the purpose of on lending/financing to SMEs at below market/concession rate. The lending/financing by the Bank is to provide support for SMEs in sustaining business operations, safeguard jobs and encourage domestic investments during the COVID-19 pandemic. The benefit arising from the government financing scheme amounting to RM20,999,000 for the Bank is applied to address the financial and accounting impact incurred for COVID-19 related relief measures.

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 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Finance income and hibah				
Financing and advances	44,536	40,271	86,084	79,046
Financial investments at fair value through other comprehensive income	8,025	7,023	15,165	13,374
Financial investments at amortised cost	958	252	1,435	252
Money at call and deposit placements with financial institutions	1,703	440	3,797	1,079
	<u>55,222</u>	<u>47,986</u>	<u>106,481</u>	<u>93,751</u>
Accretion of discount less amortisation of premium	515	1,766	1,671	3,716
Total finance income and hibah	<u>55,737</u>	<u>49,752</u>	<u>108,152</u>	<u>97,467</u>
Other operating income				
- Fee income	1,617	2,217	3,009	4,304
- Investment income	231	20	1,084	814
- Other income	72	26	130	15
	<u>57,657</u>	<u>52,015</u>	<u>112,375</u>	<u>102,600</u>

Included in financing income earned on financing and advances for the current financial period:

- a) Financing accrued on impaired financing of the Bank amounting to RM707,000 (30 September 2019: RM358,000).
- b) The Bank granted an automatic moratorium on certain financing repayments/payments by individuals and SMEs for a period of six months from 1 April 2020. The automatic moratorium was applicable to financing that are not in arrears exceeding 90 days and denominated in Malaysian Ringgit. This measure was to assist borrowers experiencing temporary financial constraints due to the COVID-19 pandemic. As a result of the payment moratorium, the Bank recognised a loss of RM11,217,000 arising from the modification of cash flows of the financing.

The Bank also received government financing scheme for the purpose of on lending/financing to SMEs at below market/concession rate. The lending/financing by the Bank is to provide support for SMEs in sustaining business operations, safeguard jobs and encourage domestic investments during the COVID-19 pandemic. The benefit arising from the government financing scheme amounting to RM11,408,000 for the Bank is applied to address the financial and accounting impact incurred for COVID-19 related relief measures.

A20 Income Derived from Investment of Shareholder's Funds

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances	10,686	11,067	21,290	22,278
Financial investments at fair value through other comprehensive income	1,929	1,933	3,751	3,769
Financial investments at amortised cost	233	71	355	71
Money at call and deposit placements with financial institutions	405	119	939	304
	13,253	13,190	26,335	26,422
Accretion of discount less amortisation of premium	118	483	413	1,047
Total finance income and hibah	13,371	13,673	26,748	27,469
Other operating income				
- Fee income	389	610	744	1,213
- Investment income	50	-	268	230
- Other income	17	7	32	4
	13,827	14,290	27,792	28,916

Included in financing income earned on financing and advances for the current financial period:

- a) Financing accrued on impaired financing of the Bank amounting to RM175,000 (30 September 2019: RM101,000).
- b) The Bank granted an automatic moratorium on certain financing repayments/payments by individuals and SMEs for a period of six months from 1 April 2020. The automatic moratorium was applicable to financing that are not in arrears exceeding 90 days and denominated in Malaysian Ringgit. This measure was to assist borrowers experiencing temporary financial constraints due to the COVID-19 pandemic. As a result of the payment moratorium, the Bank recognised a loss of RM2,774,000 arising from the modification of cash flows of the financing.

The Bank also received government financing scheme for the purpose of on lending/financing to SMEs at below market/concession rate. The lending/financing by the Bank is to provide support for SMEs in sustaining business operations, safeguard jobs and encourage domestic investments during the COVID-19 pandemic. The benefit arising from the government financing scheme amounting to RM2,822,000 for the Bank is applied to address the financial and accounting impact incurred for COVID-19 related relief measures.

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

	2nd Quarter Ended		Six Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Allowance for expected credit losses on:				
(a) Financing and advances				
- Net charge during the financial period	44,483	28,679	71,056	41,665
(b) Credit impaired on financing and advances				
- Recovered	(3,097)	(3,348)	(4,274)	(6,392)
- Written-off	2,525	3,327	8,611	7,696
(c) Commitments and contingencies on financing and advances				
- Net charge during the financial period	5,344	(286)	7,514	(37)
	49,255	28,372	82,907	42,932
Allowance for expected credit losses on other receivables	125	33	124	62
	49,380	28,405	83,031	42,994

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

	2nd Quarter Ended		Six Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
(Write-back of)/allowance for expected credit losses on:				
Financial investments at fair value through other comprehensive income	16	7	4	8
Financial investments at amortised cost	(48)	86	42	86
	(32)	93	46	94

A23 Income Attributable to the Depositors and Financial Institutions

	2nd Quarter Ended		Six Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Deposits from customers:				
- Mudharabah fund	333	564	727	1,192
- Non-Mudharabah fund	70,492	83,594	150,438	162,329
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	569	1,359	2,508	2,267
Financing sold to Cagamas	8,029	5,504	15,389	11,016
Other borrowings	-	-	-	42
Subordinated sukuk	3,392	3,389	6,701	6,695
Lease liabilities	-	5	2	10
	82,815	94,415	175,765	183,551

A24 Other Operating Expenses

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	13,709	17,697	30,352	32,720
- Contribution to EPF	2,632	2,868	5,348	5,280
- Others	1,883	1,988	3,405	4,002
	18,224	22,553	39,105	42,002
<u>Establishment costs</u>				
- Depreciation on property, plant and equipment	22	33	43	66
- Depreciation on right-of-use assets	68	70	136	141
- Amortisation of computer software	68	72	136	153
- Rental	50	25	94	642
- Repairs and maintenance	590	408	1,071	980
- Water and electricity	314	299	580	599
- Information technology expenses	3,816	2,041	5,835	4,167
- Others [Note (a)]	1,684	3,258	5,450	6,086
	6,612	6,206	13,345	12,834
<u>Marketing expenses</u>				
- Promotion and advertisement	79	100	291	123
- Branding and publicity	111	727	1,011	1,580
- Others	53	227	190	412
	243	1,054	1,492	2,115
<u>Administration and general expenses</u>				
- Communication expenses	664	441	1,151	933
- Printing and stationeries	70	91	147	189
- Insurance	450	369	895	777
- Professional fees	1,271	1,149	2,449	2,150
- Others	377	642	572	1,105
	2,832	2,692	5,214	5,154
Total other operating expenses	27,911	32,505	59,156	62,105

Included in the other operating expenses are the Shariah Committee members' remuneration of RM191,000 (30 September 2019: RM164,000).

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	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Sharing of Other Operating Expenses</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	12,244	15,770	27,569	29,410
- Contribution to EPF	2,397	2,575	4,896	4,770
- Others	1,411	1,951	2,861	3,728
	16,052	20,296	35,326	37,908
<u>Establishment costs</u>				
- Rental	50	25	94	642
- Repairs and maintenance	584	402	1,060	970
- Water and electricity	308	291	567	585
- Information technology expenses	3,790	2,018	5,763	4,126
- Others [Note (a)]	1,684	3,256	5,450	6,080
	6,416	5,992	12,934	12,403
<u>Marketing expenses</u>				
- Promotion and advertisement	65	12	240	23
- Branding and publicity	49	58	706	685
- Others	55	114	190	270
	169	184	1,136	978
<u>Administration and general expenses</u>				
- Communication expenses	401	349	725	607
- Printing and stationeries	58	91	120	150
- Professional fees	401	860	1,384	1,415
- Others	97	42	292	243
	957	1,342	2,521	2,415
Total sharing of other operating expenses	23,594	27,814	51,917	53,704

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	30 September	30 September	30 September
	2020	2019	2020	2019
Net profit for the financial period attributable to Equity holder of the Bank (RM'000)	<u>5,052</u>	<u>12,840</u>	<u>20,918</u>	<u>40,834</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>1.5</u>	<u>3.7</u>	<u>6.1</u>	<u>11.8</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 September	31 March
	2020	2020
	RM'000	RM'000
<u>Commitments and contingencies</u>		
Direct credit substitutes	194,101	191,836
Transaction-related contingent items	64,920	60,380
Short-term self-liquidating trade-related contingencies	20,171	20,026
Irrevocable commitments to extend credit:		
- maturity exceeding one year	229,526	367,450
- maturity not exceeding one year	2,265,334	1,798,853
Total	<u>2,774,052</u>	<u>2,438,545</u>

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 2020	31 March 2020
CET I capital ratio	11.419%	10.507%
Tier I capital ratio	12.534%	11.617%
Total capital ratio	15.153%	14.233%
	30 September 2020 RM'000	31 March 2020 RM'000
<u>CET I Capital</u>		
Paid-up share capital	400,000	400,000
Retained profits	579,091	523,425
Regulatory reserves	-	34,748
FVOCI reserves	87,747	38,888
	1,066,838	997,061
Less: Regulatory adjustments		
- Intangible assets	(750)	(825)
- 55% of FVOCI reserves	(48,261)	(21,388)
- Regulatory reserves	-	(34,748)
Total CET I Capital	1,017,827	940,100
Additional Tier 1 Sukuk Wakalah	99,353	99,271
Total Additional Tier 1 Capital	99,353	99,271
Total Tier I Capital	1,117,180	1,039,371
<u>Tier II Capital</u>		
Subordinated Sukuk Murabahah	129,783	129,733
Expected credit losses and regulatory reserves	103,681	104,399
Total Tier II Capital	233,464	234,132
Total Capital	1,350,644	1,273,503

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

	30 September 2020 RM'000	31 March 2020 RM'000
Credit risk	8,294,507	8,351,930
Market risk	50	-
Operational risk	618,965	595,399
Total RWA and capital requirements	8,913,522	8,947,329

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 2020				
Assets				
Financial investments at FVOCI				
- Money market instruments	-	1,121,262	-	1,121,262
- Unquoted securities	-	1,290,372	-	1,290,372
31 March 2020				
Assets				
Financial investments at FVOCI				
- Money market instruments	-	1,016,589	-	1,016,589
- Unquoted securities	-	1,285,277	-	1,285,277

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 2020 and 31 March 2020.

A29 Credit Transactions And Exposures With Connected Parties

	30 September 2020 RM'000	31 March 2020 RM'000
Outstanding credit exposures with connected parties	90,792	2,792
of which:		
Total credit exposure which is impaired or in default	-	-
Total credit exposures	15,160,544	14,883,620
Percentage of outstanding credit exposures to connected parties:		
- as a proportion of total credit exposures	0.60%	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.

PART B - Review of Performance & Current Year Prospect

B1 Review of Performance

Profitability

The Bank recorded a net profit after tax (NPAT) of RM20.9 million the six months ended 30 September 2020 (1HFY21), RM19.9 million or 48.8% lower year-on-year (YOY). The lower profits were largely due to higher credit costs.

Net income improved by RM11.3 million or 7.1% YOY. Net profit margin ("NPM") came in lower at 2.18%, mainly due to OPR cuts (-23 bps).

Better Financing Growth

The Bank continues to focus on financing from consumer banking while undertaking a series of credit underwriting policy tightening to strengthen the booking quality in the face of the COVID-19 pandemic related risks. Gross financing and advances grew 6.6% YOY to RM10.8 billion. Consumer banking grew 9.3% YOY and SME financing expanded by 4.3% YOY.

Other Operating Income

The Bank recorded other operating income of RM13.0 million, a decline of RM4.1 million or 24.1% YOY. Unit trust and trade fee income decreased by RM4.6 million mainly due to the challenging external environment, offset by higher treasury income of RM1.2 million.

Operating Expenses

Other operating expenses improved by RM2.9 million or 4.7% YOY mainly from personnel and marketing cost. As a result of our cost savings initiatives, cost to income ratio ("CIR") improved to 34.5%. The Bank will continue to focus on cost savings efforts as we navigate through the COVID-19 pandemic.

Asset Quality

In anticipation of the economic impact from COVID-19, the Bank continues to build up reserves focused on the more severely affected industries and on borrowers that are vulnerable. As a result, the Bank's 1HFY21 has recorded a net credit cost of 76.8 bps.

We have enhanced our credit risk framework in each line of business by stratifying customers according to effective risk levels, and have prioritized customer calls or visits. We have used our diagnostic tools to determine whether customers' risk levels are high, medium or low. Based on the results, we have launched a payment relief assistance (PRA) program to help borrowers while managing the Bank's credit risk. In addition, the Bank continues to help our customers through the 3 months extended moratorium for those who had lost their source of income.

The Bank will continue to intensify proactive credit management including refinement of credit policies, tightening of credit underwriting and increased collections efforts to control credit cost. Financing loss coverage (including Regulatory Reserve) was at 132.4%.

Healthy Funding and Liquidity Position

We have grown our deposits base despite the challenging environment and increased our CASA ratio from 30.5% to 37.4%. Total customer deposits stood at RM11.6 billion, marking a 3.9% growth.

The Bank's liquidity coverage and financing to fund ratio remained healthy at 188.3% and 82.9% respectively. The Bank will continue to maintain ample liquidity ratios, and ensure a sufficient liquidity buffer to mitigate the risk of any payment shock resulting from the post moratorium.

The Bank maintained a Total Capital ratio of 15.2%, with a Common Equity Tier 1 Capital ratio of 11.4% and Tier 1 Capital ratio at 12.5% as at 30 September 2020.

B2 Current Year Prospect

The challenging economic environment for 2020 and the impact of the COVID-19 pandemic to the Malaysian economy will likely lead to a slower overall financing growth and increased credit stress for the Bank. The Bank's net profit margin was also compressed due to lower OPR. Amid all these challenges, the Bank has been diligently implementing the following:

- Customers

For our identified eligible customers impacted by the COVID-19 pandemic, we are actively engaging and assisting them to overcome their financial constraints by granting payment relief assistance, extending the 3-month moratorium or offer appropriate restructuring and rescheduling options. The Bank is also actively participating in the government's various financial relief schemes to provide funding to our SME customers.

In addition, we are also providing non-financial assistance to our customers via our various portals to help promote their products and services to the public.

- Digitisation

In parallel, we are stepping up our digitisation efforts. In the coming months, we will also launch our digital Know-Your-Customer (eKYC) solution. The solution will enable individuals to open and activate a savings account, or obtain a financing conveniently and securely anywhere, anytime, without visiting a bank branch or be visited by a bank officer. Additionally, we will also be launching our Digital SME financing which provides a simple, convenient, and paperless solution for businesses to apply for and obtain financing.

- Keep the Bank Safe

The COVID-19 pandemic and its economic consequences will result in a broad range of possible macroeconomic outcomes, and in an unusual level of uncertainty for repayments cash flow. This may lead to additional future provisioning adjustments. Hence, in managing the Bank's credit risk, we will continue to remain vigilant in managing our credit portfolios and conservative in our provisioning practices. We have also strengthened our origination policies, implemented portfolio management measures (e.g. detailed risk stratification) and increased resourcing of our collection teams appropriately. In managing our liquidity risk, the Bank continues to maintain adequate liquidity coverage and financing to funds ratios, and we are also ensuring cash levels at our branches and self-service terminals remain adequate at all times.

The current operating environment will continue to be challenging. However, we are committed to continue to strengthen our presence. At the same time, to deal with the significant challenges posed by the COVID-19 crisis, we will apply prudent management practices to deliver sustainable returns to our stakeholders.