

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

(Incorporated in Malaysia)

**Condensed Interim Financial Statements****Unaudited Statement of Financial Position as at 31 December 2020**

		<b>31 December</b>	31 March
		<b>2020</b>	2020
	Note	<b>RM'000</b>	RM'000
<b>ASSETS</b>			
Cash and short-term funds		<b>866,558</b>	714,632
Financial investments at fair value through other comprehensive income	A12	<b>2,347,022</b>	2,301,866
Financial investments at amortised cost	A13	<b>294,085</b>	80,628
Financing and advances	A14	<b>10,280,639</b>	10,673,613
Other assets	A15	<b>134,921</b>	4,791
Statutory deposits with Bank Negara Malaysia		<b>29,488</b>	219,488
Tax recoverable		<b>33,693</b>	21,550
Right-of-use assets		<b>704</b>	136
Property, plant and equipment		<b>196</b>	236
Intangible assets		<b>922</b>	825
<b>TOTAL ASSETS</b>		<b>13,988,228</b>	14,017,765
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	A16	<b>11,590,395</b>	11,805,145
Deposits and placements of banks and other financial institutions	A17	<b>239,677</b>	220,851
Obligations on securities sold under repurchase agreements		-	148,082
Recourse obligation on financing sold to Cagamas		<b>500,595</b>	500,642
Lease liabilities		<b>728</b>	119
Other liabilities	A18	<b>163,371</b>	113,820
Deferred tax liabilities		<b>16,361</b>	1,688
Provision for zakat		<b>448</b>	1,245
Subordinated sukuk		<b>232,556</b>	229,075
<b>TOTAL LIABILITIES</b>		<b>12,744,131</b>	13,020,667
Share capital		<b>600,000</b>	400,000
Reserves		<b>644,097</b>	597,098
<b>TOTAL EQUITY</b>		<b>1,244,097</b>	997,098
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>13,988,228</b>	14,017,765
Restricted investment account <sup>1</sup>		<b>44,795</b>	74,795
Total Islamic Banking asset <sup>1</sup>		<b>14,033,023</b>	14,092,560
<b>COMMITMENTS AND CONTINGENCIES</b>	A26	<b>2,838,790</b>	2,438,545

<sup>1</sup> 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 31 December 2020**

	Note	3rd Quarter Ended		Nine Months Ended	
		31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Income derived from investment of depositors' funds and others	A19	143,593	172,306	462,820	486,870
Income derived from investment of shareholder's funds	A20	13,837	15,274	41,629	44,190
Allowance for expected credit losses on financing and advances and other financial assets	A21	(73,066)	(23,624)	(156,097)	(66,618)
Write-back of/(allowance for) expected credit losses on financial investments	A22	39	27	(7)	(67)
<b>Total distributable income</b>		<b>84,403</b>	<b>163,983</b>	<b>348,345</b>	<b>464,375</b>
Income attributable to the depositors and financial institutions	A23	(69,192)	(98,237)	(244,957)	(281,788)
<b>Total net income</b>		<b>15,211</b>	<b>65,746</b>	<b>103,388</b>	<b>182,587</b>
Other operating expenses	A24	(29,065)	(32,388)	(88,221)	(94,493)
<b>(Loss)/profit before taxation</b>		<b>(13,854)</b>	<b>33,358</b>	<b>15,167</b>	<b>88,094</b>
Taxation		2,914	(8,317)	(5,189)	(22,219)
<b>Net (loss)/profit for the financial period</b>		<b>(10,940)</b>	<b>25,041</b>	<b>9,978</b>	<b>65,875</b>
<b>Net (loss)/profit for the financial period attributable to:</b>					
Equity holder of the Bank		<b>(10,940)</b>	<b>25,041</b>	<b>9,978</b>	<b>65,875</b>
(Loss)/earnings per share attributable to:					
Equity holder of the Bank					
- Basic/diluted (sen)	A25	<b>(3.0)</b>	<b>7.3</b>	<b>2.8</b>	<b>19.1</b>

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

	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>31 December</b>	31 December	<b>31 December</b>	31 December
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Net (loss)/profit for the financial period</b>	<b>(10,940)</b>	25,041	<b>9,978</b>	65,875
Other comprehensive (expense)/income: Items that may be reclassified subsequently to profit or loss:				
Revaluation reserve on financial investments at fair value through other comprehensive income ("FVOCI")				
- Net (loss)/gain from change in fair value	<b>(11,746)</b>	1,056	<b>56,767</b>	36,805
- Realised gain transferred to statement of income on disposal	<b>(3,816)</b>	(4,278)	<b>(8,041)</b>	(6,179)
- Transfer from/(to) deferred tax	<b>3,735</b>	774	<b>(11,694)</b>	(7,350)
- Changes in expected credit losses	<b>(15)</b>	(9)	<b>(11)</b>	(1)
Other comprehensive (expense)/income, net of tax	<b>(11,842)</b>	(2,457)	<b>37,021</b>	23,275
<b>Total comprehensive (expense)/income for the financial period</b>	<b>(22,782)</b>	22,584	<b>46,999</b>	89,150
<b>Total comprehensive (expense)/income for the financial period attributable to:</b>				
Equity holder of the Bank	<b>(22,782)</b>	22,584	<b>46,999</b>	89,150

*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 31 December 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	-	-	-	9,978	9,978
Other comprehensive income	-	-	37,021	-	37,021
Total comprehensive income for the financial period	-	-	37,021	9,978	46,999
Transfer from regulatory reserves	-	(31,204)	-	31,204	-
Issue of ordinary shares	200,000	-	-	-	200,000
<b>At 31 December 2020</b>	<b>600,000</b>	<b>3,544</b>	<b>75,946</b>	<b>564,607</b>	<b>1,244,097</b>
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	-	-	-	65,875	65,875
Other comprehensive income	-	-	23,275	-	23,275
Total comprehensive income for the financial period	-	-	23,275	65,875	89,150
Transfer to regulatory reserves	-	12,219	-	(12,219)	-
Dividend paid	-	-	-	(48,031)	(48,031)
At 31 December 2019	400,000	21,279	42,109	528,543	991,931

*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 31 December 2020**

	<b>31 December 2020 RM'000</b>	31 December 2019 RM'000
Profit before taxation	<b>15,167</b>	88,094
Adjustments for non-cash items	<b>94,877</b>	(2,647)
Operating profit before changes in working capital	<b>110,044</b>	85,447
Changes in working capital	<b>4,096</b>	(20,454)
Net tax paid	<b>(12,294)</b>	(31,570)
Zakat paid	<b>(247)</b>	(158)
Net cash generated from operating activities	<b>101,599</b>	33,265
Net cash generated from/(used in) investing activities	<b>78,486</b>	(91,238)
Net cash used in financing activities	<b>(28,159)</b>	(71,350)
Net change in cash and cash equivalents	<b>151,926</b>	(129,323)
Cash and cash equivalents at beginning of financial period	<b>714,632</b>	348,407
Cash and cash equivalents at end of financial period	<b>866,558</b>	219,084
	<b>866,558</b>	219,084

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 third financial quarter and nine months ended 31 December 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 third financial quarter and nine months ended 31 December 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 third financial quarter and nine months ended 31 December 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 third financial quarter and nine months ended 31 December 2020.

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

On 21 December 2020, the Bank allotted and issued 69,204,152 new ordinary shares at an issue price of RM2.89 per share to Alliance Bank Malaysia Berhad for a cash consideration of RM200 million pursuant to approval received from Bank Negara Malaysia on 3 August 2020.

**A7 Dividend Paid**

No dividend has been paid during the third financial quarter and nine months ended 31 December 2020.

**A8 Significant Events**

There were no significant events during the third financial quarter and nine months ended 31 December 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 third financial quarter and nine months ended 31 December 2020.

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

	31 December 2020 RM'000	31 March 2020 RM'000
<b>At fair value</b>		
<u>Money market instruments:</u>		
Malaysian Government investment issues	1,098,566	1,016,589
	<u>1,098,566</u>	<u>1,016,589</u>
<u>Unquoted securities:</u>		
Sukuk	1,248,456	1,285,277
	<u>1,248,456</u>	<u>1,285,277</u>
 Total financial investments at FVOCI	 <u><u>2,347,022</u></u>	 <u><u>2,301,866</u></u>

Movements in allowance for expected credit losses are as follows:

	12 months ECL (Stage 1)	
	31 December 2020 RM'000	31 March 2020 RM'000
At beginning of financial period/year	37	39
New financial investments originated or purchased	-	7
Financial investments derecognised other than write-off	(7)	(1)
Changes due to change in credit risk	(4)	(8)
Total write-back from income statement	(11)	(2)
At end of financial period/year	<u><u>26</u></u>	<u><u>37</u></u>

**A13 Financial Investments at Amortised Cost**

	31 December 2020 RM'000	31 March 2020 RM'000
<b>At amortised cost</b>		
<u>Money market instruments:</u>		
Malaysian Government investment issues	212,407	-
	<u>212,407</u>	<u>-</u>
<u>Unquoted securities:</u>		
Sukuk	81,921	80,853
Less: Allowance for expected credit losses	(243)	(225)
	<u>81,678</u>	<u>80,628</u>
 Total financial investments at amortised cost	 <u><u>294,085</u></u>	 <u><u>80,628</u></u>

Movements in allowance for expected credit losses are as follows:

	12 months ECL (Stage 1)	
	31 December 2020 RM'000	31 March 2020 RM'000
At beginning of financial period/year	225	-
New financial investments originated or purchased	-	109
Changes due to change in credit risk	18	116
Total charge to income statement	18	225
At end of financial period/year	<u><u>243</u></u>	<u><u>225</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 RM'000	Murabahah RM'000	Qard RM'000	Bai` Al-Dayn RM'000	Bai` `Inah RM'000	Total Financing and Advances RM'000
<b>31 December 2020</b>								
<b>At amortised cost</b>								
Cash line financing	24,743	1,370,576	-	-	8,587	-	-	1,403,906
Term financing								
- Housing financing	3,531,585	-	-	-	-	-	-	3,531,585
- Hire purchase receivables <sup>1</sup>	-	-	178,351	-	-	-	-	178,351
- Other term financing	1,982,927	2,005,263	-	-	-	-	155,789	4,143,979
Bills receivables	-	-	-	16,440	-	-	-	16,440
Trust receipts	-	-	-	87,987	-	-	-	87,987
Claims on customers under acceptance credits	-	-	-	519,137	-	84,201	-	603,338
Staff financing (including financing to Directors of RM Nil)	15,503	-	-	-	-	-	-	15,503
Revolving credits <sup>2</sup>	167,775	405,548	-	-	-	-	-	573,323
Gross financing and advances	5,722,533	3,781,387	178,351	623,564	8,587	84,201	155,789	10,554,412
Add: Sales commission and handling fees								47,752
Less: Allowances for expected credit losses on financing and advances								(321,525)
Total net financing and advances								<u>10,280,639</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								
<b>At amortised cost</b>								
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 <sup>1</sup>	-	-	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 <sup>2</sup>	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 RM44,795,000 as at 31 December 2020 (31 March 2020: RM74,795,000).

b) As at 31 December 2020, the modification loss arising from the 6-month payment moratorium and Payment Relief Assistance amounting to RM41,409,000 for the Bank is netted off against the gross financing and advances balance.

<sup>1</sup> 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.

<sup>2</sup> 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

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
At beginning of financial period/year	9,121	5,124
Sources of Qard fund:		
- Shareholders' fund	6,011	13,089
Uses of Qard fund:		
- Personal use	(258)	(462)
- Working capital	(5,693)	(8,630)
- Other	(594)	-
At end of financial period/year	<u>8,587</u>	<u>9,121</u>

(ii) By maturity structure:

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
Within one year	2,718,358	3,345,242
One year to three years	425,841	354,037
Three years to five years	619,856	685,056
Over five years	6,790,357	6,435,621
Gross financing and advances	<u>10,554,412</u>	<u>10,819,956</u>

(iii) By type of customers:

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
Domestic non-bank financial institutions	84,167	64,816
Domestic business enterprises		
- Small and medium enterprises	2,802,901	2,710,603
- Others	1,301,013	1,817,910
Individuals	6,264,944	6,123,563
Other domestic entities	22,872	24,507
Foreign entities	78,515	78,557
Gross financing and advances	<u>10,554,412</u>	<u>10,819,956</u>

(iv) By profit rate sensitivity:

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
Fixed rate		
- House financing	22,548	24,161
- Hire purchase receivables	178,337	214,811
- Other fixed rate financing	1,895,673	2,142,414
Variable rate		
- House financing	3,517,654	3,404,507
- Other variable rate financing	4,940,200	5,034,063
Gross financing and advances	<u>10,554,412</u>	<u>10,819,956</u>

**A14 Financing and Advances (Contd.)**

(v) By economic purposes:

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
Purchase of transport vehicles	154,462	188,433
Purchase of landed property	4,966,579	4,835,794
of which: - Residential	<b>3,599,824</b>	<b>3,494,678</b>
- Non-residential	<b>1,366,755</b>	<b>1,341,116</b>
Purchase of fixed assets excluding land & buildings	53,347	57,272
Personal use	2,663,811	2,604,777
Construction	103,590	96,629
Working capital	2,049,978	2,522,151
Others	562,645	514,900
Gross financing and advances	<b>10,554,412</b>	<b>10,819,956</b>

(vi) By economic sectors:

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
Primary agriculture	380,663	396,825
Mining and quarrying	42,446	47,680
Manufacturing	976,000	1,149,925
Electricity, gas and water	892	649
Construction	244,527	277,987
Wholesale, retail trade, restaurant and hotels	1,370,915	1,500,755
Transport, storage and communication	145,722	175,991
Financing, insurance and business services	973,686	990,721
Community and recreation	74,672	73,942
Household	6,343,459	6,202,120
Others	1,430	3,361
Gross financing and advances	<b>10,554,412</b>	<b>10,819,956</b>

(vii) By geographical distribution:

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
Northern region	941,987	968,397
Central region	7,217,169	7,363,319
Southern region	1,231,922	1,279,947
Sabah region	928,834	887,967
Sarawak region	234,500	320,326
Gross financing and advances	<b>10,554,412</b>	<b>10,819,956</b>

**A14 Financing and Advances (Contd.)**

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

	<b>31 December</b>	31 March
	<b>2020</b>	2020
	<b>RM'000</b>	RM'000
At beginning of financial period/year	<b>232,569</b>	106,925
Impaired during the financial period/year	<b>216,135</b>	331,156
Recovered during the financial period/year	<b>(7,790)</b>	(12,048)
Reclassified as unimpaired during the financial period/year	<b>(65,804)</b>	(104,984)
Financial assets derecognised other than write-off during the financial period/year	<b>(24,493)</b>	(35,961)
Amount written-off	<b>(27,165)</b>	(52,519)
At end of financial period/year	<b>323,452</b>	232,569
Gross impaired financing as % of gross financing and advances	<b>3.06%</b>	2.15%

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

	<b>31 December</b>	31 March
	<b>2020</b>	2020
	<b>RM'000</b>	RM'000
Purchase of transport vehicles	<b>6,268</b>	5,844
Purchase of landed property	<b>165,908</b>	116,660
of which: - Residential	<b>140,346</b>	89,331
- Non-residential	<b>25,562</b>	27,329
Purchase of fixed assets excluding land & buildings	<b>358</b>	352
Personal use	<b>126,142</b>	81,327
Working capital	<b>20,723</b>	25,738
Others	<b>4,053</b>	2,648
Gross impaired financing and advances	<b>323,452</b>	232,569

**A14 Financing and Advances (Contd.)**

(x) Credit impaired loans analysed by economic sectors:

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
Primary agriculture	1,124	1,128
Manufacturing	6,013	7,901
Construction	15,722	14,170
Wholesale, retail trade, restaurants and hotels	26,442	31,689
Transport, storage and communication	2,048	2,048
Financing, insurance, real estate and business services	1,248	1,201
Household	270,855	174,432
Gross impaired financing and advances	<u><u>323,452</u></u>	<u><u>232,569</u></u>

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

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
Northern region	31,632	24,885
Central region	240,907	173,305
Southern region	33,688	24,060
Sabah region	15,013	8,175
Sarawak region	2,212	2,144
Gross impaired financing and advances	<u><u>323,452</u></u>	<u><u>232,569</u></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	43,855	(66,601)	(1,337)	(24,083)
Transfer to Stage 2	(24,508)	113,400	(12,107)	76,785
Transfer to Stage 3	(125)	(33,250)	56,243	22,868
New financial assets originated or purchased	16,066	28,377	3,065	47,508
Financial assets derecognised other than write-off	(15,288)	(35,612)	(5,542)	(56,442)
Changes due to change in credit risk	30,453	47,225	(1,839)	75,839
	50,453	53,539	38,483	142,475
Unwinding of discount	-	-	(3,093)	(3,093)
Total charge to income statement	50,453	53,539	35,390	139,382
Write-off	-	(114)	(16,727)	(16,841)
<b>31 December 2020</b>	<b>82,630</b>	<b>145,517</b>	<b>93,378</b>	<b>321,525</b>
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**

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
Other receivables	2,612	4,406
Deposits	89	89
Prepayment	2,231	2,042
Amount due from holding company	131,892	-
Amount due from related company	3	3
	<u>136,827</u>	<u>6,540</u>
Less:		
Allowance for expected credit losses on other receivables [Note (a)]	<u>(1,906)</u>	<u>(1,749)</u>
	<u><u>134,921</u></u>	<u><u>4,791</u></u>

Note:

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

	<u>Lifetime ECL</u>	
	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
At beginning of financial period/year	1,749	1,641
Changes due to change in credit risk	157	108
At end of financial period/year	<u>1,906</u>	<u>1,749</u>

As at 31 December 2020, the Bank's gross exposure of other receivables that are under lifetime expected credit losses was at RM1,906,000 (31 March 2020: RM1,749,000).



**A16 Deposits from Customers**

**A16a** By type of deposits:

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
Demand deposits		
- Qard	<b>4,814,333</b>	3,422,562
Savings deposits		
- Qard	<b>395,026</b>	339,006
Term deposits		
- Commodity Murabahah	<b>5,222,517</b>	6,364,480
- Negotiable Islamic Debt Certificate		
- Bai' Inah	<b>196,940</b>	512,193
- Money market deposits		
- Commodity Murabahah	<b>825,569</b>	1,043,198
- Other deposits		
- Mudharabah	<b>70,816</b>	77,304
- Wakalah	<b>34,008</b>	34,292
- Qard	<b>31,186</b>	12,110
	<b><u>11,590,395</u></b>	<b><u>11,805,145</u></b>

Included as part of Deposit from Customers is government financing scheme received by the Bank amounting to RM232,500,000 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 the Bank is applied to address the financial and accounting impact incurred from lending at concession rates for COVID-19 related relief measures.

**A16b** By type of customers:

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
Domestic financial institutions	<b>185,499</b>	501,083
Domestic non-bank financial institutions	<b>920,519</b>	881,043
Government and statutory bodies	<b>2,341,485</b>	1,889,921
Business enterprises	<b>3,404,739</b>	4,171,591
Individuals	<b>4,518,606</b>	4,145,593
Foreign entities	<b>110,083</b>	101,894
Others	<b>109,464</b>	114,020
	<b><u>11,590,395</u></b>	<b><u>11,805,145</u></b>

**A16c** The maturity structure of term deposits are as follows:

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
Due within six months	<b>5,022,483</b>	4,998,550
Six months to one year	<b>707,541</b>	1,985,271
One year to three years	<b>464,896</b>	854,103
Three years to five years	<b>186,116</b>	205,653
	<b><u>6,381,036</u></b>	<b><u>8,043,577</u></b>

**A17 Deposits and Placements of Banks and Other Financial Institutions**

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
<b>Non-Mudharabah Fund</b>		
Licensed investment banks	<b>36,366</b>	11,162
Bank Negara Malaysia	<b>203,311</b>	209,689
	<b><u>239,677</u></b>	<b><u>220,851</u></b>

**A18 Other Liabilities**

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
Other payables	<b>89,081</b>	49,118
Bills payable	<b>6,646</b>	5,712
Clearing account	<b>44,317</b>	23,418
Sundry deposits	<b>4,363</b>	4,521
Provision and accruals	<b>4,391</b>	7,891
Amount due to holding company	-	17,871
Amount due to related company	<b>418</b>	835
Allowance for expected credit losses on commitments and contingencies [Note (a)]	<b>14,155</b>	4,454
	<b><u>163,371</u></b>	<b><u>113,820</u></b>

Included as part of Other Liabilities is the deferred benefit recognised on the government financing scheme at below market/concession rates amounting RM19,632,000 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	458	(1,125)	-	(667)
Transfer to Stage 2	(120)	1,109	(3)	986
Transfer to Stage 3	-	(788)	1,620	832
New financial assets originated or purchased	590	276	-	866
Financial assets derecognised other than write-off	(341)	(507)	(70)	(918)
Changes due to change in credit risk	(63)	8,666	-	8,603
Other adjustments	-	(1)	-	(1)
Total charge to income statement	524	7,630	1,547	9,701
<b>At 31 December 2020</b>	<b>1,536</b>	<b>11,071</b>	<b>1,548</b>	<b>14,155</b>
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 31 December 2020, the Bank's gross exposures of commitments and contingencies that are credit impaired was at RM4,276,000 (31 March 2020: RM1,009,000).

**A19 Income Derived from Investment of Depositors' Funds and Others**

	3rd Quarter Ended		Nine Months Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Income derived from investment of:				
(i) Term deposits	<b>80,176</b>	115,373	<b>287,028</b>	327,337
(ii) Other deposits	<b>63,417</b>	56,933	<b>175,792</b>	159,533
	<b>143,593</b>	172,306	<b>462,820</b>	486,870

(i) Income derived from investment of term deposits:

	3rd Quarter Ended		Nine Months Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
<b>Finance income and hibah</b>				
Financing and advances	<b>60,880</b>	87,251	<b>219,337</b>	250,553
Financial investments at fair value through other comprehensive income	<b>11,748</b>	14,771	<b>39,663</b>	42,401
Financial investments at amortised cost	<b>1,602</b>	724	<b>4,244</b>	1,244
Money at call and deposit placements with financial institutions	<b>1,042</b>	2,158	<b>8,031</b>	4,388
	<b>75,272</b>	104,904	<b>271,275</b>	298,586
Accretion of discount less amortisation of premium	<b>664</b>	3,557	<b>3,739</b>	11,233
Total finance income and hibah	<b>75,936</b>	108,461	<b>275,014</b>	309,819
<b>Other operating income</b>				
- Fee income	<b>3,296</b>	4,442	<b>8,835</b>	13,335
- Investment income	<b>842</b>	2,351	<b>2,838</b>	4,034
- Other income	<b>102</b>	119	<b>341</b>	149
	<b>80,176</b>	115,373	<b>287,028</b>	327,337

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 RM1,879,000 (31 December 2019: RM1,027,000).
- 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 Bank has also provided Payment Relief Assistance programmes through a 3 months extended moratorium. The automatic moratorium and Payment Relief Assistance were applicable to financing that are no 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 RM23,562,000 arising from the modification of contractual cash flows of the financing.

The Bank also received a 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 RM23,756,000 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:

	3rd Quarter Ended		Nine Months Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
<b>Finance income and hibah</b>				
Financing and advances	<b>48,250</b>	43,064	<b>134,334</b>	122,110
Financial investments at fair value through other comprehensive income	<b>9,127</b>	7,291	<b>24,292</b>	20,665
Financial investments at amortised cost	<b>1,164</b>	354	<b>2,599</b>	606
Money at call and deposit placements with financial institutions	<b>1,122</b>	1,060	<b>4,919</b>	2,139
	<b>59,663</b>	51,769	<b>166,144</b>	145,520
Accretion of discount less amortisation of premium	<b>619</b>	1,759	<b>2,290</b>	5,475
Total finance income and hibah	<b>60,282</b>	53,528	<b>168,434</b>	150,995
<b>Other operating income</b>				
- Fee income	<b>2,402</b>	2,195	<b>5,411</b>	6,499
- Investment income	<b>654</b>	1,152	<b>1,738</b>	1,966
- Other income	<b>79</b>	58	<b>209</b>	73
	<b>63,417</b>	56,933	<b>175,792</b>	159,533

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 RM1,151,000 (31 December 2019: RM501,000).
- 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 Bank has also provided Payment Relief Assistance programmes through a 3 months extended moratorium. The automatic moratorium and Payment Relief Assistance were applicable to financing that are no 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 RM14,430,000 arising from the modification of contractual cash flows of the financing.

The Bank also received a 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 RM14,549,000 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**

	3rd Quarter Ended		Nine Months Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
<b>Finance income and hibah</b>				
Financing and advances	10,522	11,546	31,812	33,824
Financial investments at fair value through other comprehensive income	2,002	1,955	5,753	5,724
Financial investments at amortised cost	260	97	615	168
Money at call and deposit placements with financial institutions	226	288	1,165	592
	<b>13,010</b>	13,886	<b>39,345</b>	40,308
Accretion of discount less amortisation of premium	129	470	542	1,517
Total finance income and hibah	<b>13,139</b>	14,356	<b>39,887</b>	41,825
<b>Other operating income</b>				
- Fee income	537	587	1,281	1,800
- Investment income	144	315	412	545
- Other income	17	16	49	20
	<b>13,837</b>	15,274	<b>41,629</b>	44,190

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 RM273,000 (31 December 2019: RM138,000).
- 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 Bank has also provided Payment Relief Assistance programmes through a 3 months extended moratorium. The automatic moratorium and Payment Relief Assistance were applicable to financing that are no 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 RM3,417,000 arising from the modification of contractual cash flows of the financing.

The Bank also received a 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 RM3,445,000 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**

	3rd Quarter Ended		Nine Months Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Allowance for expected credit losses on:				
(a) Financing and advances				
- Allowance made during the financial period	<b>71,419</b>	23,215	<b>142,475</b>	64,880
(b) Credit impaired on financing and advances				
- Recovered during the financial period	<b>(3,039)</b>	(3,508)	<b>(7,313)</b>	(9,900)
- Write-off during the financial period	<b>2,466</b>	3,351	<b>11,077</b>	11,047
(c) Commitments and contingencies on financing and advances				
- Allowance made during the financial period	<b>2,187</b>	539	<b>9,701</b>	502
	<b>73,033</b>	23,597	<b>155,940</b>	66,529
Allowance for expected credit losses on other receivables	<b>33</b>	27	<b>157</b>	89
	<b>73,066</b>	23,624	<b>156,097</b>	66,618

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

	3rd Quarter Ended		Nine Months Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
(Write-back of)/allowance for expected credit losses on:				
Financial investments at fair value through other comprehensive income	<b>(15)</b>	(9)	<b>(11)</b>	(1)
Financial investments at amortised cost	<b>(24)</b>	(18)	<b>18</b>	68
	<b>(39)</b>	(27)	<b>7</b>	67

**A23 Income Attributable to the Depositors and Financial Institutions**

	3rd Quarter Ended		Nine Months Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Deposits from customers:				
- Mudharabah fund	<b>312</b>	568	<b>1,039</b>	1,760
- Non-Mudharabah fund	<b>58,651</b>	87,908	<b>209,089</b>	250,237
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	<b>888</b>	934	<b>3,396</b>	3,201
Financing sold to Cagamas	<b>5,982</b>	5,479	<b>21,371</b>	16,495
Other borrowings	-	-	-	42
Subordinated sukuk	<b>3,348</b>	3,344	<b>10,049</b>	10,039
Lease liabilities	<b>11</b>	4	<b>13</b>	14
	<b>69,192</b>	98,237	<b>244,957</b>	281,788

**A24 Other Operating Expenses**

	3rd Quarter Ended		Nine Months Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	16,224	16,617	46,843	49,337
- Contribution to EPF	2,251	2,713	7,599	7,993
- Others	1,098	2,241	4,503	6,243
	<b>19,573</b>	<b>21,571</b>	<b>58,945</b>	<b>63,573</b>
<u>Establishment costs</u>				
- Depreciation on property, plant and equipment	21	25	64	91
- Depreciation on right-of-use assets	64	71	200	212
- Amortisation of computer software	78	68	214	221
- Rental of premises	155	55	249	697
- Water and electricity	284	302	864	901
- Repairs and maintenance	442	281	1,513	1,261
- Information technology expenses	5,578	2,273	11,413	6,440
- Others [Note (a)]	437	3,580	5,887	9,666
	<b>7,059</b>	<b>6,655</b>	<b>20,404</b>	<b>19,489</b>
<u>Marketing expenses</u>				
- Promotion and advertisement	280	509	158	632
- Branding and publicity	178	703	1,189	2,283
- Others	95	200	285	612
	<b>553</b>	<b>1,412</b>	<b>1,632</b>	<b>3,527</b>
<u>Administration and general expenses</u>				
- Communication expenses	609	381	1,760	1,314
- Printing and stationeries	68	91	215	280
- Insurance	-	370	895	1,147
- Professional fees	943	1,329	3,392	3,479
- Others	260	579	978	1,684
	<b>1,880</b>	<b>2,750</b>	<b>7,240</b>	<b>7,904</b>
Total other operating expenses	<b>29,065</b>	<b>32,388</b>	<b>88,221</b>	<b>94,493</b>

Included in the other operating expenses are the Shariah Committee members' remuneration of RM294,000 (31 December 2019: RM244,000).



**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:

	3rd Quarter Ended		Nine Months Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
<b><u>Sharing of Other Operating Expenses</u></b>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	14,673	15,136	42,509	44,546
- Contribution to EPF	2,001	2,474	6,897	7,244
- Others	1,070	1,958	3,931	5,686
	<b>17,744</b>	<b>19,568</b>	<b>53,337</b>	<b>57,476</b>
<u>Establishment costs</u>				
- Rental of premises	155	55	249	697
- Water and electricity	279	298	846	883
- Repairs and maintenance	436	274	1,496	1,244
- Information technology expenses	5,547	2,247	11,310	6,373
- Others [Note (a)]	437	3,572	5,887	9,652
	<b>6,854</b>	<b>6,446</b>	<b>19,788</b>	<b>18,849</b>
<u>Marketing expenses</u>				
- Promotion and advertisement	329	459	156	482
- Branding and publicity	45	422	751	1,107
- Others	93	317	283	587
	<b>467</b>	<b>1,198</b>	<b>1,190</b>	<b>2,176</b>
<u>Administration and general expenses</u>				
- Communication expenses	344	271	1,069	878
- Printing and stationeries	58	80	178	230
- Professional fees	650	830	2,034	2,245
- Others	440	204	878	447
	<b>1,492</b>	<b>1,385</b>	<b>4,159</b>	<b>3,800</b>
Total sharing of other operating expenses	<b>26,557</b>	<b>28,597</b>	<b>78,474</b>	<b>82,301</b>

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

**A25 Earnings Per Share**

**Basic/Diluted**

Basic/diluted earnings per share 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.

	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>31 December</b>	31 December	<b>31 December</b>	31 December
	<b>2020</b>	2019	<b>2020</b>	2019
Net (loss)/profit for the financial period attributable to Equity holder of the Bank (RM'000)	<b>(10,940)</b>	25,041	<b>9,978</b>	65,875
Weighted average numbers of ordinary shares in issue ('000)	<b>368,113</b>	345,045	<b>352,734</b>	345,045
Basic/diluted (loss)/earnings per share (sen)	<b>(3.0)</b>	7.3	<b>2.8</b>	19.1

**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:

	<b>31 December</b>	31 March
	<b>2020</b>	2020
	<b>RM'000</b>	RM'000
<u>Commitments and contingencies</u>		
Direct credit substitutes	<b>180,327</b>	191,836
Transaction-related contingent items	<b>60,622</b>	60,380
Short-term self-liquidating trade-related contingencies	<b>26,853</b>	20,026
Irrevocable commitments to extend credit:		
- maturity exceeding one year	<b>201,587</b>	367,450
- maturity not exceeding one year	<b>2,369,401</b>	1,798,853
	<b>2,838,790</b>	2,438,545

**A27 Capital Adequacy**

The capital adequacy ratios of the Bank is 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 is computed using the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

The Bank has also adopted the transitional arrangements on provisions for expected credit losses in accordance with Bank Negara Malaysia's Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions effective on 9 December 2020, with four financial year base reference date as at 1 January 2020 and add-back factor percentage.

The capital adequacy ratios with and without transitional arrangements for the Bank are as follows:

	<b>31 December 2020</b>	31 March 2020
<u>With transitional arrangements</u>		
CET I capital ratio	<b>15.230%</b>	-
Tier I capital ratio	<b>16.368%</b>	-
Total capital ratio	<b>19.014%</b>	-
<u>Without transitional arrangements</u>		
CET I capital ratio	<b>13.720%</b>	10.507%
Tier I capital ratio	<b>14.858%</b>	11.617%
Total capital ratio	<b>17.504%</b>	14.233%

(a) Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital under the Capital Adequacy Framework with transitional arrangements are as follows:

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
<b><u>CET I Capital/Tier I Capital</u></b>		
Paid-up share capital	<b>600,000</b>	400,000
Retained profits	<b>564,607</b>	523,425
Regulatory reserves	<b>3,544</b>	34,748
FVOCI reserves	<b>75,920</b>	38,888
	<b>1,244,071</b>	997,061
(Less)/add: Regulatory adjustments		
- Intangible assets	<b>(922)</b>	(825)
- 55% of FVOCI reserves	<b>(41,756)</b>	(21,388)
- Regulatory reserves	<b>(3,544)</b>	(34,748)
- Transitional arrangements	<b>131,811</b>	-
Total CET I Capital	<b>1,329,660</b>	940,100
Additional Tier 1 Sukuk Wakalah	<b>99,384</b>	99,271
Total Additional Tier 1 Capital	<b>99,384</b>	99,271
Total Tier I Capital	<b>1,429,044</b>	1,039,371

**A27 Capital Adequacy (Contd.)**

- (a) Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital under the Capital Adequacy Framework with transitional arrangements are as follows: (contd.)

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
<b><u>Tier II Capital</u></b>		
Subordinated Sukuk Murabahah	<b>129,798</b>	129,733
Expected credit losses and regulatory reserves	<b>101,199</b>	104,399
Total Tier II Capital	<b><u>230,997</u></b>	<u>234,132</u>
<b>Total Capital</b>	<b><u>1,660,041</u></b>	<u>1,273,503</u>

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

	<b>31 December 2020 RM'000</b>	31 March 2020 RM'000
Credit risk	<b>8,095,935</b>	8,351,930
Market risk	<b>84</b>	-
Operational risk	<b>634,580</b>	595,399
Total RWA and capital requirements	<b><u>8,730,599</u></b>	<u>8,947,329</u>

## **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 statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. This includes listed equities and corporate debt securities which are actively traded.

#### **(ii) Financial instruments in Level 2**

Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Bank then determines fair value based upon valuation techniques that use 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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
31 December 2020				
<u>Assets</u>				
Financial investments at FVOCI				
- Money market instruments	-	<b>1,098,566</b>	-	<b>1,098,566</b>
- Unquoted securities	-	<b>1,248,456</b>	-	<b>1,248,456</b>
31 March 2020				
<u>Assets</u>				
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 31 December 2020 and 31 March 2020.

## **PART B - Review of Performance & Current Year Prospect**

### **B1 Review of Performance**

#### Profitability

The Bank recorded a net profit after tax (NPAT) of RM10.0 million for the nine months ended 31 December 2020, RM55.9 million or 84.9% lower year-on-year (“YOY”). The lower profits were largely due to higher credit cost.

Net income improved by RM10.2 million or 4.1% YOY. Net profit margin (“NPM”) came in lower at 2.22%, mainly due to Overnight Policy Rate (“OPR”) cuts of 20 bps.

#### Better Financing Growth

The Bank continues to focus on financing from consumer banking. It has tightened its credit underwriting policy to strengthen quality in the face of the COVID-19 pandemic related risks. Gross financing and advances grew 2.4% YOY to RM10.6 billion. Consumer banking grew 4.5% YOY and SME financing expanded by 1.6% YOY.

#### Other Operating Income

The Bank recorded other operating income of RM21.1 million, a decline of RM7.3 million or 25.7% YOY. Unit trust and trade fee income, as well as treasury income decreased by RM6.6 million mainly due to the challenging external environment.

#### Operating Expenses

Operating expenses decreased by RM6.3 million or 6.6% mainly due to our cost-saving initiatives in managing discretionary expenses and moderating compensation costs. Cost to income ratio (“CIR”) decreased by 3.9% to 34.0%. The Bank will continue to focus on its cost-saving efforts as it navigates through the COVID-19 pandemic.

#### Asset Quality

The Bank’s allowance for expected credit losses on financing, advances and other debts increased by RM89.4 million to RM156.1 million as compared to the corresponding nine-month financial period ended 31 December 2019. Included in the allowance for expected credit losses on financing, advances and other debts, the Bank has built up reserves via management overlays amounting to RM78.3 million in anticipation of the COVID-19 economic impact. As a result, the Bank has recorded a net credit cost of 146.1 bps.

We continue to enhance our credit risk framework in each line of business by stratifying customers according to risk levels and prioritising customer calls or visits. We have also provided Payment Relief Assistance programmes to help borrowers while managing the Bank’s credit risk. In addition, the Bank continues to help its customers through the 3 months extended moratorium to those who have lost their source of income.

The Bank will continue to improve its control of credit cost by refining credit policies, tightening credit underwriting and increasing collections efforts. Financing loss coverage (including Regulatory Reserve) was at 100.5%.

#### Healthy Funding and Liquidity Position

Despite the challenging environment, we have grown our deposits base and increased our CASA ratio from 33.3% to 44.9%. Total customer deposits stood at RM11.6 billion, marking a 5.7% growth.

The Bank’s liquidity coverage and financing to fund ratio remained healthy at 130.0% and 83.6% respectively. The Bank will continue to maintain ample liquidity ratios, and ensure sufficient liquidity buffer to mitigate any payment shock risk resulting from the uncertainties caused by COVID-19.

#### Prioritising Capital Conservation

The Bank will continue to prioritise capital conservation in order to support future business expansion, given the uncertainties caused by COVID-19. Including the adoption of Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions by Bank Negara Malaysia and capital injection of RM200.0 million from Alliance Bank Malaysia Berhad, we continue to maintain strong capital levels, with Common Equity Tier-1 (“CET 1”) ratio at 15.2%, Tier-1 Capital ratio at 16.4% and total capital ratio at 19.0%, an improvement of 3.8%.

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

The challenging economic environment for 2020 and the impact of the COVID-19 pandemic on the Malaysian economy will lead to slower overall financing growth and increased credit cost of the Bank. The Bank's net profit margin was also compressed due to the lower OPR levels throughout the year-to-date. Amid all these challenges, the Bank remains focused on two strategic priorities for FY2021: COVID-19 management and the acceleration of its digitisation strategy.

- COVID-19 Management

As at 31 December 2020, we have granted about RM1.5 billion of Payment Relief Assistance, of which 43% are 3 months extended moratoria and 57% are reduced monthly repayment programme. We will continue to grant Payment Relief Assistance as required by our customers' circumstances.

At the same time, we have intensified our engagement with our customers using all available channels, including the newly launched 2-way WhatsApp channel.

In addition, we are also providing non-financial assistance to our business customers by promoting their products and services to the public via BizSmart® Solution and #SupportLokal, and other business assistances via Halal-in-One and SocioBiz.

- Digitisation

We stepped up our digitisation innovation to enable faster, simpler and more responsive interactions with customers. We launched our BizSmart® Mobile App in June 2020 to enable business owners to approve cash and payment transactions on-the-go conveniently. The new mobile app provides the convenience of account management, payments and collections.

We are also the first among Malaysian banks to launch a mobile trade financing solution. Our Alliance BizSmart® eTrade enables business owners to submit Banker's Acceptances or Trust Receipts electronically via the BizSmart® Mobile App. It now represents a quarter of all monthly transactions.

In November 2020, we launched our e-KYC solution which enables individuals to open a savings account instantly, or apply for personal financing entirely remotely. We have also launched our Digital SME Financing which provides a simple, convenient and paperless solution for businesses to apply for financing.

- Keeping 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 flows. 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 collections teams appropriately. In managing its liquidity risk, the Bank continues to maintain ample liquidity coverage and financing to funds ratios, and we are ensuring cash levels at our branches and self-service terminals remain ample 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.