

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

(Incorporated in Malaysia)

Condensed Interim Financial Statements**Unaudited Statement of Financial Position as at 30 June 2017**

| | | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|---|-------------|------------------------------------|-------------------------------------|
| | Note | | |
| ASSETS | | | |
| Cash and short-term funds | | 1,050,237 | 170,255 |
| Financial assets held-for-trading | A12 | 39,953 | 40,694 |
| Financial investments available-for-sale | A13 | 1,612,895 | 2,071,758 |
| Financial investments held-to-maturity | A14 | - | 80,957 |
| Financing and advances | A15 | 7,132,578 | 7,228,622 |
| Other assets | A16 | 32,235 | 23,595 |
| Statutory deposits with Bank Negara Malaysia | | 278,088 | 274,288 |
| Deferred tax assets | | - | 2,083 |
| Property, plant and equipment | | 159 | 185 |
| Intangible assets | | 913 | 914 |
| TOTAL ASSETS | | 10,147,058 | 9,893,351 |
| LIABILITIES AND EQUITY | | | |
| Deposits from customers | A17 | 8,588,482 | 8,686,798 |
| Deposits and placements of banks and other financial institutions | A18 | 222,235 | 213,175 |
| Recourse obligation on financing sold to Cagamas | | 350,459 | - |
| Other liabilities | A19 | 114,576 | 137,332 |
| Provision for taxation | | 1,496 | 5,120 |
| Provision for zakat | | 175 | 206 |
| Deferred tax liabilities | | 1,026 | - |
| TOTAL LIABILITIES | | 9,278,449 | 9,042,631 |
| Share capital | | 345,045 | 345,045 |
| Reserves | | 523,564 | 505,675 |
| TOTAL EQUITY | | 868,609 | 850,720 |
| TOTAL LIABILITIES AND EQUITY | | 10,147,058 | 9,893,351 |
| COMMITMENTS AND CONTINGENCIES | A26 | 1,690,729 | 1,635,756 |

<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 2017>

ALLIANCE ISLAMIC BANK BERHAD
(776882-V)

(Incorporated in Malaysia)

Condensed Interim Financial Statements
**Unaudited Statement of Comprehensive Income
for the Financial Period Ended 30 June 2017**

| | Note | 1st Quarter Ended | | Three Months Ended | |
|---|------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | 30 June 2017 RM'000 | 30 June 2016 RM'000 | 30 June 2017 RM'000 | 30 June 2016 RM'000 |
| Income derived from investment of depositors' funds and others | A20 | 116,298 | 112,380 | 116,298 | 112,380 |
| Income derived from investment of shareholder's funds | A21 | 11,346 | 9,791 | 11,346 | 9,791 |
| Allowance made for losses on financing, advances and other receivables | A22 | (19,286) | (11,157) | (19,286) | (11,157) |
| Total distributable income | | 108,358 | 111,014 | 108,358 | 111,014 |
| Income attributable to the depositors and financial institutions | A23 | (61,995) | (62,939) | (61,995) | (62,939) |
| Total net income | | 46,363 | 48,075 | 46,363 | 48,075 |
| Other operating expenses | A24 | (26,139) | (25,721) | (26,139) | (25,721) |
| Profit before taxation | | 20,224 | 22,354 | 20,224 | 22,354 |
| Taxation | | (5,011) | (5,371) | (5,011) | (5,371) |
| Net profit for the financial period | | 15,213 | 16,983 | 15,213 | 16,983 |
| Other comprehensive income: | | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Revaluation reserve on financial investments available-for-sale | | | | | |
| - Net gain from change in fair value | | 4,493 | 4,118 | 4,493 | 4,118 |
| - Realised gain transferred to statement of income on disposal and impairment | | (765) | (228) | (765) | (228) |
| - Transfer to deferred tax | | (895) | (934) | (895) | (934) |
| Other comprehensive income, net of tax | | 2,833 | 2,956 | 2,833 | 2,956 |
| Total comprehensive income for the financial period | | 18,046 | 19,939 | 18,046 | 19,939 |
| Profit for the financial period attributable to: | | | | | |
| Equity holder of the Bank | | 15,213 | 16,983 | 15,213 | 16,983 |
| Total comprehensive income for the financial period attributable to: | | | | | |
| Equity holder of the Bank | | 18,046 | 19,939 | 18,046 | 19,939 |
| Earnings per share attributable to: | | | | | |
| Equity holder of the Bank | | | | | |
| - basic/diluted (sen) | A25 | 4.4 | 4.9 | 4.4 | 4.9 |

<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 2017>

ALLIANCE ISLAMIC BANK BERHAD
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Condensed Interim Financial Statements
Unaudited Statement of Changes in Equity for the Financial Period Ended 30 June 2017

| | Non-distributable reserves | | | | | Distributable reserves | | |
|---|----------------------------|---------------|--------------------|---------------------|----------------------|---|------------------|----------------|
| | Ordinary shares | Share premium | Statutory reserves | Regulatory reserves | Revaluation reserves | Equity contribution from ultimate holding company | Retained profits | Total equity |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 April 2017 | 345,045 | 54,955 | 224,720 | 9,891 | 151 | 192 | 215,766 | 850,720 |
| Net profit for the financial period | - | - | - | - | - | - | 15,213 | 15,213 |
| Other comprehensive income | - | - | - | - | 2,833 | - | - | 2,833 |
| Total comprehensive income for the financial period | - | - | - | - | 2,833 | - | 15,213 | 18,046 |
| Share-based payment under Employees' Share Scheme ("ESS") | - | - | - | - | - | 24 | - | 24 |
| Payment for ESS recharged from ultimate holding company | - | - | - | - | - | (181) | - | (181) |
| Transfer of ESS recharged difference on shares vested | - | - | - | - | - | (35) | 35 | - |
| Transfer to reserves | - | - | - | (6,825) | - | - | 6,825 | - |
| Transfer to retained profits | - | - | (224,720) | - | - | - | 224,720 | - |
| At 30 June 2017 | 345,045 | 54,955 | - | 3,066 | 2,984 | - | 462,559 | 868,609 |
| At 1 April 2016 | 345,045 | 54,955 | 205,558 | 14,479 | 5,380 | 350 | 187,800 | 813,567 |
| Net profit for the financial period | - | - | - | - | - | - | 16,983 | 16,983 |
| Other comprehensive income | - | - | - | - | 2,956 | - | - | 2,956 |
| Total comprehensive income for the financial period | - | - | - | - | 2,956 | - | 16,983 | 19,939 |
| Share-based payment under ESS | - | - | - | - | - | 63 | - | 63 |
| Payment for ESS recharged from ultimate holding company | - | - | - | - | - | (122) | - | (122) |
| Transfer of ESS recharged difference on shares vested | - | - | - | - | - | (26) | 26 | - |
| Transfer to reserves | - | - | - | (1,783) | - | - | 1,783 | - |
| Dividend paid | - | - | - | - | - | - | (19,668) | (19,668) |
| At 30 June 2016 | 345,045 | 54,955 | 205,558 | 12,696 | 8,336 | 265 | 186,924 | 813,779 |

<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 2017>

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

(Incorporated in Malaysia)

Condensed Interim Financial Statements**Unaudited Statement of Cash Flows****for the Financial Period Ended 30 June 2017**

| | 30 June 2017 RM'000 | 30 June 2016 RM'000 |
|--|------------------------------------|------------------------------------|
| Profit before taxation | 20,224 | 22,354 |
| Adjustments for non-cash items | (5,881) | (8,449) |
| Operating profit before changes in working capital | 14,343 | 13,905 |
| Changes in working capital | (46,730) | (188,693) |
| Taxation paid | (6,421) | (3,133) |
| Zakat paid | (27) | (7) |
| Net cash used in operating activities | (38,835) | (177,928) |
| Net cash generated from investing activities | 568,539 | 218,610 |
| Net cash generated from/(used in) financing activities | 350,278 | (105,135) |
| Net change in cash and cash equivalents | 879,982 | (64,453) |
| Cash and cash equivalents at beginning of the financial year | 170,255 | 1,014,248 |
| Cash and cash equivalents at end of the financial period | 1,050,237 | 949,795 |
| Cash and cash equivalents comprise the following: | | |
| Cash and short term funds | 1,050,237 | 949,795 |

<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 2017>

Explanatory Notes

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

A1 Basis of Preparation

The unaudited condensed interim financial statements for the first financial quarter ended 30 June 2017 have been prepared under the historical cost convention, as modified by the financial investments available-for-sale and financial assets/ liabilities (including derivative instruments) at fair value through profit and loss.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and IAS 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of Alliance Islamic Bank Berhad ("the Bank") for the financial year ended 31 March 2017. 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 2017.

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 2017, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 April 2017:

- Amendments to MFRS 107 "Statement of Cash Flows - Disclosure Initiative"
- Amendments to MFRS 112 "Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses"

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

The following MFRS have been issued by the MASB and are effective for annual period commencing on or after 1 April 2018, and have yet to be adopted by the Bank:

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (effective from 1 January 2018)
- MFRS 9 "Financial Instruments" (effective from 1 January 2018)
- MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018)
- MFRS 16 "Leases" (effective from 1 January 2019)

The preparation of unaudited condensed interim financial statements in conformity with the Malaysian Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed interim financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

A2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2017 was not subject to any qualification.

A3 Seasonality or Cyclicity of Operations

The operations of the Bank was not materially affected by any seasonal or cyclical fluctuations during the first financial quarter ended 30 June 2017.

A4 Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank during the first financial quarter ended 30 June 2017.

A5 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect during the first financial quarter ended 30 June 2017.

A6 Issuance and Repayment of Debt and Equity Securities

There were no issuance nor repayment of debt and equity securities during the first financial quarter ended 30 June 2017.

A7 Dividend Paid

No dividend has been paid or declared since the end of the previous financial year.

A8 Material Event During The Financial Reporting Period

There was no material event during the first financial quarter ended 30 June 2017.

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

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

A10 Related Party Transactions

All related party transactions within the Group have been entered into in the normal course of business and were carried out on normal commercial terms.

A11 Proposed Dividends

No dividend has been proposed or declared for the first financial quarter ended 30 June 2017.

ALLIANCE ISLAMIC BANK BERHAD
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(Incorporated in Malaysia)

A12 Financial assets held-for-trading

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|----------------------------------|------------------------------------|-------------------------------------|
| At fair value | | |
| <u>Money market instruments:</u> | | |
| Commercial papers | 34,918 | - |
| <u>Unquoted securities:</u> | | |
| Sukuk | 5,035 | 40,694 |
| | 39,953 | 40,694 |

A13 Financial investments available-for-sale

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|--|------------------------------------|-------------------------------------|
| At fair value | | |
| <u>Money market instruments:</u> | | |
| Malaysian Government investment certificates | 450,454 | 521,167 |
| Negotiable instruments of deposits | 249,228 | 747,008 |
| <u>Unquoted securities:</u> | | |
| Sukuk | 913,213 | 803,583 |
| | 1,612,895 | 2,071,758 |

A14 Financial investments held-to-maturity

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|--|------------------------------------|-------------------------------------|
| At amortised cost | | |
| <u>Money market instruments:</u> | | |
| Malaysian Government investment certificates | - | 80,957 |

ALLIANCE ISLAMIC BANK BERHAD
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A15 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 Hasan RM'000 | Bai` Al-Dayn RM'000 | Bai` `Inah RM'000 | Total Financing and Advances RM'000 |
|---|------------------------------------|--------------------|--|---------------------|-------------------------|---------------------------|-------------------------|---|
| 30 June 2017 | | | | | | | | |
| Cash line financing | 186,977 | 339,044 | - | - | 722 | - | - | 526,743 |
| Term financing | | | | | | | | |
| - Housing financing | 2,376,732 | - | - | - | - | - | - | 2,376,732 |
| - Hire purchase receivables | - | - | 517,244 | - | - | - | - | 517,244 |
| - Other term financing | 1,889,780 | 666,484 | - | - | - | - | 321,075 | 2,877,339 |
| Bills receivables | - | - | - | 9,016 | - | - | - | 9,016 |
| Trust receipts | - | - | - | 27,795 | - | - | - | 27,795 |
| Claims on customers under acceptance credits | - | - | - | 473,349 | - | 67,048 | - | 540,397 |
| Staff financing | 19,431 | - | - | - | - | - | - | 19,431 |
| Revolving credits* | 296,035 | - | - | - | - | - | - | 296,035 |
| Gross financing and advances | 4,768,955 | 1,005,528 | 517,244 | 510,160 | 722 | 67,048 | 321,075 | 7,190,732 |
| Add: Sales commission and handling fees | | | | | | | | 30,313 |
| Less: Allowances for impairment on financing and advances: | | | | | | | | |
| - Individual assessment allowance | | | | | | | | (5,308) |
| - Collective assessment allowance | | | | | | | | (83,159) |
| Total net financing and advances | | | | | | | | <u>7,132,578</u> |

A15 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 Hasan RM'000 | Bai` Al-Dayn RM'000 | Bai` `Inah RM'000 | Total Financing and Advances RM'000 |
|---|------------------------------------|--------------------|---|---------------------|-------------------------|---------------------------|-------------------------|---|
| 31 March 2017 | | | | | | | | |
| Cash line financing | 205,036 | 309,889 | - | - | 635 | - | - | 515,560 |
| Term financing | | | | | | | | |
| - Housing financing | 2,421,492 | - | - | - | - | - | - | 2,421,492 |
| - Hire purchase receivables | - | - | 535,475 | - | - | - | - | 535,475 |
| - Other term financing | 1,899,842 | 693,938 | - | - | - | - | 335,084 | 2,928,864 |
| Bills receivables | - | - | - | 8,569 | - | - | - | 8,569 |
| Trust receipts | - | - | - | 26,673 | - | - | - | 26,673 |
| Claims on customers under acceptance credits | - | - | - | 481,432 | - | 74,326 | - | 555,758 |
| Staff financing | 19,316 | - | - | - | - | - | - | 19,316 |
| Revolving credits* | 259,712 | - | - | - | - | - | - | 259,712 |
| Gross financing and advances | 4,805,398 | 1,003,827 | 535,475 | 516,674 | 635 | 74,326 | 335,084 | 7,271,419 |
| Add: Sales commission and handling fees | | | | | | | | 37,019 |
| Less: Allowances for impairment on financing and advances: | | | | | | | | |
| - Individual assessment allowance | | | | | | | | (2,480) |
| - Collective assessment allowance | | | | | | | | (77,336) |
| Total net financing and advances | | | | | | | | <u>7,228,622</u> |

* The total Financing and Advances under BBA includes Revolving Credit-I (Murabahah) which substantively adopts a BBA product structure.

A15 Financing and advances (Contd.)

(i) Purpose and source of fund for Qard Hasan Financing

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|-------------------------------------|------------------------------------|-------------------------------------|
| At beginning of financial year | 635 | 813 |
| Sources of Qard Hasan fund: | | |
| - Shareholders' fund | 840 | 3,941 |
| Uses of Qard Hasan fund: | | |
| - Personal use | (102) | (519) |
| - Working capital | (651) | (3,410) |
| - Other | - | (190) |
| At the end of financial period/year | 722 | 635 |

(ii) By maturity structure:

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|------------------------------|------------------------------------|-------------------------------------|
| Within one year | 1,424,335 | 1,395,040 |
| One year to three years | 287,607 | 290,465 |
| Three years to five years | 603,319 | 594,230 |
| Over five years | 4,875,471 | 4,991,684 |
| Gross financing and advances | 7,190,732 | 7,271,419 |

(iii) By type of customers:

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|--|------------------------------------|-------------------------------------|
| Domestic non-bank financial institutions | 60,443 | 50,513 |
| Domestic business enterprises | | |
| - Small and medium enterprises | 2,049,805 | 2,062,115 |
| - Others | 1,143,645 | 1,113,877 |
| Individuals | 3,832,154 | 3,937,127 |
| Other domestic entities | 4,288 | 4,343 |
| Foreign entities | 99,773 | 102,779 |
| Government and statutory bodies | 624 | 665 |
| Gross financing and advances | 7,190,732 | 7,271,419 |

(iv) By profit rate sensitivity:

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|---------------------------------|------------------------------------|-------------------------------------|
| Fixed rate | | |
| - House financing | 33,512 | 35,097 |
| - Hire purchase receivables | 517,244 | 535,475 |
| - Other fixed rate financing | 1,342,152 | 1,391,554 |
| Variable rate | | |
| - House financing | 2,356,047 | 2,399,247 |
| - Other variable rate financing | 2,941,777 | 2,910,046 |
| Gross financing and advances | 7,190,732 | 7,271,419 |

A15 Financing and advances (Contd.)

(v) By economic purposes:

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|---|------------------------------------|-------------------------------------|
| Purchase of transport vehicles | 488,746 | 514,949 |
| Purchase of landed property | 3,558,769 | 3,613,348 |
| of which: - Residential | 2,395,545 | 2,437,865 |
| - Non-residential | 1,163,224 | 1,175,483 |
| Purchase of fixed assets excluding land & buildings | 44,243 | 36,875 |
| Personal use | 1,163,388 | 1,199,243 |
| Construction | 17,021 | 14,610 |
| Working capital | 1,504,789 | 1,436,455 |
| Others | 413,776 | 455,939 |
| Gross financing and advances | 7,190,732 | 7,271,419 |

(vi) By geographical distribution:

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|------------------------------|------------------------------------|-------------------------------------|
| Northern region | 540,228 | 537,035 |
| Central region | 4,934,718 | 5,010,676 |
| Southern region | 1,045,990 | 1,054,634 |
| Sabah region | 505,911 | 500,779 |
| Sarawak region | 163,885 | 168,295 |
| Gross financing and advances | 7,190,732 | 7,271,419 |

(vii) Movements in impaired financing and advances

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|---|------------------------------------|-------------------------------------|
| At beginning of financial year | 51,389 | 108,713 |
| Impaired during the financial period/year | 64,672 | 153,838 |
| Reclassified as unimpaired during the financial period/year | (16,909) | (135,189) |
| Recoveries | (11,662) | (33,613) |
| Amount written off | (10,995) | (42,360) |
| At end of financial period/year | 76,495 | 51,389 |
| Individual allowance for impairment | (5,308) | (2,480) |
| Collective allowance for impairment (impaired portion) | (23,606) | (19,984) |
| Net impaired financing and advances | 47,581 | 28,925 |
| Gross impaired financing as a % of gross financing and advances | 1.1% | 0.7% |

A15 Financing and advances (Contd.)

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

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|--|------------------------------------|-------------------------------------|
| Individual assessment allowance | | |
| At beginning of financial year | 2,480 | 6,470 |
| Net allowance made during the financial period/year | 2,623 | 2,162 |
| Amount written off | - | (6,072) |
| Transfer from/(to) collective assessment allowance (net) | 205 | (80) |
| At end of financial period/year | 5,308 | 2,480 |

Collective assessment allowance

| | | |
|--|---------------|---------------|
| At beginning of financial year | 77,336 | 69,909 |
| Net allowance made during the financial period/year | 17,023 | 43,635 |
| Amount written off | (10,995) | (36,288) |
| Transfer (to)/from individual assessment allowance (net) | (205) | 80 |
| At end of financial period/year | 83,159 | 77,336 |

(ix) Impaired financing and advances by economic purposes:

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|---------------------------------------|------------------------------------|-------------------------------------|
| Purchase of transport vehicles | 4,490 | 3,775 |
| Purchase of landed property | 39,211 | 22,272 |
| of which: - Residential | 20,527 | 16,216 |
| - Non-residential | 18,684 | 6,056 |
| Personal use | 22,979 | 17,954 |
| Working capital | 5,117 | 5,512 |
| Others | 4,698 | 1,876 |
| Gross impaired financing and advances | 76,495 | 51,389 |

(x) Impaired financing and advances by geographical distribution:

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|---------------------------------------|------------------------------------|-------------------------------------|
| Northern region | 2,766 | 2,262 |
| Central region | 57,084 | 36,393 |
| Southern region | 13,293 | 8,733 |
| Sabah region | 2,964 | 3,492 |
| Sarawak region | 388 | 509 |
| Gross impaired financing and advances | 76,495 | 51,389 |

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A16 Other Assets

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|---------------------------------|------------------------------------|-------------------------------------|
| Other receivables | 1,654 | 2,898 |
| Deposits | 76 | 76 |
| Prepayment | 835 | 379 |
| Amount due from holding company | 30,865 | 21,338 |
| | 33,430 | 24,691 |
| Less: | | |
| Allowance for other receivables | (1,195) | (1,096) |
| | 32,235 | 23,595 |

A17 Deposits from Customers

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|---------------------------------------|------------------------------------|-------------------------------------|
| Demand deposits | | |
| - Wadiah | 2,663,344 | 2,284,459 |
| Savings deposits | | |
| - Wadiah | 340,025 | 340,787 |
| Term deposits | | |
| - Commodity Murabahah | 4,043,020 | 4,282,005 |
| - Negotiable Islamic Debt Certificate | | |
| - Bai' Inah | 798,591 | 1,328,415 |
| - Money market deposits | | |
| - Commodity Murabahah | 558,073 | 210,405 |
| - Other deposits | | |
| - Mudharabah | 116,972 | 118,531 |
| - Wakalah | 52,595 | 58,782 |
| - Qard | 15,862 | 63,414 |
| | 8,588,482 | 8,686,798 |

A17 Deposits from Customers (Contd.)

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

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|---------------------------|------------------------------------|-------------------------------------|
| Due within six months | 3,754,400 | 4,243,535 |
| Six months to one year | 1,054,231 | 1,156,955 |
| One year to three years | 418,759 | 404,716 |
| Three years to five years | 357,723 | 256,346 |
| | <u>5,585,113</u> | <u>6,061,552</u> |

- (ii) By type of customers:

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|--|------------------------------------|-------------------------------------|
| Domestic financial institutions | 798,591 | 1,328,416 |
| Government and statutory bodies | 2,184,924 | 2,382,819 |
| Business enterprises | 3,470,767 | 3,111,779 |
| Individuals | 1,552,989 | 1,588,973 |
| Domestic non-bank financial institutions | 424,414 | 172,622 |
| Foreign entities | 58,071 | 54,781 |
| Others | 98,726 | 47,408 |
| | <u>8,588,482</u> | <u>8,686,798</u> |

A18 Deposits and Placements of Banks and Other Financial Institutions

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|----------------------------|------------------------------------|-------------------------------------|
| Non-Mudharabah Fund | | |
| Bank Negara Malaysia | <u>222,235</u> | <u>213,175</u> |

A19 Other Liabilities

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|--|------------------------------------|-------------------------------------|
| Other payables | 33,057 | 32,790 |
| Bills payable | 10,973 | 9,438 |
| Clearing account | 60,435 | 78,101 |
| Sundry deposits | 7,198 | 7,485 |
| Provision and accruals | 1,357 | 8,125 |
| Amount due to ultimate holding company | 226 | 107 |
| Amount due to related company | 1,330 | 1,286 |
| | 114,576 | 137,332 |

A20 Income derived from investment of depositors' funds and others

| | 1st Quarter Ended | | Three Months Ended | |
|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 30 June 2017 RM'000 | 30 June 2016 RM'000 | 30 June 2017 RM'000 | 30 June 2016 RM'000 |
| Income derived from investment of: | | | | |
| (i) Term deposits | 76,528 | 77,569 | 76,528 | 77,569 |
| (ii) Other deposits | 39,770 | 34,811 | 39,770 | 34,811 |
| | 116,298 | 112,380 | 116,298 | 112,380 |

(i) Income derived from investment of term deposits:

| | 1st Quarter Ended | | Three Months Ended | |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 30 June 2017 RM'000 | 30 June 2016 RM'000 | 30 June 2017 RM'000 | 30 June 2016 RM'000 |
| Finance income and hibah | | | | |
| Financing and advances | 57,250 | 59,618 | 57,250 | 59,618 |
| Financial assets held-for-trading | 196 | - | 196 | - |
| Financial investments available-for-sale | 8,026 | 7,041 | 8,026 | 7,041 |
| Financial investments held-to-maturity | 389 | 1,402 | 389 | 1,402 |
| Money at call and deposits placements with financial institutions | 1,008 | 3,740 | 1,008 | 3,740 |
| | 66,869 | 71,801 | 66,869 | 71,801 |
| Accretion of discount less amortisation of premium | 6,262 | 3,432 | 6,262 | 3,432 |
| Total finance income and hibah | 73,131 | 75,233 | 73,131 | 75,233 |
| Other operating income | | | | |
| - Fee income | 2,818 | 2,130 | 2,818 | 2,130 |
| - Other income | 579 | 206 | 579 | 206 |
| | 76,528 | 77,569 | 76,528 | 77,569 |

Included in financing income earned on financing and advances for the current financial period is financing accrued on impaired financing of the Bank amounting to RM7,357 (30.06.2016: RM23,449).

A20 Income derived from investment of depositors' funds and others (Contd.)

(ii) Income derived from investment of other deposits:

| | 1st Quarter Ended | | Three Months Ended | |
|--|--------------------------|----------------|---------------------------|----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2017 | 2016 | 2017 | 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Finance income and hibah | | | | |
| Financing and advances | 29,752 | 26,755 | 29,752 | 26,755 |
| Financial assets held-for-trading | 102 | - | 102 | - |
| Financial investments available-for-sale | 4,171 | 3,160 | 4,171 | 3,160 |
| Financial investments held-to-maturity | 202 | 630 | 202 | 630 |
| Money at call and deposit placements with financial institutions | 524 | 1,678 | 524 | 1,678 |
| | 34,751 | 32,223 | 34,751 | 32,223 |
| Accretion of discount less amortisation of premium | 3,254 | 1,540 | 3,254 | 1,540 |
| Total finance income and hibah | 38,005 | 33,763 | 38,005 | 33,763 |
| Other operating income | | | | |
| - Fee income | 1,464 | 956 | 1,464 | 956 |
| - Other income | 301 | 92 | 301 | 92 |
| | 39,770 | 34,811 | 39,770 | 34,811 |

Included in financing income earned on financing and advances for the current financial period is financing accrued on impaired financing of the Bank amounting to RM3,823 (30.06.2016: RM10,522).

A21 Income derived from investment of shareholder's funds

| | 1st Quarter Ended | | Three Months Ended | |
|--|--------------------------|----------------|---------------------------|----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2017 | 2016 | 2017 | 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Finance income and hibah | | | | |
| Financing and advances | 8,488 | 7,525 | 8,488 | 7,525 |
| Financial assets held-for-trading | 29 | - | 29 | - |
| Financial investments available-for-sale | 1,190 | 889 | 1,190 | 889 |
| Financial investments held-to-maturity | 58 | 177 | 58 | 177 |
| Money at call and deposit placements with financial institutions | 149 | 472 | 149 | 472 |
| | 9,914 | 9,063 | 9,914 | 9,063 |
| Accretion of discount less amortisation of premium | 928 | 433 | 928 | 433 |
| Total finance income and hibah | 10,842 | 9,496 | 10,842 | 9,496 |
| Other operating income | | | | |
| - Fee income | 418 | 269 | 418 | 269 |
| - Other income | 86 | 26 | 86 | 26 |
| | 11,346 | 9,791 | 11,346 | 9,791 |

Included in financing income earned on financing and advances for the current financial period is financing accrued on impaired financing of the Bank amounting to RM1,091 (30.06.2016: RM2,960).

A22 Allowance made for losses on financing, advances and other receivables

| | 1st Quarter Ended | | Three Months Ended | |
|---|--------------------------|----------------|---------------------------|----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2017 | 2016 | 2017 | 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Allowance made for losses on financing, advances and other receivables: | | | | |
| (a) Individual assessment allowance | | | | |
| - Made during the financial period (net) | 2,623 | 114 | 2,623 | 114 |
| (b) Collective assessment allowance | | | | |
| - Made during the financial period (net) | 17,023 | 10,244 | 17,023 | 10,244 |
| (c) Bad debts on financing | | | | |
| - Written off | 2,598 | 2,392 | 2,598 | 2,392 |
| - Recovered | (3,057) | (1,639) | (3,057) | (1,639) |
| | 19,187 | 11,111 | 19,187 | 11,111 |
| Allowance for other receivables, net | 99 | 46 | 99 | 46 |
| | 19,286 | 11,157 | 19,286 | 11,157 |

A23 Income attributable to the depositors and financial institutions

| | 1st Quarter Ended | | Three Months Ended | |
|--|--------------------------|----------------|---------------------------|----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2017 | 2016 | 2017 | 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits from customers: | | | | |
| - Mudharabah fund | 4,542 | 6,009 | 4,542 | 6,009 |
| - Non-Mudharabah fund | 55,944 | 56,374 | 55,944 | 56,374 |
| Deposits and placements of banks and other financial institutions: | | | | |
| - Mudharabah fund | 226 | 10 | 226 | 10 |
| - Non-Mudharabah fund | 824 | 546 | 824 | 546 |
| Financing sold to Cagamas | 459 | - | 459 | - |
| | 61,995 | 62,939 | 61,995 | 62,939 |

A24 Other Operating Expenses

| | 1st Quarter Ended | | Three Months Ended | |
|---|--------------------------|----------------|---------------------------|----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2017 | 2016 | 2017 | 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Personnel costs</u> | | | | |
| - Salaries, allowances and bonuses | 12,950 | 12,390 | 12,950 | 12,390 |
| - Contribution to EPF | 2,026 | 2,012 | 2,026 | 2,012 |
| - Share options/grants under ESS | 24 | 63 | 24 | 63 |
| - Others | 1,107 | 1,442 | 1,107 | 1,442 |
| | 16,107 | 15,907 | 16,107 | 15,907 |
| <u>Establishment costs</u> | | | | |
| - Depreciation on property, plant and equipment | 20 | 19 | 20 | 19 |
| - Amortisation of computer software | 61 | 41 | 61 | 41 |
| - Rental | 1,298 | 1,298 | 1,298 | 1,298 |
| - Repairs and maintenance | 376 | 430 | 376 | 430 |
| - Water and electricity | 849 | 361 | 849 | 361 |
| - Information technology expenses | 1,660 | 1,855 | 1,660 | 1,855 |
| - Others [Note (a)] | 1,340 | 2,168 | 1,340 | 2,168 |
| | 5,604 | 6,172 | 5,604 | 6,172 |
| <u>Marketing expenses</u> | | | | |
| - Promotion and advertisement | 98 | 96 | 98 | 96 |
| - Branding and publicity | 430 | 8 | 430 | 8 |
| - Others | 127 | 158 | 127 | 158 |
| | 655 | 262 | 655 | 262 |
| <u>Administration and general expenses</u> | | | | |
| - Communication expenses | 648 | 598 | 648 | 598 |
| - Printing and stationeries | 116 | 158 | 116 | 158 |
| - Insurance | 312 | 181 | 312 | 181 |
| - Professional fees | 821 | 1,057 | 821 | 1,057 |
| - Others | 1,876 | 1,386 | 1,876 | 1,386 |
| | 3,773 | 3,380 | 3,773 | 3,380 |
| Total other operating expenses | 26,139 | 25,721 | 26,139 | 25,721 |

Included in the other operating expenses are the Shariah Committee members' remuneration of RM79,500 (30.06.2016: RM61,500).

A24 Other Operating Expenses (Contd.)

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

| | 1st Quarter Ended | | Three Months Ended | |
|---|--------------------------|----------------|---------------------------|----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2017 | 2016 | 2017 | 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Sharing of Other Operating Expenses</u> | | | | |
| <u>Personnel costs</u> | | | | |
| - Salaries, allowances and bonuses | 11,709 | 11,321 | 11,709 | 11,321 |
| - Contribution to EPF | 1,833 | 1,847 | 1,833 | 1,847 |
| - Others | 882 | 1,362 | 882 | 1,362 |
| | 14,424 | 14,530 | 14,424 | 14,530 |
| <u>Establishment costs</u> | | | | |
| - Rental | 1,225 | 1,233 | 1,225 | 1,233 |
| - Repairs and maintenance | 372 | 422 | 372 | 422 |
| - Water and electricity | 843 | 356 | 843 | 356 |
| - Information technology expenses | 1,624 | 1,836 | 1,624 | 1,836 |
| - Others [Note (a)] | 1,334 | 2,165 | 1,334 | 2,165 |
| | 5,398 | 6,012 | 5,398 | 6,012 |
| <u>Marketing expenses</u> | | | | |
| - Promotion and advertisement | 83 | 54 | 83 | 54 |
| - Branding and publicity | 394 | 13 | 394 | 13 |
| - Others | 127 | 158 | 127 | 158 |
| | 604 | 225 | 604 | 225 |
| <u>Administration and general expenses</u> | | | | |
| - Communication expenses | 418 | 389 | 418 | 389 |
| - Printing and stationeries | 77 | 107 | 77 | 107 |
| - Professional fees | 589 | 902 | 589 | 902 |
| - Others | 675 | 544 | 675 | 544 |
| | 1,759 | 1,942 | 1,759 | 1,942 |
| Total sharing of other operating expenses | 22,185 | 22,709 | 22,185 | 22,709 |

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

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A25 Earnings per share**Basic/diluted**

Basic/diluted earnings per share amounts are calculated by dividing profit for the financial period attributable to Equity holder of the Bank by the weighted average number of ordinary shares in issue during the financial period.

| | 1st Quarter Ended | | Three Months Ended | |
|--|--------------------------|---------|---------------------------|---------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2017 | 2016 | 2017 | 2016 |
| Net profit for the financial period attributable to Equity holder of the Bank (RM'000) | 15,213 | 16,983 | 15,213 | 16,983 |
| Weighted average number of ordinary shares in issue ('000) | 345,045 | 345,045 | 345,045 | 345,045 |
| Basic/diluted earnings per share (sen) | 4.4 | 4.9 | 4.4 | 4.9 |

A26 Commitments and Contingencies

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

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

| | 30 June | 31 March |
|---|------------------|-----------|
| | 2017 | 2017 |
| | RM'000 | RM'000 |
| <u>Credit-related exposures</u> | | |
| Direct credit substitutes | 114,577 | 108,034 |
| Transaction-related contingent items | 50,490 | 45,963 |
| Short-term self-liquidating trade-related contingencies | 29,754 | 24,339 |
| Irrevocable commitments to extend credit: | | |
| - maturity exceeding one year | 180,675 | 157,730 |
| - maturity not exceeding one year | 1,315,233 | 1,299,690 |
| Total | 1,690,729 | 1,635,756 |

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A27 Capital Adequacy

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

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

| | 30 June 2017 | 31 March 2017 |
|--|-------------------------|--------------------------|
| <u>Before deducting proposed dividends</u> | | |
| CET I/Tier I capital ratio | 13.893% | 13.430% |
| Total capital ratio | 14.919% | 14.509% |
| <u>After deducting proposed dividends</u> | | |
| CET I/Tier I capital ratio | 13.893% | 13.430% |
| Total capital ratio | 14.919% | 14.509% |

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|---|------------------------------------|-------------------------------------|
| <u>CET I Capital</u> | | |
| Paid-up share capital | 345,045 | 345,045 |
| Share premium | 54,955 | 54,955 |
| Retained profits | 447,311 | 215,766 |
| Statutory reserves | - | 224,720 |
| Revaluation reserves | 2,984 | 151 |
| | 850,295 | 840,637 |
| Less: Regulatory adjustments | | |
| - Goodwill and other intangibles | (913) | (914) |
| - Deferred tax assets | - | (2,083) |
| - 55% of revaluation reserves | (1,641) | (83) |
| Total CET I Capital/Total Tier I Capital | 847,741 | 837,557 |
| <u>Tier II Capital</u> | | |
| Collective assessment allowance and regulatory reserves | 62,619 | 67,243 |
| Total Tier II Capital | 62,619 | 67,243 |
| Total Capital | 910,360 | 904,800 |

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

| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
|------------------------------------|------------------------------------|-------------------------------------|
| Credit risk | 5,643,849 | 5,775,795 |
| Market risk | 3,154 | 19,590 |
| Operational risk | 455,090 | 440,869 |
| Total RWA and capital requirements | 6,102,093 | 6,236,254 |

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:

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) 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
- (iii) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. This includes listed equities and corporate debt securities which are actively traded.

(ii) Financial instruments in Level 2

Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include government securities, corporate private debt securities, corporate notes and repurchase agreements.

(iii) Financial instruments in Level 3

The Bank classifies financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include discounted cash flows, and other appropriate valuation models.

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A28 Fair Value Measurements (Contd.)**(b) Financial instruments measured at fair value and the fair value hierarchy**

The following tables show the Bank's financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| 30 June 2017 | | | | |
| Financial assets | | | | |
| Financial assets held-for-trading | | | | |
| - Money Market Instruments | - | 34,918 | - | 34,918 |
| - Unquoted Securities | - | 5,035 | - | 5,035 |
| Financial investments available-for-sale | | | | |
| - Money Market Instruments | - | 699,682 | - | 699,682 |
| - Unquoted Securities | - | 913,213 | - | 913,213 |

31 March 2017

Financial assets

| | | | | |
|--|---|-----------|---|-----------|
| Financial assets held-for-trading | | | | |
| - Unquoted Securities | - | 40,694 | - | 40,694 |
| Financial investments available-for-sale | | | | |
| - Money Market Instruments | - | 1,268,175 | - | 1,268,175 |
| - Unquoted Securities | - | 803,583 | - | 803,583 |

There were no transfers between levels 1 and 2 of the fair value hierarchy for the Bank during the financial period/year ended 30 June 2017 and 31 March 2017.

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PART B - Review of Performance & Current Year Prospect**B1 Review of Performance**

The Bank recorded a net profit after tax of RM15.2 million for the 3 months ended 30 June 2017 on stronger net profit income and other operating income.

Net profit income was higher by RM4.4 million or 8.0% year-on-year due to stronger net profit margins, which increased by 11bps to 250bps, and a 1.6% increase in gross financing.

Other operating income grew by RM2.0 million or 53.8% due to higher income from the available-for-sale investment portfolio, processing fees, trade fees, and service charges.

Gross financing and advances stood at RM7.2 billion, while impaired financing amounted to RM76.5 million. The Bank's overall net impaired financing ratio was 0.7% against the industry average of 1.0%.

Total deposits remained stable year-on-year at RM8.6 billion. The Bank's Current Account and Savings Account (CASA) ratio recorded an increase to 35.0% from 30.2%.

The Bank maintained a Total Capital ratio of 14.9%, while Common Equity Tier 1 and Tier 1 ratios both being at 13.9% as at 30 June 2017.

B2 Current Year Prospect

The outlook for the Islamic Banking industry remains positive with continued growth potential.

The Bank will continue to pursue sustainable value through high quality growth in products with more attractive risk-adjusted returns and cost-efficient deposits while ensuring that portfolio risks are sufficiently monitored and mitigated.

The Bank will also leverage on the Group's strategic client relationships and enhance brand visibility in selected market segments.

The Bank expects that these initiatives will position its businesses for sustainable revenue and profitability for financial year 2018.