

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

(Incorporated in Malaysia)

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

		30 September 2017 RM'000	31 March 2017 RM'000
	Note		
ASSETS			
Cash and short-term funds		1,236,542	170,255
Financial assets held-for-trading	A12	69,617	40,694
Financial investments available-for-sale	A13	1,939,124	2,071,758
Financial investments held-to-maturity	A14	-	80,957
Financing and advances	A15	7,173,871	7,228,622
Other assets	A16	29,644	23,595
Statutory deposits with Bank Negara Malaysia		308,588	274,288
Deferred tax assets		288	2,083
Property, plant and equipment		154	185
Intangible assets		1,200	914
TOTAL ASSETS		10,759,028	9,893,351
LIABILITIES AND EQUITY			
Deposits from customers	A17	8,974,637	8,686,798
Deposits and placements of banks and other financial institutions	A18	234,679	213,175
Recourse obligation on financing sold to Cagamas		350,464	-
Other liabilities	A19	179,719	137,332
Provision for taxation		3,610	5,120
Provision for zakat		126	206
Subordinated Sukuk Murabahah		130,039	-
TOTAL LIABILITIES		9,873,274	9,042,631
Share capital		400,000	345,045
Reserves		485,754	505,675
TOTAL EQUITY		885,754	850,720
TOTAL LIABILITIES AND EQUITY		10,759,028	9,893,351
COMMITMENTS AND CONTINGENCIES	A26	1,800,464	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 September 2017**

		2nd Quarter Ended		Six Months Ended	
		30 September	30 September	30 September	30 September
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	A20	119,456	116,433	235,754	228,813
Income derived from investment of shareholder's funds	A21	11,757	10,494	23,103	20,285
Allowance for losses on financing, advances and other receivables	A22	(16,234)	(8,192)	(35,520)	(19,349)
Total distributable income		114,979	118,735	223,337	229,749
Income attributable to the depositors and financial institutions	A23	(65,318)	(64,745)	(127,313)	(127,684)
Total net income		49,661	53,990	96,024	102,065
Other operating expenses	A24	(26,105)	(25,082)	(52,244)	(50,803)
Profit before taxation		23,556	28,908	43,780	51,262
Taxation		(6,023)	(6,943)	(11,034)	(12,314)
Net profit for the financial period		17,533	21,965	32,746	38,948
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Revaluation reserve on financial investments available-for-sale					
- Net (loss)/gain from change in fair value		(47)	7,627	4,446	11,745
- Realised gain transferred to statement of income on disposal and impairment		(464)	-	(1,229)	(228)
- Transfer from/(to) deferred tax		123	(1,830)	(772)	(2,764)
Other comprehensive income, net of tax		(388)	5,797	2,445	8,753
Total comprehensive income for the financial period		17,145	27,762	35,191	47,701
Profit for the financial period attributable to:					
Equity holder of the Bank		17,533	21,965	32,746	38,948
Total comprehensive income for the financial period attributable to:					
Equity holder of the Bank		17,145	27,762	35,191	47,701
Earnings per share attributable to Equity holder of the Bank					
- basic/diluted (sen)	A25	5.1	6.4	9.5	11.3

<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 September 2017

	Non-distributable reserves					Distributable reserves		
	Ordinary shares	Share premium	Statutory reserves	Regulatory reserves	Revaluation reserves	Equity contribution from 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	-	-	-	-	-	-	32,746	32,746
Other comprehensive income	-	-	-	-	2,445	-	-	2,445
Total comprehensive income for the financial period	-	-	-	-	2,445	-	32,746	35,191
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	24	-	24
Payment for ESS recharged from holding company	-	-	-	-	-	(181)	-	(181)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(35)	35	-
Transfer to pursuant to Companies Act 2016	54,955	(54,955)	-	-	-	-	-	-
Transfer from statutory reserves	-	-	(224,720)	-	-	-	224,720	-
Transfer from regulatory reserves	-	-	-	(7,455)	-	-	7,455	-
At 30 September 2017	400,000	-	-	2,436	2,596	-	480,722	885,754
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	-	-	-	-	-	-	38,948	38,948
Other comprehensive income	-	-	-	-	8,753	-	-	8,753
Total comprehensive income for the financial period	-	-	-	-	8,753	-	38,948	47,701
Share-based payment under ESS	-	-	-	-	-	95	-	95
Payment for ESS recharged from holding company	-	-	-	-	-	(144)	-	(144)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(33)	33	-
Transfer to reserves	-	-	9,737	1,430	-	-	(11,167)	-
Dividend paid	-	-	-	-	-	-	(19,668)	(19,668)
At 30 September 2016	345,045	54,955	215,295	15,909	14,133	268	195,946	841,551

<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)**

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

	30 September 2017 RM'000	30 September 2016 RM'000
Profit before taxation	43,780	51,262
Adjustments for non-cash items	(12,820)	(18,565)
Operating profit before changes in working capital	30,960	32,697
Changes in working capital	302,283	145,196
Taxation paid	(11,521)	(7,383)
Zakat paid	(76)	(26)
Net cash generated from operating activities	321,646	170,484
Net cash generated from investing activities	264,318	145,488
Net cash generated from financing activities	480,323	92,686
Net change in cash and cash equivalents	1,066,287	408,658
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	1,236,542	1,422,906
Cash and cash equivalents comprise the following:		
Cash and short term funds	1,236,542	1,422,906

<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 second quarter and financial half year ended 30 September 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

- 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 Cyclicalities of Operations

The operations of the Bank was not materially affected by any seasonal or cyclical fluctuations during the second quarter and financial half year ended 30 September 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 second quarter and financial half year ended 30 September 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 second quarter and financial half year ended 30 September 2017.

A6 Issuance and Repayment of Debt and Equity Securities

The Bank has established RM180.0 million, thirty (30)-years of Subordinated Sukuk Murabahah Programme on 18 September 2017 and completed its first issuance as below:

Issuance Date	Nominal Amount	Tenure	Call Date	Profit Rate
29 September 2017	RM130.0 million	Ten (10)-years Non-Callable Five (5)-years	29 September 2022 and thereafter on every periodic payment date	5.50% per annum

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 second quarter and financial half year ended 30 September 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.

A11 Proposed Dividends

No dividend has been declared for the second quarter and six months ended 30 September 2017.

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A12 Financial Assets Held-for-Trading

	30 September 2017 RM'000	31 March 2017 RM'000
At fair value		
<u>Money market instruments:</u>		
Commercial papers	59,550	-
Malaysian Government investment certificates	10,067	-
<u>Unquoted securities:</u>		
Sukuk	-	40,694
	69,617	40,694

A13 Financial Investments Available-for-Sale

	30 September 2017 RM'000	31 March 2017 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government investment certificates	602,974	521,167
Commercial papers	34,912	-
Negotiable instruments of deposits	247,268	747,008
<u>Unquoted securities:</u>		
Sukuk	1,053,970	803,583
	1,939,124	2,071,758

A14 Financial Investments Held-to-Maturity

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

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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 September 2017								
Cash line financing	208,233	391,496	-	-	341	-	-	600,070
Term financing								
- Housing financing	2,357,061	-	-	-	-	-	-	2,357,061
- Hire purchase receivables	-	-	490,638	-	-	-	-	490,638
- Other term financing	1,920,599	676,898	-	-	-	-	306,597	2,904,094
Bills receivables	-	-	-	7,362	-	-	-	7,362
Trust receipts	-	-	-	35,334	-	-	-	35,334
Claims on customers under acceptance credits	-	-	-	462,710	-	70,532	-	533,242
Staff financing	19,813	-	-	-	-	-	-	19,813
Revolving credits*	268,181	19,442	-	-	-	-	-	287,623
Gross financing and advances	4,773,887	1,087,836	490,638	505,406	341	70,532	306,597	7,235,237
Add: Sales commission and handling fees								30,728
Less: Allowances for impairment on financing and advances:								
- Individual assessment allowance								(7,800)
- Collective assessment allowance								(84,294)
Total net financing and advances								<u>7,173,871</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 September 2017 RM'000	31 March 2017 RM'000
At beginning of financial period/year	635	813
Sources of Qard Hasan fund:		
- Shareholders' fund	1,718	3,941
Uses of Qard Hasan fund:		
- Personal use	(423)	(519)
- Working capital	(1,589)	(3,410)
- Other	-	(190)
At the end of financial period/year	341	635

(ii) By maturity structure:

	30 September 2017 RM'000	31 March 2017 RM'000
Within one year	1,500,713	1,395,040
One year to three years	279,718	290,465
Three years to five years	648,759	594,230
Over five years	4,806,047	4,991,684
Gross financing and advances	7,235,237	7,271,419

(iii) By type of customers:

	30 September 2017 RM'000	31 March 2017 RM'000
Domestic non-bank financial institutions	80,436	50,513
Domestic business enterprises		
- Small and medium enterprises	2,083,871	2,062,115
- Others	1,165,620	1,113,877
Individuals	3,802,606	3,937,127
Other domestic entities	4,474	4,343
Foreign entities	97,644	102,779
Government and statutory bodies	586	665
Gross financing and advances	7,235,237	7,271,419

(iv) By profit rate sensitivity:

	30 September 2017 RM'000	31 March 2017 RM'000
Fixed rate		
- House financing	33,081	35,097
- Hire purchase receivables	490,638	535,475
- Other fixed rate financing	1,352,939	1,391,554
Variable rate		
- House financing	2,336,855	2,399,247
- Other variable rate financing	3,021,724	2,910,046
Gross financing and advances	7,235,237	7,271,419

A15 Financing and Advances (Contd.)

(v) By economic purposes:

	30 September 2017 RM'000	31 March 2017 RM'000
Purchase of transport vehicles	459,412	514,949
Purchase of landed property	3,556,262	3,613,348
of which: - Residential	2,388,360	2,437,865
- Non-residential	1,167,902	1,175,483
Purchase of fixed assets excluding land & buildings	47,172	36,875
Personal use	1,178,973	1,199,243
Construction	16,628	14,610
Working capital	1,522,864	1,436,455
Others	453,926	455,939
Gross financing and advances	7,235,237	7,271,419

(vi) By geographical distribution:

	30 September 2017 RM'000	31 March 2017 RM'000
Northern region	568,204	537,035
Central region	4,926,282	5,010,676
Southern region	1,050,900	1,054,634
Sabah region	520,004	500,779
Sarawak region	169,847	168,295
Gross financing and advances	7,235,237	7,271,419

(vii) Movements in impaired financing and advances

	30 September 2017 RM'000	31 March 2017 RM'000
At beginning of financial year	51,389	108,713
Impaired during the financial period/year	112,273	153,838
Reclassified as unimpaired during the financial period/year	(35,362)	(135,189)
Recoveries	(16,641)	(33,613)
Amount written off	(23,596)	(42,360)
At end of financial period/year	88,063	51,389
Individual allowance for impairment	(7,800)	(2,480)
Collective allowance for impairment (impaired portion)	(23,438)	(19,984)
Net impaired financing and advances	56,825	28,925
Gross impaired financing as a % of gross financing and advances	1.2%	0.7%

A15 Financing and Advances (Contd.)

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

	30 September 2017 RM'000	31 March 2017 RM'000
Individual assessment allowance		
At beginning of financial period/year	2,480	6,470
Net allowance made during the financial period/year	5,389	2,162
Amount written off	(274)	(6,072)
Transfer from/(to) collective assessment allowance (net)	205	(80)
At end of financial period/year	7,800	2,480
Collective assessment allowance		
At beginning of financial period/year	77,336	69,909
Net allowance made during the financial period/year	30,485	43,635
Amount written off	(23,322)	(36,288)
Transfer (to)/from individual assessment allowance (net)	(205)	80
At end of financial period/year	84,294	77,336

(ix) Impaired financing and advances by economic purposes:

	30 September 2017 RM'000	31 March 2017 RM'000
Purchase of transport vehicles	3,951	3,775
Purchase of landed property	47,362	22,272
of which: - Residential	27,796	16,216
- Non-residential	19,566	6,056
Purchase of fixed assets excluding land & buildings	950	-
Personal use	23,382	17,954
Working capital	7,875	5,512
Others	4,543	1,876
Gross impaired financing and advances	88,063	51,389

(x) Impaired financing and advances by geographical distribution:

	30 September 2017 RM'000	31 March 2017 RM'000
Northern region	3,648	2,262
Central region	64,709	36,393
Southern region	15,723	8,733
Sabah region	3,540	3,492
Sarawak region	443	509
Gross impaired financing and advances	88,063	51,389

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A16 Other Assets

	30 September 2017 RM'000	31 March 2017 RM'000
Other receivables	30,050	2,898
Deposits	76	76
Prepayment	744	379
Amount due from holding company	-	21,338
	30,870	24,691
Less:		
Allowance for other receivables	(1,226)	(1,096)
	29,644	23,595

A17 Deposits from Customers

	30 September 2017 RM'000	31 March 2017 RM'000
Demand deposits		
- Wadiah	2,376,393	2,284,459
Savings deposits		
- Wadiah	332,068	340,787
Term deposits		
- Commodity Murabahah	5,111,114	4,282,005
- Negotiable Islamic Debt Certificate		
- Bai' Inah	742,740	1,328,415
- Money market deposits		
- Commodity Murabahah	197,445	210,405
- Other deposits		
- Mudharabah	111,802	118,531
- Wakalah	51,282	58,782
- Qard	51,793	63,414
	8,974,637	8,686,798

A17 Deposits from Customers (Contd.)

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

	30 September 2017 RM'000	31 March 2017 RM'000
Due within six months	4,595,548	4,243,535
Six months to one year	899,046	1,156,955
One year to three years	448,304	404,716
Three years to five years	323,278	256,346
	<u>6,266,176</u>	<u>6,061,552</u>

- (ii) By type of customers:

	30 September 2017 RM'000	31 March 2017 RM'000
Domestic financial institutions	742,740	1,328,416
Government and statutory bodies	3,297,635	2,382,819
Business enterprises	2,804,298	3,111,779
Individuals	1,531,207	1,588,973
Domestic non-bank financial institutions	500,094	172,622
Foreign entities	53,021	54,781
Others	45,642	47,408
	<u>8,974,637</u>	<u>8,686,798</u>

A18 Deposits and Placements of Banks and Other Financial Institutions

	30 September 2017 RM'000	31 March 2017 RM'000
Non-Mudharabah Fund		
Bank Negara Malaysia	<u>234,679</u>	<u>213,175</u>

A19 Other Liabilities

	30 September 2017 RM'000	31 March 2017 RM'000
Other payables	31,962	32,790
Bills payable	7,445	9,438
Clearing account	44,944	78,101
Sundry deposits	7,291	7,485
Provision and accruals	4,193	8,125
Amount due to holding company	83,453	-
Amount due to related company	431	1,393
	179,719	137,332

A20 Income Derived from Investment of Depositors' Funds and Others

	2nd Quarter Ended		Six Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Income derived from investment of:				
(i) Term deposits	76,017	81,459	152,545	159,028
(ii) Other deposits	43,439	34,974	83,209	69,785
	119,456	116,433	235,754	228,813

(i) Income derived from investment of term deposits:

	2nd Quarter Ended		Six Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Finance income and hibah				
Financing and advances	55,968	60,865	113,218	120,483
Financial assets held-for-trading	29	-	225	-
Financial investments available-for-sale	8,650	7,118	16,683	14,159
Financial investments held-to-maturity	-	1,428	382	2,830
Money at call and deposits placements with financial institutions	4,050	6,071	5,058	9,811
	68,697	75,482	135,566	147,283
Accretion of discount less amortisation of premium	4,305	3,267	10,567	6,699
Total finance income and hibah	73,002	78,749	146,133	153,982
Other operating income				
- Fee income	2,277	2,646	5,095	4,776
- Other income	738	64	1,317	270
	76,017	81,459	152,545	159,028

Included in financing income earned on financing and advances for the current financial period is financing accrued on impaired financing of the Bank amounting to RM101,671 (30.09.2016: RM162,795).

A20 Income Derived from Investment of Depositors' Funds and Others (Contd.)

(ii) Income derived from investment of other deposits:

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances	32,005	26,115	61,757	52,870
Financial assets held-for-trading	21	-	123	-
Financial investments available-for-sale	4,936	3,053	9,100	6,213
Financial investments held-to-maturity	-	612	209	1,242
Money at call and deposit placements with financial institutions	2,235	2,627	2,759	4,305
	39,197	32,407	73,948	64,630
Accretion of discount less amortisation of premium	2,510	1,400	5,764	2,940
Total finance income and hibah	41,707	33,807	79,712	67,570
Other operating income				
- Fee income	1,315	1,140	2,779	2,096
- Other income	417	27	718	119
	43,439	34,974	83,209	69,785

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 RM55,458 (30.09.2016: RM71,437).

A21 Income Derived from Investment of Shareholder's Funds

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances	8,659	7,843	17,147	15,368
Financial assets held-for-trading	5	-	34	-
Financial investments available-for-sale	1,337	917	2,527	1,806
Financial investments held-to-maturity	-	184	58	361
Money at call and deposit placements with financial institutions	617	780	766	1,252
	10,618	9,724	20,532	18,787
Accretion of discount less amortisation of premium	672	422	1,600	855
Total finance income and hibah	11,290	10,146	22,132	19,642
Other operating income				
- Fee income	354	340	772	609
- Other income	113	8	199	34
	11,757	10,494	23,103	20,285

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 RM15,398 (30.09.2016: RM20,765).

A22 Allowance for Losses on Financing, Advances and Other Receivables

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Allowance for losses on financing, advances and other receivables:				
(a) Individual assessment allowance				
- Made during the financial period (net)	2,766	339	5,389	453
(b) Collective assessment allowance				
- Made during the financial period (net)	13,462	7,838	30,485	18,082
(c) Bad debts on financing				
- Written off	2,715	2,209	5,313	4,601
- Recovered	(2,740)	(2,278)	(5,797)	(3,917)
	16,203	8,108	35,390	19,219
Allowance for other receivables, net	31	84	130	130
	16,234	8,192	35,520	19,349

A23 Income Attributable to the Depositors and Financial Institutions

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits from customers:				
- Mudharabah fund	4,587	5,771	9,129	11,780
- Non-Mudharabah fund	55,961	58,323	111,905	114,697
Deposits and placements of banks and other financial institutions:				
- Mudharabah fund	16	15	242	25
- Non-Mudharabah fund	868	636	1,692	1,182
Financing sold to Cagamas	3,847	-	4,306	-
Subordinated Sukuk Murabahah	39	-	39	-
	65,318	64,745	127,313	127,684

A24 Other Operating Expenses

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	13,249	12,286	26,199	24,676
- Contribution to EPF	2,069	1,992	4,095	4,004
- Share options/grants under ESS	-	32	24	95
- Others	1,437	1,674	2,544	3,116
	16,755	15,984	32,862	31,891
<u>Establishment costs</u>				
- Depreciation on property, plant and equipment	21	20	41	39
- Amortisation of computer software	61	56	122	97
- Rental	1,272	1,284	2,570	2,582
- Repairs and maintenance	385	380	761	810
- Water and electricity	453	303	828	664
- Information technology expenses	1,550	1,942	3,210	3,797
- Others [Note (a)]	1,740	1,794	3,554	3,962
	5,482	5,779	11,086	11,951
<u>Marketing expenses</u>				
- Promotion and advertisement	159	125	257	221
- Branding and publicity	200	202	630	210
- Others	128	151	255	309
	487	478	1,142	740
<u>Administration and general expenses</u>				
- Communication expenses	324	395	972	993
- Printing and stationeries	96	100	212	258
- Insurance	177	218	489	399
- Professional fees	1,096	707	1,917	1,764
- Others	1,688	1,421	3,564	2,807
	3,381	2,841	7,154	6,221
Total other operating expenses	26,105	25,082	52,244	50,803

Included in the other operating expenses are the Shariah Committee members' remuneration of RM156,000 (30.09.2016: RM115,500).

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:

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	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	11,769	11,251	23,478	22,572
- Contribution to EPF	1,859	1,826	3,692	3,673
- Others	1,202	1,489	2,084	2,851
	14,830	14,566	29,254	29,096
<u>Establishment costs</u>				
- Rental	1,196	1,220	2,421	2,453
- Repairs and maintenance	381	370	753	792
- Water and electricity	449	299	818	655
- Information technology expenses	1,540	1,933	3,164	3,769
- Others [Note (a)]	1,738	1,787	3,546	3,952
	5,304	5,609	10,702	11,621
<u>Marketing expenses</u>				
- Promotion and advertisement	94	67	177	121
- Branding and publicity	181	150	575	163
- Others	127	150	254	308
	402	367	1,006	592
<u>Administration and general expenses</u>				
- Communication expenses	173	341	591	730
- Printing and stationeries	66	62	143	169
- Professional fees	481	566	1,070	1,468
- Others	410	529	1,085	1,073
	1,130	1,498	2,889	3,440
Total sharing of other operating expenses	21,666	22,040	43,851	44,749

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.

	2nd Quarter Ended		Six Months Ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
Net profit for the financial period attributable to Equity holder of the Bank (RM'000)	17,533	21,965	32,746	38,948
Weighted average number of ordinary shares in issue ('000)	345,045	345,045	345,045	345,045
Basic/diluted earnings per share (sen)	5.1	6.4	9.5	11.3

A26 Commitments and Contingencies

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

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

	30 September	31 March
	2017	2017
	RM'000	RM'000
<u>Credit-related exposures</u>		
Direct credit substitutes	113,921	108,034
Transaction-related contingent items	53,031	45,963
Short-term self-liquidating trade-related contingencies	52,582	24,339
Irrevocable commitments to extend credit:		
- maturity exceeding one year	231,347	157,730
- maturity not exceeding one year	1,349,583	1,299,690
Total	1,800,464	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 September 2017	31 March 2017
<u>Before deducting proposed dividends</u>		
CET I/Tier I capital ratio	14.185%	13.430%
Total capital ratio	17.300%	14.509%
<u>After deducting proposed dividends</u>		
CET I/Tier I capital ratio	14.185%	13.430%
Total capital ratio	17.300%	14.509%

	30 September 2017 RM'000	31 March 2017 RM'000
<u>CET I Capital</u>		
Paid-up share capital	400,000	345,045
Share premium	-	54,955
Retained profits	480,722	215,766
Statutory reserves	-	224,720
Revaluation reserves	2,596	151
	883,318	840,637
Less: Regulatory adjustments		
- Goodwill and other intangibles	(1,200)	(914)
- Deferred tax assets	(288)	(2,083)
- 55% of revaluation reserves	(1,428)	(83)
Total CET I Capital/Total Tier I Capital	880,402	837,557
<u>Tier II Capital</u>		
Subordinated Sukuk Murabahah	130,000	-
Collective assessment allowance and regulatory reserves	63,292	67,243
Total Tier II Capital	193,292	67,243
Total Capital	1,073,694	904,800

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

	30 September 2017 RM'000	31 March 2017 RM'000
Credit risk	5,732,882	5,775,795
Market risk	6,625	19,590
Operational risk	466,980	440,869
Total RWA and capital requirements	6,206,487	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 September 2017				
Financial assets				
Financial assets held-for-trading				
- Money Market Instruments	-	69,617	-	69,617
Financial investments available-for-sale				
- Money Market Instruments	-	885,154	-	885,154
- Unquoted Securities	-	1,053,970	-	1,053,970

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 September 2017 and 31 March 2017.

A29 Credit Transactions And Exposures With Connected Parties

	30 September 2017 RM'000	31 March 2017 RM'000
Outstanding credit exposures with connected parties	1,558	1,788
of which:		
Total credit exposure which is impaired or in default	-	-
Total credit exposures	11,262,067	10,313,322
Percentage of outstanding credit exposures to connected parties:		
- as a proportion of total credit exposures	0.01%	0.02%
- which is impaired or default	0.00%	0.00%

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

PART B - Review of Performance & Current Year Prospect

B1 Review of Performance

The Bank recorded a net profit after tax of RM32.7 million for the 6 months ended 30 September 2017 on stronger net profit income and other operating income, while offset by allowances on financing and advances.

Net profit income was higher by RM7.2 million or 6.3% year-on-year due to stronger net profit margins, which increased by 8bps to 245bps.

Other operating income grew by RM3.0 million or 37.6% due to higher income from the available-for-sale investment portfolio, trade fees, processing fees and wealth management.

Gross financing and advances stood at RM7.2 billion, while impaired financing amounted to RM88.1 million. The Bank's overall net impaired financing ratio was at 0.8%.

Total deposits were recorded at RM9.0 billion. The Bank's Current Account and Savings Account (CASA) ratio remains stable at 30.2%.

The Bank's Total Capital ratio rose to 17.3% as a result of the issuance of a RM130.0 million Subordinated Sukuk Murabahah in September 2017, while Common Equity Tier 1 and Tier 1 ratios are both maintained at 14.2% as at 30 September 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 initiatives for new business growth and enhance its brand visibility in selected market segments.

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