

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

(Incorporated in Malaysia)

Condensed Interim Financial Statements**Unaudited Statement of Financial Position as at 31 December 2017**

		31 December 2017 RM'000	31 March 2017 RM'000
	Note		
ASSETS			
Cash and short-term funds		156,671	170,255
Financial assets held-for-trading	A12	-	40,694
Financial investments available-for-sale	A13	1,973,360	2,071,758
Financial investments held-to-maturity	A14	-	80,957
Financing and advances	A15	7,470,994	7,228,622
Other assets	A16	1,877	23,595
Statutory deposits with Bank Negara Malaysia		283,088	274,288
Deferred tax assets		962	2,083
Property, plant and equipment		362	185
Intangible assets		1,123	914
TOTAL ASSETS		9,888,437	9,893,351
LIABILITIES AND EQUITY			
Deposits from customers	A17	8,048,692	8,686,798
Deposits and placements of banks and other financial institutions	A18	242,303	213,175
Recourse obligation on financing sold to Cagamas		350,514	-
Other liabilities	A19	220,182	137,332
Provision for taxation		2,131	5,120
Provision for zakat		100	206
Subordinated Sukuk Murabahah		131,351	-
TOTAL LIABILITIES		8,995,273	9,042,631
Share capital		400,000	345,045
Reserves		493,164	505,675
TOTAL EQUITY		893,164	850,720
TOTAL LIABILITIES AND EQUITY		9,888,437	9,893,351
COMMITMENTS AND CONTINGENCIES	A26	2,052,123	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
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(Incorporated in Malaysia)

Condensed Interim Financial Statements
**Unaudited Statement of Comprehensive Income
for the Financial Period Ended 31 December 2017**

	Note	3rd Quarter Ended		Nine Months Ended	
		31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Income derived from investment of depositors' funds and others	A20	116,712	114,490	352,466	343,303
Income derived from investment of shareholder's funds	A21	12,716	11,092	35,819	31,377
Allowance for losses on financing, advances and other receivables	A22	(7,402)	(15,720)	(42,922)	(35,069)
Total distributable income		122,026	109,862	345,363	339,611
Income attributable to the depositors and financial institutions	A23	(64,684)	(61,881)	(191,997)	(189,565)
Total net income		57,342	47,981	153,366	150,046
Other operating expenses	A24	(24,972)	(25,179)	(77,216)	(75,982)
Profit before taxation		32,370	22,802	76,150	74,064
Taxation		(6,883)	(5,517)	(17,917)	(17,831)
Net profit for the financial period		25,487	17,285	58,233	56,233
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		(2,246)	(20,372)	2,200	(8,627)
- Realised gain transferred to statement of income on disposal and impairment		-	-	(1,229)	(228)
- Transfer from/(to) deferred tax		539	4,889	(233)	2,125
Other comprehensive (expense)/income, net of tax		(1,707)	(15,483)	738	(6,730)
Total comprehensive income for the financial period		23,780	1,802	58,971	49,503
Profit for the financial period attributable to:					
Equity holder of the Bank		25,487	17,285	58,233	56,233
Total comprehensive income for the financial period attributable to:					
Equity holder of the Bank		23,780	1,802	58,971	49,503
Earnings per share attributable to:					
Equity holder of the Bank					
- basic/diluted (sen)	A25	7.4	5.0	16.9	16.3

<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 31 December 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	-	-	-	-	-	-	58,233	58,233
Other comprehensive income	-	-	-	-	738	-	-	738
Total comprehensive income for the financial period	-	-	-	-	738	-	58,233	58,971
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 to regulatory reserves	-	-	-	2,909	-	-	(2,909)	-
Dividend paid	-	-	-	-	-	-	(16,370)	(16,370)
At 31 December 2017	400,000	-	-	12,800	889	-	479,475	893,164
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	-	-	-	-	-	-	56,233	56,233
Other comprehensive expense	-	-	-	-	(6,730)	-	-	(6,730)
Total comprehensive (expense)/income for the financial period	-	-	-	-	(6,730)	-	56,233	49,503
Share-based payment under ESS	-	-	-	-	-	119	-	119
Payment for ESS recharged from holding company	-	-	-	-	-	(144)	-	(144)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(33)	33	-
Transfer to statutory reserves	-	-	9,737	-	-	-	(9,737)	-
Transfer from regulatory reserves	-	-	-	(5,605)	-	-	5,605	-
Dividend paid	-	-	-	-	-	-	(34,263)	(34,263)
At 31 December 2016	345,045	54,955	215,295	8,874	(1,350)	292	205,671	828,782

<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 31 December 2017**

	31 December 2017 RM'000	31 December 2016 RM'000
Profit before taxation	76,150	74,064
Adjustments for non-cash items	(31,680)	(23,468)
Operating profit before changes in working capital	44,470	50,596
Changes in working capital	(755,145)	(645,463)
Taxation paid	(20,019)	(11,633)
Zakat paid	(102)	(26)
Net cash used in operating activities	(730,796)	(606,526)
Net cash generated from/(used in) investing activities	251,888	(399,345)
Net cash generated from/(used in) financing activities	465,324	(6,489)
Net change in cash and cash equivalents	(13,584)	(1,012,360)
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	156,671	1,888
Cash and cash equivalents comprise the following:		
Cash and short term funds	156,671	1,888

<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 third financial quarter and nine months ended 31 December 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 Cyclical 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 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 third financial quarter and nine months ended 31 December 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 third financial quarter and nine months ended 31 December 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

A first interim dividend of 4.75 sen on 345,045,045 ordinary shares amounting to RM16,370,000 in respect of financial year ending 31 March 2018, was paid on 22 December 2017.

A8 Material Event During The Financial Reporting Period

There was no material event during the third financial quarter and nine months ended 31 December 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 Bank has been entered into in the normal course of business.

A11 Proposed Dividends

No dividend has been proposed or declared for the third financial quarter and nine months ended 31 December 2017.

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A12 Financial Assets Held-for-Trading

	31 December 2017 RM'000	31 March 2017 RM'000
At fair value		
<u>Unquoted securities:</u>		
Sukuk	-	40,694

A13 Financial Investments Available-for-Sale

	31 December 2017 RM'000	31 March 2017 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government investment certificates	654,321	521,167
Commercial papers	39,919	-
Negotiable instruments of deposits	199,135	747,008
<u>Unquoted securities:</u>		
Sukuk	1,079,985	803,583
	1,973,360	2,071,758

A14 Financial Investments Held-to-Maturity

	31 December 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
31 December 2017								
Cash line financing	177,275	504,145	-	-	335	-	-	681,755
Term financing								
- Housing financing	2,378,850	-	-	-	-	-	-	2,378,850
- Hire purchase receivables	-	-	463,612	-	-	-	-	463,612
- Other term financing	1,911,075	707,306	-	-	-	-	293,132	2,911,513
Bills receivables	-	-	-	3,764	-	-	-	3,764
Trust receipts	-	-	-	19,344	-	-	-	19,344
Claims on customers under acceptance credits	-	-	-	540,833	-	65,070	-	605,903
Staff financing	19,318	-	-	-	-	-	-	19,318
Revolving credits*	355,255	88,170	-	-	-	-	-	443,425
Gross financing and advances	4,841,773	1,299,621	463,612	563,941	335	65,070	293,132	7,527,484
Add: Sales commission and handling fees								30,592
Less: Allowances for impairment on financing and advances:								
- Individual assessment allowance								(9,668)
- Collective assessment allowance								(77,414)
Total net financing and advances								<u>7,470,994</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 Bai` Bithaman Ajil ("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

	31 December 2017 RM'000	31 March 2017 RM'000
At beginning of financial period/year	635	813
Sources of Qard Hasan fund:		
- Shareholders' fund	2,924	3,941
Uses of Qard Hasan fund:		
- Personal use	(735)	(519)
- Working capital	(2,489)	(3,410)
- Other	-	(190)
At the end of financial period/year	335	635

(ii) By maturity structure:

	31 December 2017 RM'000	31 March 2017 RM'000
Within one year	1,788,746	1,395,040
One year to three years	389,619	290,465
Three years to five years	551,886	594,230
Over five years	4,797,233	4,991,684
Gross financing and advances	7,527,484	7,271,419

(iii) By type of customers:

	31 December 2017 RM'000	31 March 2017 RM'000
Domestic non-bank financial institutions	77,362	50,513
Domestic business enterprises		
- Small and medium enterprises	2,123,427	2,062,115
- Others	1,345,714	1,113,877
Individuals	3,880,478	3,937,127
Other domestic entities	4,423	4,343
Foreign entities	95,532	102,779
Government and statutory bodies	548	665
Gross financing and advances	7,527,484	7,271,419

(iv) By profit rate sensitivity:

	31 December 2017 RM'000	31 March 2017 RM'000
Fixed rate		
- House financing	32,038	35,097
- Hire purchase receivables	463,612	535,475
- Other fixed rate financing	1,330,489	1,391,554
Variable rate		
- House financing	2,359,274	2,399,247
- Other variable rate financing	3,342,071	2,910,046
Gross financing and advances	7,527,484	7,271,419

A15 Financing and Advances (Contd.)

(v) By economic purposes:

	31 December 2017 RM'000	31 March 2017 RM'000
Purchase of transport vehicles	439,975	514,949
Purchase of landed property	3,552,875	3,613,348
of which: - Residential	2,413,784	2,437,865
- Non-residential	1,139,091	1,175,483
Purchase of fixed assets excluding land & buildings	46,073	36,875
Personal use	1,255,354	1,199,243
Construction	16,238	14,610
Working capital	1,718,581	1,436,455
Others	498,388	455,939
Gross financing and advances	7,527,484	7,271,419

(vi) By geographical distribution:

	31 December 2017 RM'000	31 March 2017 RM'000
Northern region	580,130	537,035
Central region	5,136,605	5,010,676
Southern region	1,055,656	1,054,634
Sabah region	523,843	500,779
Sarawak region	231,250	168,295
Gross financing and advances	7,527,484	7,271,419

(vii) Movements in impaired financing and advances

	31 December 2017 RM'000	31 March 2017 RM'000
At beginning of financial year	51,389	108,713
Impaired during the financial period/year	154,800	153,838
Reclassified as unimpaired during the financial period/year	(58,370)	(135,189)
Recoveries	(25,293)	(33,613)
Amount written off	(34,437)	(42,360)
At end of financial period/year	88,089	51,389
Individual allowance for impairment	(9,668)	(2,480)
Collective allowance for impairment (impaired portion)	(24,097)	(19,984)
Net impaired financing and advances	54,324	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:

	31 December 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	6,872	2,162
Amount written off	(318)	(6,072)
Transfer from/(to) collective assessment allowance (net)	634	(80)
At end of financial period/year	<u>9,668</u>	<u>2,480</u>
Collective assessment allowance		
At beginning of financial year	77,336	69,909
Net allowance made during the financial period/year	34,831	43,635
Amount written off	(34,119)	(36,288)
Transfer (to)/from individual assessment allowance (net)	(634)	80
At end of financial period/year	<u>77,414</u>	<u>77,336</u>

(ix) Impaired financing and advances by economic purposes:

	31 December 2017 RM'000	31 March 2017 RM'000
Purchase of transport vehicles	3,310	3,775
Purchase of landed property	45,898	22,272
of which: - Residential	<u>26,978</u>	<u>16,216</u>
- Non-residential	<u>18,920</u>	<u>6,056</u>
Purchase of fixed assets excluding land & buildings	1,240	-
Personal use	23,154	17,954
Working capital	9,323	5,512
Others	5,164	1,876
Gross impaired financing and advances	<u>88,089</u>	<u>51,389</u>

(x) Impaired financing and advances by geographical distribution:

	31 December 2017 RM'000	31 March 2017 RM'000
Northern region	2,483	2,262
Central region	65,717	36,393
Southern region	16,576	8,733
Sabah region	3,088	3,492
Sarawak region	225	509
Gross impaired financing and advances	<u>88,089</u>	<u>51,389</u>

A16 Other Assets

	31 December 2017 RM'000	31 March 2017 RM'000
Other receivables	2,271	2,898
Deposits	76	76
Prepayment	829	379
Amount due from holding company	-	21,338
	3,176	24,691
Less:		
Allowance for other receivables	(1,299)	(1,096)
	1,877	23,595

A17 Deposits from Customers

	31 December 2017 RM'000	31 March 2017 RM'000
Demand deposits		
- Wadiah	2,379,956	2,284,459
Savings deposits		
- Wadiah	325,270	340,787
Term deposits		
- Commodity Murabahah	3,606,604	4,282,005
- Negotiable Islamic Debt Certificate		
- Bai' Inah	990,177	1,328,415
- Money market deposits		
- Commodity Murabahah	459,969	210,405
- Other deposits		
- Mudharabah	109,062	118,531
- Wakalah	49,764	58,782
- Qard	127,890	63,414
	8,048,692	8,686,798

A17 Deposits from Customers (Contd.)

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

	31 December 2017 RM'000	31 March 2017 RM'000
Due within six months	3,683,052	4,243,535
Six months to one year	866,251	1,156,955
One year to three years	566,523	404,716
Three years to five years	227,640	256,346
	<u>5,343,466</u>	<u>6,061,552</u>

- (ii) By type of customers:

	31 December 2017 RM'000	31 March 2017 RM'000
Domestic financial institutions	990,177	1,328,416
Government and statutory bodies	2,153,675	2,382,819
Business enterprises	2,786,595	3,111,779
Individuals	1,465,507	1,588,973
Domestic non-bank financial institutions	550,869	172,622
Foreign entities	52,322	54,781
Others	49,547	47,408
	<u>8,048,692</u>	<u>8,686,798</u>

A18 Deposits and Placements of Banks and Other Financial Institutions

	31 December 2017 RM'000	31 March 2017 RM'000
Non-Mudharabah Fund		
Bank Negara Malaysia	<u>242,303</u>	<u>213,175</u>

A19 Other Liabilities

	31 December 2017 RM'000	31 March 2017 RM'000
Other payables	38,315	32,790
Bills payable	6,497	9,438
Clearing account	76,825	78,101
Sundry deposits	8,088	7,485
Provision and accruals	6,531	8,125
Amount due to holding company	83,351	-
Amount due to related company	575	1,393
	220,182	137,332

A20 Income Derived from Investment of Depositors' Funds and Others

	3rd Quarter Ended		Nine Months Ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Income derived from investment of:				
(i) Term deposits	74,885	77,672	227,430	236,700
(ii) Other deposits	41,827	36,818	125,036	106,603
	116,712	114,490	352,466	343,303

(i) Income derived from investment of term deposits:

	3rd Quarter Ended		Nine Months Ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Finance income and hibah				
Financing and advances	56,967	59,437	170,185	179,920
Financial assets held-for-trading	41	-	266	-
Financial investments available-for-sale	10,139	8,019	26,822	22,178
Financial investments held-to-maturity	-	915	382	3,745
Money at call and deposits placements with financial institutions	1,015	2,572	6,073	12,383
	68,162	70,943	203,728	218,226
Accretion of discount less amortisation of premium	4,197	4,054	14,764	10,753
Total finance income and hibah	72,359	74,997	218,492	228,979
Other operating income				
- Fee income	2,435	2,593	7,530	7,369
- Other income	91	82	1,408	352
	74,885	77,672	227,430	236,700

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 RM89,579 (31.12.2016: RM316,575).

A20 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	31 December	31 December	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances	31,807	28,161	93,564	81,031
Financial assets held-for-trading	24	-	147	-
Financial investments available-for-sale	5,646	3,776	14,746	9,989
Financial investments held-to-maturity	-	444	209	1,686
Money at call and deposit placements with financial institutions	580	1,273	3,339	5,578
	38,057	33,654	112,005	98,284
Accretion of discount less amortisation of premium	2,353	1,903	8,117	4,843
Total finance income and hibah	40,410	35,557	120,122	103,127
Other operating income				
- Fee income	1,361	1,222	4,140	3,318
- Other income	56	39	774	158
	41,827	36,818	125,036	106,603

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 RM49,249 (31.12.2016: RM142,578).

A21 Income Derived from Investment of Shareholder's Funds

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances	9,656	8,482	26,803	23,850
Financial assets held-for-trading	8	-	42	-
Financial investments available-for-sale	1,697	1,134	4,224	2,940
Financial investments held-to-maturity	2	135	60	496
Money at call and deposit placements with financial institutions	191	390	957	1,642
	11,554	10,141	32,086	28,928
Accretion of discount less amortisation of premium	725	570	2,325	1,425
Total finance income and hibah	12,279	10,711	34,411	30,353
Other operating income				
- Fee income	414	368	1,186	977
- Other income	23	13	222	47
	12,716	11,092	35,819	31,377

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 RM14,108 (31.12.2016: RM41,964).

A22 Allowance for Losses on Financing, Advances and Other Receivables

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	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)	1,483	926	6,872	1,379
(b) Collective assessment allowance				
- Made during the financial period (net)	4,346	15,018	34,831	33,100
(c) Bad debts on financing				
- Written off	2,575	1,953	7,888	6,554
- Recovered	(1,075)	(2,256)	(6,872)	(6,173)
	7,329	15,641	42,719	34,860
Allowance for other receivables, net	73	79	203	209
	7,402	15,720	42,922	35,069

A23 Income Attributable to the Depositors and Financial Institutions

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits from customers:				
- Mudharabah fund	2,864	5,839	11,993	17,619
- Non-Mudharabah fund	54,717	55,118	166,622	169,815
Deposits and placements of banks and other financial institutions:				
- Mudharabah fund	500	215	742	240
- Non-Mudharabah fund	902	709	2,594	1,891
Financing sold to Cagamas	3,888	-	8,194	-
Subordinated Sukuk Murabahah	1,813	-	1,852	-
	64,684	61,881	191,997	189,565

A24 Other Operating Expenses

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	12,286	11,995	38,485	36,671
- Contribution to EPF	1,995	1,972	6,090	5,976
- Share options/grants under ESS	-	24	24	119
- Others	1,768	1,816	4,312	4,932
	16,049	15,807	48,911	47,698
<u>Establishment costs</u>				
- Depreciation on property, plant and equipment	29	20	70	59
- Amortisation of computer software	64	62	186	159
- Rental	1,256	1,290	3,826	3,872
- Repairs and maintenance	250	420	1,011	1,230
- Water and electricity	255	303	1,083	967
- Information technology expenses	1,515	1,883	4,725	5,680
- Others [Note (a)]	1,698	1,958	5,252	5,920
	5,067	5,936	16,153	17,887
<u>Marketing expenses</u>				
- Promotion and advertisement	56	81	313	302
- Branding and publicity	117	340	747	550
- Others	135	151	390	460
	308	572	1,450	1,312
<u>Administration and general expenses</u>				
- Communication expenses	368	497	1,340	1,490
- Printing and stationeries	88	110	300	368
- Insurance	237	218	726	617
- Professional fees	1,059	795	2,976	2,559
- Others	1,796	1,244	5,360	4,051
	3,548	2,864	10,702	9,085
Total other operating expenses	24,972	25,179	77,216	75,982

Included in the other operating expenses are the Shariah Committee members' remuneration of RM235,500 (31.12.2016: RM169,500).

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:

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	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	11,176	10,890	34,654	33,462
- Contribution to EPF	1,820	1,799	5,512	5,472
- Others	1,600	1,563	3,684	4,414
	14,596	14,252	43,850	43,348
<u>Establishment costs</u>				
- Rental	1,178	1,225	3,599	3,678
- Repairs and maintenance	244	414	997	1,206
- Water and electricity	252	299	1,070	954
- Information technology expenses	1,500	1,875	4,664	5,644
- Others [Note (a)]	1,698	1,952	5,244	5,904
	4,872	5,765	15,574	17,386
<u>Marketing expenses</u>				
- Promotion and advertisement	26	69	203	190
- Branding and publicity	107	326	682	489
- Others	133	150	387	458
	266	545	1,272	1,137
<u>Administration and general expenses</u>				
- Communication expenses	267	463	858	1,193
- Printing and stationeries	70	71	213	240
- Professional fees	516	557	1,586	2,025
- Others	297	381	1,382	1,454
	1,150	1,472	4,039	4,912
Total sharing of other operating expenses	20,884	22,034	64,735	66,783

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.

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
Net profit for the financial period attributable to Equity holder of the Bank (RM'000)	25,487	17,285	58,233	56,233
Weighted average number of ordinary shares in issue ('000)	345,045	345,045	345,045	345,045
Basic/diluted earnings per share (sen)	7.4	5.0	16.9	16.3

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:

	31 December	31 March
	2017	2017
	RM'000	RM'000
<u>Credit-related exposures</u>		
Direct credit substitutes	139,487	108,034
Transaction-related contingent items	61,550	45,963
Short-term self-liquidating trade-related contingencies	41,937	24,339
Irrevocable commitments to extend credit:		
- maturity exceeding one year	307,704	157,730
- maturity not exceeding one year	1,501,445	1,299,690
Total	2,052,123	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:

	31 December 2017	31 March 2017
<u>Before deducting proposed dividends</u>		
CET I/Tier I capital ratio	13.085%	13.430%
Total capital ratio	16.088%	14.509%
<u>After deducting proposed dividends</u>		
CET I/Tier I capital ratio	13.085%	13.430%
Total capital ratio	16.088%	14.509%

	31 December 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	453,988	215,766
Statutory reserves	-	224,720
Revaluation reserves	889	151
	854,877	840,637
Less: Regulatory adjustments		
- Goodwill and other intangibles	(1,123)	(914)
- Deferred tax assets	(962)	(2,083)
- 55% of revaluation reserves	(489)	(83)
Total CET I Capital/Total Tier I Capital	852,303	837,557
<u>Tier II Capital</u>		
Subordinated Sukuk Murabahah	129,510	-
Collective assessment allowance and regulatory reserves	66,117	67,243
Total Tier II Capital	195,627	67,243
Total Capital	1,047,930	904,800

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

	31 December 2017 RM'000	31 March 2017 RM'000
Credit risk	6,036,031	5,775,795
Market risk	-	19,590
Operational risk	477,726	440,869
Total RWA and capital requirements	6,513,757	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
31 December 2017				
Financial assets				
Financial investments available-for-sale				
- Money Market Instruments	-	893,375	-	893,375
- Unquoted Securities	-	1,079,985	-	1,079,985
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 31 December 2017 and 31 March 2017.

PART B - Review of Performance & Current Year Prospect

B1 Review of Performance

The Bank recorded a net profit after tax of RM58.2 million for the 9 months ended 31 December 2017 on stronger net profit income and other operating income, offset by allowances on financing and advances.

Net profit income was higher by RM8.1 million or 4.7% year-on-year due to stronger net profit margins, which increased by 5bps to 246bps.

Other operating income grew by RM3.0 million or 24.9% due to higher income from the available-for-sale investment portfolio, trade fees, processing fees and wealth management.

Gross financing and advances stood at RM7.5 billion, while impaired financing amounted to RM88.1 million. The Bank's overall net impaired financing ratio was at 0.7%.

Total deposits were recorded at RM8.0 billion. The Bank's Current Account and Savings Account (CASA) ratio remains stable at 33.6%.

The Bank's Total Capital ratio rose to 16.1% 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 were both maintained at 13.1% as at 31 December 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 better risk-adjusted returns and more cost-efficient deposits while ensuring that portfolio risks are sufficiently monitored and mitigated. The Bank's non-financing business is expected to further supplement financing revenues through increased contributions from bancatakaful and wealth management.

The Bank will also leverage on the Group's strategic initiatives to expand its business proposition and enhance brand visibility in selected market segments.

The Bank expects that these actions will position its businesses for sustainable revenue and profitability for financial year ending 31 March 2018.