

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

(Incorporated in Malaysia)

Condensed Interim Financial Statements**Unaudited Statement of Financial Position as at 30 June 2018**

		30 June 2018 RM'000	31 March 2018 RM'000
	Note		
ASSETS			
Cash and short-term funds		906,556	1,290,567
Financial assets at fair value through profit or loss	A12	35,324	-
Financial investments at fair value through other comprehensive income	A13	2,121,084	-
Financial investments available-for-sale	A14	-	1,772,502
Financing and advances	A15	8,263,143	8,027,331
Other assets	A16	2,637	2,064
Statutory deposits with Bank Negara Malaysia		288,388	276,888
Property, plant and equipment		309	331
Deferred tax assets		15,246	1,250
Intangible assets		1,042	1,058
TOTAL ASSETS		11,633,729	11,371,991
LIABILITIES AND EQUITY			
Deposits from customers	A17	9,734,661	9,439,065
Deposits and placements of banks and other financial institutions	A18	245,463	243,848
Recourse obligation on financing sold to Cagamas		500,649	500,667
Other liabilities	A19	144,760	138,200
Provision for taxation		285	465
Provision for zakat		316	252
Subordinated Sukuk Murabahah		131,395	129,602
TOTAL LIABILITIES		10,757,529	10,452,099
Share capital		400,000	400,000
Reserves		476,200	519,892
TOTAL EQUITY		876,200	919,892
TOTAL LIABILITIES AND EQUITY		11,633,729	11,371,991
COMMITMENTS AND CONTINGENCIES	A26	2,186,529	2,040,121

<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 2018>

ALLIANCE ISLAMIC BANK BERHAD

(776882-V)

(Incorporated in Malaysia)

Condensed Interim Financial Statements

Unaudited Statement of Income

for the Financial Period Ended 30 June 2018

		1st Quarter Ended		Three Months Ended	
		30 June	30 June	30 June	30 June
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	A20	139,115	116,298	139,115	116,298
Income derived from investment of shareholder's funds	A21	13,060	11,346	13,060	11,346
Allowance for credit losses on financing, advances and other receivables	A22	(3,299)	(19,286)	(3,299)	(19,286)
Write-back for credit losses on other assets		20	-	20	-
Total distributable income		148,896	108,358	148,896	108,358
Income attributable to the depositors and financial institutions	A23	(83,106)	(61,995)	(83,106)	(61,995)
Total net income		65,790	46,363	65,790	46,363
Other operating expenses	A24	(27,191)	(26,139)	(27,191)	(26,139)
Profit before taxation		38,599	20,224	38,599	20,224
Taxation		(8,707)	(5,011)	(8,707)	(5,011)
Net profit for the financial period		29,892	15,213	29,892	15,213
Profit for the financial period attributable to:					
Equity holder of the Bank		29,892	15,213	29,892	15,213
Earnings per share attributable to Equity holder of the Bank					
- basic/diluted (sen)	A25	8.7	4.4	8.7	4.4

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ALLIANCE ISLAMIC BANK BERHAD

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Condensed Interim Financial Statements

Unaudited Statement of Comprehensive Income

for the Financial Period Ended 30 June 2018

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	29,892	15,213	29,892	15,213
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Revaluation reserve on financial investments at fair value through other comprehensive income ("FVOCI")				
- Net loss from change in fair value	(3,685)	-	(3,685)	-
- Realised gain transferred to statement of income on disposal and write-back of credit losses	(20)	-	(20)	-
- Transfer from deferred tax	884	-	884	-
	<u>(2,821)</u>	<u>-</u>	<u>(2,821)</u>	<u>-</u>
Revaluation reserve on financial investments available-for-sale				
- Net gain from change in fair value	-	4,493	-	4,493
- Realised gain transferred to statement of income on disposal and impairment	-	(765)	-	(765)
- Transfer to deferred tax	-	(895)	-	(895)
	<u>-</u>	<u>2,833</u>	<u>-</u>	<u>2,833</u>
Other comprehensive (expense)/income, net of tax	<u>(2,821)</u>	2,833	<u>(2,821)</u>	2,833
Total comprehensive income for the financial period	27,071	18,046	27,071	18,046
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	<u>27,071</u>	<u>18,046</u>	<u>27,071</u>	<u>18,046</u>

<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 2018>

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 2018

	Non-distributable reserves				Distributable reserve	
	Ordinary shares RM'000	Regulatory reserves RM'000	FVOCI reserves RM'000	Revaluation reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2018						
As previously stated	400,000	21,430	-	246	498,216	919,892
Effect of adoption of MFRS 9	-	(21,430)	319	(246)	(22,976)	(44,333)
As restated	400,000	-	319	-	475,240	875,559
Net profit for the financial period	-	-	-	-	29,892	29,892
Other comprehensive expense	-	-	(2,821)	-	-	(2,821)
Total comprehensive (expense)/income for the financial period	-	-	(2,821)	-	29,892	27,071
Transfer to regulatory reserves	-	3,440	-	-	(3,440)	-
Dividend paid	-	-	-	-	(26,430)	(26,430)
At 30 June 2018	400,000	3,440	(2,502)	-	475,262	876,200

<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 2018>

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 2018 (Contd.)

	Non-distributable reserves					Distributable reserve		
	Ordinary shares RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000	Revaluation reserves RM'000	Equity contribution from former ultimate holding company RM'000	Retained profits RM'000	Total equity 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 former ultimate holding company	-	-	-	-	-	(181)	-	(181)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(35)	35	-
Transfer from reserves	-	-	(224,720)	(6,825)	-	-	231,545	-
At 30 June 2017	345,045	54,955	-	3,066	2,984	-	462,559	868,609

<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 2018>

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 June 2018**

	30 June 2018 RM'000	30 June 2017 RM'000
Profit before taxation	38,599	20,224
Adjustments for non-cash items	(23,946)	(5,881)
Operating profit before changes in working capital	14,653	14,343
Changes in working capital	(40,600)	(46,730)
Taxation paid	(7,977)	(6,421)
Zakat paid	(144)	(27)
Net cash used in operating activities	(34,068)	(38,835)
Net cash (used in)/generated from investing activities	(325,299)	568,539
Net cash (used in)/generated from financing activities	(24,644)	350,278
Net change in cash and cash equivalents	(384,011)	879,982
Cash and cash equivalents at beginning of the financial year	1,290,567	170,255
Cash and cash equivalents at end of the financial period	906,556	1,050,237
Cash and cash equivalents comprise the following:		
Cash and short term funds	906,556	1,050,237

<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 2018>

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 and three months ended 30 June 2018 have been prepared under the historical cost convention.

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 2018. 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 2018.

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 2018, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 April 2018:

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- Annual Improvements to MFRSs 2014 - 2016 Cycles
 - Amendments to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

The adoption of the above standards, amendments to published standards and interpretation to existing standards are not anticipated to have any significant impact on the financial statements of the Bank other than the impact are shown in Note A29.

The following MFRS have been issued by the MASB and are effective for annual period commencing on or after 1 April 2019, and have yet to be adopted by the Bank:

- MFRS 16 "Leases" (effective from 1 January 2019)
- MFRS 9 "Prepayment features with negative compensation" (effective from 1 January 2019)
- Annual Improvement to MFRS's 2015-2017 Cycle (effective from 1 January 2019)
 - Amendments to MFRS 3 "Business Combinations"
 - Amendments MFRS 11 "Joint Arrangements"
 - Amendments to MFRS 112 "Income Taxes"
 - Amendments to MFRS 123 "Borrowing Costs"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments" (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 2018 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 first financial quarter and three months ended 30 June 2018.

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 and three months ended 30 June 2018.

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 and three months ended 30 June 2018.

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 and three months ended 30 June 2018.

A7 Dividend Paid

A second interim dividend of 7.66 sen on 345,045,045 ordinary shares amounting to RM26,430,000 in respect of financial year ending 31 March 2018, was paid on 21 June 2018.

A8 Material Event During The Financial Reporting Period

There was no material event during the first financial quarter and three months ended 30 June 2018.

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 first financial quarter and three months ended 30 June 2018.

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A12 Financial Assets at Fair Value through Profit or Loss ("FVTPL")

	30 June 2018 RM'000	31 March 2018 RM'000
At fair value		
<u>Money market instruments:</u>		
Commercial papers	14,976	-
	14,976	-
<u>Unquoted securities:</u>		
Sukuk	20,348	-
	20,348	-
Total financial assets mandatorily measured at FVTPL	35,324	-

The financial assets at FVTPL category was introduced upon the adoption of MFRS 9 on 1 April 2018. Comparative figures are not restated in line with transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A29.

A13 Financial Investments at Fair Value through Other Comprehensive Income

	30 June 2018 RM'000	31 March 2018 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government investment issues	739,277	-
Commercial papers	14,976	-
Negotiable instruments of deposits	288,727	-
	1,042,980	-
<u>Unquoted securities:</u>		
Sukuk	1,078,104	-
	1,078,104	-
Total financial investments mandatorily at FVOCI	2,121,084	-

The financial investments at FVOCI category was introduced upon the adoption of MFRS 9 on 1 April 2018. Comparative figures are not restated in line with transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A29.

Movements in allowances for impairment which reflect the ECL model on impairment are as follows:

	Non-credit impaired Collectively Assessed 12-Month ECL (Stage 1) RM'000
At 1 April 2018	
As previously stated	-
Effect of adoption of MFRS 9	73
As restated	73
New financial assets originated or purchased	7
Financial assets derecognised	
other than write-off	(1)
Changes due to change in credit risk	(26)
At 30 June 2018	53

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A14 Financial Investments Available-for-Sale

	30 June 2018 RM'000	31 March 2018 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government investment issues	-	633,122
Commercial papers	-	-
Negotiable instruments of deposits	-	98,526
	<u>-</u>	<u>731,648</u>
<u>Unquoted securities:</u>		
Sukuk	-	1,040,854
	<u>-</u>	<u>1,040,854</u>
Total financial investments available-for-sale	<u>-</u>	<u>1,772,502</u>

The financial investments available-for-sale category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A29.

A15 Financing and AdvancesBy 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 2018								
At amortised cost								
Cash line financing	129,150	789,841	-	-	7,075	-	-	926,066
Term financing								
- Housing financing	2,538,718	-	-	-	-	-	-	2,538,718
- Hire purchase receivables	-	-	396,612	-	-	-	-	396,612
- Other term financing	1,948,265	864,493	-	-	-	-	252,027	3,064,785
Bills receivables	-	-	-	8,253	-	-	-	8,253
Trust receipts	-	-	-	31,165	-	-	-	31,165
Claims on customers under acceptance credits	-	-	-	706,538	-	74,086	-	780,624
Staff financing (including financing to Directors of RM Nil)	16,855	-	-	-	-	-	-	16,855
Revolving credits*	337,964	249,622	-	-	-	-	-	587,586
Gross financing and advances	<u>4,970,952</u>	<u>1,903,956</u>	<u>396,612</u>	<u>745,956</u>	<u>7,075</u>	<u>74,086</u>	<u>252,027</u>	<u>8,350,664</u>
Add: Sales commission and handling fees								43,005
Less: Allowances for credit losses on financing and advances:								
- Individual assessment allowance								(18,728)
- Collective assessment allowance								(111,798)
Total net financing and advances								<u>8,263,143</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 2018								
At amortised cost								
Cash line financing	169,599	695,001	-	-	982	-	-	865,582
Term financing								
- Housing financing	2,445,368	-	-	-	-	-	-	2,445,368
- Hire purchase receivables	-	-	431,393	-	-	-	-	431,393
- Other term financing	1,972,775	743,504	-	-	-	-	279,673	2,995,952
Bills receivables	-	-	-	5,247	-	-	-	5,247
Trust receipts	-	-	-	28,624	-	-	-	28,624
Claims on customers under acceptance credits	-	-	-	690,347	-	67,935	-	758,282
Staff financing (including financing to Directors of RM Nil)	18,101	-	-	-	-	-	-	18,101
Revolving credits*	319,580	215,172	-	-	-	-	-	534,752
Gross financing and advances	4,925,423	1,653,677	431,393	724,218	982	67,935	279,673	8,083,301
Add: Sales commission and handling fees								30,236
Less: Allowances for impairment on financing and advances:								
- Individual assessment allowance								(10,766)
- Collective assessment allowance								(75,440)
Total net financing and advances								<u>8,027,331</u>

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

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A15 Financing and Advances (Contd.)(i) Purpose and source of fund for Qard Hasan Financing

	30 June 2018 RM'000	31 March 2018 RM'000
At beginning of financial year	982	635
Sources of Qard Hasan fund:		
- Shareholders' fund	10,827	5,763
Uses of Qard Hasan fund:		
- Personal use	(295)	(818)
- Working capital	(4,439)	(3,990)
- Other	-	(608)
At the end of financial period/year	7,075	982

(ii) By maturity structure:

	30 June 2018 RM'000	31 March 2018 RM'000
Within one year	2,403,313	2,263,688
One year to three years	361,747	361,410
Three years to five years	634,838	582,290
Over five years	4,950,766	4,875,913
Gross financing and advances	8,350,664	8,083,301

(iii) By type of customers:

	30 June 2018 RM'000	31 March 2018 RM'000
Domestic non-bank financial institutions	77,294	77,311
Domestic business enterprises		
- Small and medium enterprises	2,113,736	2,124,722
- Others	1,838,769	1,748,075
Individuals	4,232,866	4,043,303
Foreign entities	87,999	89,890
Gross financing and advances	8,350,664	8,083,301

(iv) By profit rate sensitivity:

	30 June 2018 RM'000	31 March 2018 RM'000
Fixed rate		
- House financing	30,327	31,180
- Hire purchase receivables	396,612	431,393
- Other fixed rate financing	1,420,398	1,373,531
Variable rate		
- House financing	2,518,837	2,425,210
- Other variable rate financing	3,984,490	3,821,987
Gross financing and advances	8,350,664	8,083,301

A15 Financing and Advances (Contd.)

(v) By economic purposes:

	30 June 2018 RM'000	31 March 2018 RM'000
Purchase of transport vehicles	374,658	408,379
Purchase of landed property	3,783,225	3,695,825
of which: - Residential	2,579,225	2,482,261
- Non-residential	1,204,000	1,213,564
Purchase of fixed assets excluding land & buildings	46,112	45,809
Personal use	1,487,070	1,371,027
Construction	18,939	17,904
Working capital	2,003,572	1,965,671
Others	637,088	578,686
Gross financing and advances	8,350,664	8,083,301

(vi) By geographical distribution:

	30 June 2018 RM'000	31 March 2018 RM'000
Northern region	702,802	654,619
Central region	5,581,872	5,403,930
Southern region	1,098,842	1,102,633
Sabah region	630,113	613,694
Sarawak region	337,035	308,425
Gross financing and advances	8,350,664	8,083,301

(vii) Movements in credit impaired financing and advances under Stage 3

	30 June 2018 RM'000
At 1 April 2018	
As previously stated	104,232
Effect of adoption of MFRS 9	709
As restated	104,941
Impaired during the financial period	58,171
Reclassified as unimpaired during the financial period	(22,951)
Changes in financing and advances	(8,427)
Financial assets derecognised during the period	
other than write-off	(2,340)
Amount written-off	(11,222)
At end of financial period	118,172
Gross impaired financing as a % of gross financing and advances	1.4%

Movements in impaired financing and advances under MFRS 139

	31 March 2018 RM'000
At beginning of financial year	51,389
Impaired during the financial year	212,371
Reclassified as unimpaired during the financial year	(81,010)
Recoveries	(33,522)
Amount written-off	(44,996)
At end of financial year	104,232
Gross impaired financing as a % of gross financing and advances	1.3%

A15 Financing and Advances (Contd.)

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

	30 June 2018				31 March 2018		
	Non-credit impaired		Credit Impaired		Total		
	Collectively Assessed		Collectively Assessed	Individually Assessed		Collectively Assessed	Individually Assessed
	12 months ECL	Lifetime ECL	Lifetime ECL				
	(Stage 1)	(Stage 2)	(Stage 3)				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2018							
As previously stated					86,206	77,336	2,480
Effect of adoption of MFRS 9					34,151	-	-
As restated	21,745	63,788	17,397	17,427	120,357	77,336	2,480
Transfer to 12 month ECL	1,964	(8,688)	(113)	-	(6,837)	-	-
Transfer to lifetime ECL non credit-impaired	(4,160)	20,376	(4,789)	(1,460)	9,967	-	-
Transfer to lifetime ECL credit-impaired	-	(11,754)	13,881	4,031	6,158	-	-
New financial assets originated or purchased	5,927	9,239	7,460	-	22,626	-	-
Financial assets derecognised							
other than write-off	(2,988)	(10,393)	(71)	(392)	(13,844)	-	-
Changes due to change in credit risk	(869)	3,994	(2,043)	13	1,095	43,596	7,790
Other adjustments	-	-	(37)	(344)	(381)	(1,108)	1,108
Total (write-back)/charged to							
income statement	(126)	2,774	14,288	1,848	18,784	42,488	8,898
Unwind of discount	-	-	-	(547)	(547)	-	-
Write-off	-	(12)	(8,056)	-	(8,068)	(44,384)	(612)
At end of financial period/year	21,619	66,550	23,629	18,728	130,526	75,440	10,766

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A15 Financing and Advances (Contd.)(ix) Credit impaired financing and advances by economic purposes:

	30 June 2018 RM'000	31 March 2018 RM'000
Purchase of transport vehicles	4,342	3,511
Purchase of landed property	70,057	63,478
of which: - Residential	28,533	31,449
- Non-residential	41,524	32,029
Purchase of fixed assets excluding land & buildings	749	881
Personal use	23,140	21,177
Working capital	14,091	8,569
Others	5,793	6,616
Gross impaired financing and advances	118,172	104,232

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

	30 June 2018 RM'000	31 March 2018 RM'000
Northern region	8,106	7,882
Central region	90,479	78,565
Southern region	14,801	12,857
Sabah region	3,939	3,882
Sarawak region	847	1,046
Gross impaired financing and advances	118,172	104,232

A16 Other Assets

	30 June 2018 RM'000	31 March 2018 RM'000
Other receivables	3,104	2,937
Deposits	89	76
Prepayment	928	455
	4,121	3,468
Less:		
Allowance for credit losses on other receivables	(1,484)	(1,404)
	2,637	2,064

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A17 Deposits from Customers

	30 June 2018 RM'000	31 March 2018 RM'000
Demand deposits		
- Wadiah	2,560,916	2,426,503
Savings deposits		
- Wadiah	329,831	323,936
Term deposits		
- Commodity Murabahah	5,689,113	5,251,685
- Negotiable Islamic Debt Certificate		
- Bai' Inah	742,313	934,367
- Money market deposits		
- Commodity Murabahah	225,195	263,862
- Other deposits		
- Mudharabah	100,732	106,666
- Wakalah	46,075	48,174
- Qard	40,486	83,872
	9,734,661	9,439,065

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

	30 June 2018 RM'000	31 March 2018 RM'000
Due within six months	3,772,461	3,088,958
Six months to one year	2,246,714	2,762,923
One year to three years	573,750	585,824
Three years to five years	250,989	250,921
	6,843,914	6,688,626

(ii) By type of customers:

	30 June 2018 RM'000	31 March 2018 RM'000
Domestic financial institutions	742,313	934,367
Government and statutory bodies	2,274,987	2,206,190
Business enterprises	3,105,432	3,043,789
Individuals	3,016,132	2,509,132
Domestic non-bank financial institutions	470,236	627,002
Foreign entities	67,278	61,394
Others	58,283	57,191
	9,734,661	9,439,065

A18 Deposits and Placements of Banks and Other Financial Institutions

	30 June 2018 RM'000	31 March 2018 RM'000
Non-Mudharabah Fund		
Bank Negara Malaysia	245,463	243,848

A19 Other Liabilities

	30 June 2018 RM'000	31 March 2018 RM'000
Other payables	41,274	25,818
Bills payable	17,237	14,209
Clearing account	47,196	39,344
Sundry deposits	6,524	7,617
Provision and accruals	8,009	6,504
Amount due to holding company	19,495	44,004
Amount due to related company	896	704
Allowance for credit losses on commitments and contingencies [Note (a)]	4,129	-
	144,760	138,200

A19 Other Liabilities (Contd.)

Note (a):

Movements in the allowance for credit losses on commitments and contingencies are as follows:

	30 June 2018				
	Non-credit impaired		Credit Impaired		Total
	Collectively Assessed		Collectively Assessed	Individually Assessed	
	12 months ECL	Lifetime ECL	Lifetime ECL		
	(Stage 1)	(Stage 2)	(Stage 3)		
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2018					
As previously stated	-	-	-	-	-
Effect of adoption of MFRS 9	793	5,707	9,960	-	16,460
As restated	793	5,707	9,960	-	16,460
Transfer to 12 month ECL	40	(384)	-	-	(344)
Transfer to lifetime ECL non credit-impaired	(40)	241	-	-	201
Transfer to lifetime ECL credit-impaired	-	-	-	3	3
New financial assets originated or purchased	202	275	-	-	477
Financial assets derecognised					
other than write-off	(55)	(766)	(7,460)	(1,932)	(10,213)
Changes due to change in credit risk	(47)	(1,846)	-	(3)	(1,896)
Other adjustments	-	6	(2,500)	1,935	(559)
Total charged/(write-back) to income statement	100	(2,474)	(9,960)	3	(12,331)
At end of financial period	893	3,233	-	3	4,129

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A20 Income Derived from Investment of Depositors' Funds and Others

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) Term deposits	95,916	76,528	95,916	76,528
(ii) Other deposits	43,199	39,770	43,199	39,770
	139,115	116,298	139,115	116,298

(i) Income derived from investment of term deposits:

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances	69,732	57,250	69,732	57,250
Financial assets at FVTPL	122	-	122	-
Financial investments at FVOCI	11,412	-	11,412	-
Financial assets held-for-trading	-	196	-	196
Financial investments available-for-sale	-	8,026	-	8,026
Financial investments held-to-maturity	-	389	-	389
Money at call and deposits placements with financial institutions	5,569	1,008	5,569	1,008
	86,835	66,869	86,835	66,869
Accretion of discount less amortisation of premium	5,611	6,262	5,611	6,262
Total finance income and hibah	92,446	73,131	92,446	73,131
Other operating income				
- Fee income	3,365	2,818	3,365	2,818
- Other income	105	579	105	579
	95,916	76,528	95,916	76,528

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 RM344,624 (30.06.2017: RM7,357).

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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
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances	31,406	29,752	31,406	29,752
Financial assets at FVTPL	55	-	55	-
Financial investments at FVOCI	5,140	-	5,140	-
Financial assets held-for-trading	-	102	-	102
Financial investments available-for-sale	-	4,171	-	4,171
Financial investments held-to-maturity	-	202	-	202
Money at call and deposit placements with financial institutions	2,508	524	2,508	524
	39,109	34,751	39,109	34,751
Accretion of discount less amortisation of premium	2,527	3,254	2,527	3,254
Total finance income and hibah	41,636	38,005	41,636	38,005
Other operating income				
- Fee income	1,516	1,464	1,516	1,464
- Other income	47	301	47	301
	43,199	39,770	43,199	39,770

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 RM155,212 (30.06.2017: RM3,823).

A21 Income Derived from Investment of Shareholder's Funds

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances	9,495	8,488	9,495	8,488
Financial assets at FVTPL	17	-	17	-
Financial investments at FVOCI	1,554	-	1,554	-
Financial assets held-for-trading	-	29	-	29
Financial investments available-for-sale	-	1,190	-	1,190
Financial investments held-to-maturity	-	58	-	58
Money at call and deposit placements with financial institutions	758	149	758	149
	11,824	9,914	11,824	9,914
Accretion of discount less amortisation of premium	764	928	764	928
Total finance income and hibah	12,588	10,842	12,588	10,842
Other operating income				
- Fee income	458	418	458	418
- Other income	14	86	14	86
	13,060	11,346	13,060	11,346

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 RM46,924 (30.06.2017: RM1,091).

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A22 Allowance for Credit Losses on Financing, Advances and Other Receivables

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Allowance for credit losses on financing, advances and other receivables:				
(a) Individual assessment allowance				
- Made during the financial period (net)	1,848	2,623	1,848	2,623
(b) Collective assessment allowance				
- Made during the financial period (net)	16,936	17,023	16,936	17,023
(c) Bad debts on financing				
- Written-off	3,217	2,598	3,217	2,598
- Recovered	(6,451)	(3,057)	(6,451)	(3,057)
(d) Commitments and contingencies	(12,331)	-	(12,331)	-
	3,219	19,187	3,219	19,187
Allowance for credit losses on other receivables	80	99	80	99
	3,299	19,286	3,299	19,286

A23 Income Attributable to the Depositors and Financial Institutions

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits from customers:				
- Mudharabah fund	3,520	4,542	3,520	4,542
- Non-Mudharabah fund	71,369	55,944	71,369	55,944
Deposits and placements of banks and other financial institutions:				
- Mudharabah fund	-	226	-	226
- Non-Mudharabah fund	926	824	926	824
Financing sold to Cagamas	5,497	459	5,497	459
Subordinated Sukuk Murabahah	1,794	-	1,794	-
	83,106	61,995	83,106	61,995

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A24 Other Operating Expenses

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	13,551	12,950	13,551	12,950
- Contribution to EPF	2,101	2,026	2,101	2,026
- Share options/grants under ESS	-	24	-	24
- Others	1,510	1,107	1,510	1,107
	17,162	16,107	17,162	16,107
<u>Establishment costs</u>				
- Depreciation on property, plant and equipment	27	20	27	20
- Amortisation of computer software	56	61	56	61
- Rental	1,254	1,298	1,254	1,298
- Repairs and maintenance	627	376	627	376
- Water and electricity	327	375	327	375
- Information technology expenses	1,583	1,660	1,583	1,660
- Others [Note (a)]	1,688	1,814	1,688	1,814
	5,562	5,604	5,562	5,604
<u>Marketing expenses</u>				
- Promotion and advertisement	354	98	354	98
- Branding and publicity	610	430	610	430
- Others	142	127	142	127
	1,106	655	1,106	655
<u>Administration and general expenses</u>				
- Communication expenses	669	648	669	648
- Printing and stationeries	115	116	115	116
- Insurance	292	312	292	312
- Professional fees	1,076	821	1,076	821
- Others	1,209	1,876	1,209	1,876
	3,361	3,773	3,361	3,773
Total other operating expenses	27,191	26,139	27,191	26,139

Included in the other operating expenses are the Shariah Committee members' remuneration of RM76,500 (30.06.2017: RM79,500).

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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
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>Sharing of Other Operating Expenses</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	12,136	11,709	12,136	11,709
- Contribution to EPF	1,884	1,833	1,884	1,833
- Others	1,288	882	1,288	882
	15,308	14,424	15,308	14,424
<u>Establishment costs</u>				
- Rental	1,177	1,225	1,177	1,225
- Repairs and maintenance	316	372	316	372
- Water and electricity	622	843	622	843
- Information technology expenses	1,553	1,624	1,553	1,624
- Others [Note (a)]	1,607	1,334	1,607	1,334
	5,275	5,398	5,275	5,398
<u>Marketing expenses</u>				
- Promotion and advertisement	233	83	233	83
- Branding and publicity	610	394	610	394
- Others	139	127	139	127
	982	604	982	604
<u>Administration and general expenses</u>				
- Communication expenses	465	418	465	418
- Printing and stationeries	79	77	79	77
- Professional fees	622	589	622	589
- Others	224	675	224	675
	1,390	1,759	1,390	1,759
Total sharing of other operating expenses	22,955	22,185	22,955	22,185

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

A25 Earnings Per Share

Basic/Diluted

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

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
Net profit for the financial period attributable to Equity holder of the Bank (RM'000)	29,892	15,213	29,892	15,213
Weighted average number of ordinary shares in issue ('000)	345,045	345,045	345,045	345,045
Basic/diluted earnings per share (sen)	8.7	4.4	8.7	4.4

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
	2018	2018
	RM'000	RM'000
<u>Credit-related exposures</u>		
Direct credit substitutes	158,832	154,702
Transaction-related contingent items	69,139	77,381
Short-term self-liquidating trade-related contingencies	40,837	19,611
Irrevocable commitments to extend credit:		
- maturity exceeding one year	390,071	289,834
- maturity not exceeding one year	1,527,650	1,498,593
Total	2,186,529	2,040,121

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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 2018	31 March 2018
<u>Before deducting proposed dividends</u>		
CET I/Tier I capital ratio	11.184%	12.569%
Total capital ratio	14.101%	15.421%
<u>After deducting proposed dividends</u>		
CET I/Tier I capital ratio	11.184%	12.198%
Total capital ratio	14.101%	15.050%
	30 June 2018 RM'000	31 March 2018 RM'000
<u>CET I Capital</u>		
Paid-up share capital	400,000	400,000
Retained profits	445,370	498,216
FVOCI Revaluation reserves	(2,555)	246
	<u>842,815</u>	<u>898,462</u>
Less: Regulatory adjustments		
- Intangible assets	(1,042)	(1,058)
- Deferred tax assets	(15,246)	(1,250)
- 55% of revaluation reserves	-	(135)
Total CET I Capital/Total Tier I Capital	<u>826,527</u>	<u>896,019</u>
<u>Tier II Capital</u>		
Subordinated Sukuk Murabahah	129,554	129,543
Collective assessment allowance and regulatory reserves	86,070	73,810
Total Tier II Capital	<u>215,624</u>	<u>203,353</u>
Total Capital	<u>1,042,151</u>	<u>1,099,372</u>

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

	30 June 2018 RM'000	31 March 2018 RM'000
Credit risk	6,885,600	6,638,122
Market risk	1,613	-
Operational risk	503,213	490,929
Total RWA and capital requirements	<u>7,390,426</u>	<u>7,129,051</u>

A28 Fair Value Measurements

(a) Determination of fair value and the fair value hierarchy

MFRS 13 Fair Value Measurement requires disclosure of financial instruments measured at fair value to be categorised according to a hierarchy of valuation techniques, whether the inputs used are observable or unobservable. The following levels of hierarchy are used for determining and disclosing the fair value of the financial instruments:

- (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 2018				
Financial assets				
Financial assets at FVTPL				
- Money Market Instruments	-	14,976	-	14,976
- Unquoted Securities	-	20,348	-	20,348
Financial investments at FVOCI				
- Money Market Instruments	-	1,042,980	-	1,042,980
- Unquoted Securities	-	1,078,104	-	1,078,104
31 March 2018				
Financial assets				
Financial investments available-for-sale				
- Money Market Instruments	-	731,648	-	731,648
- Unquoted Securities	-	1,040,854	-	1,040,854

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 2018 and 31 March 2018.

A29 Changes in Accounting Policy

With effective from the financial year beginning on or after 1 April 2018, the Bank adopted MFRS 9 “Financial Instruments”, replacing MFRS 139 “Financial Instruments: Recognition and Measurement”, and includes requirements for classification and measurement for financial asset and liabilities and impairment of financial assets.

(a) Classification and Measurement

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss (“FVTPL”) and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

The combined application of the entity's business model and the cash flow characteristics of the financial assets do not result in the significant change in the classification of financial asset when compared to the existing classification of financial assets in the statement of financial position.

There was no significant impact arising from the changes in classification and measurement of the financial assets.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

- (i) For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.
- (ii) When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

There will be no changes to the Bank's accounting for financial liabilities. All the financial liabilities, except for financial liabilities designated at fair value and derivatives financial liabilities which is at FVTPL, will remain as amortised cost as there has not been significant change in the requirements for financial liabilities under MFRS 9.

A29 Changes in Accounting Policy (Contd.)

(b) Impairment of Financial Assets

MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The new impairment model requires the recognition of impairment allowances based on ECL rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments, financial guarantee contracts and other loan commitments.

Under MFRS 9, impairment will be measured on each reporting date according to a three-stage expected credit loss impairment model:

- (i) Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).
- (ii) Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset (Lifetime ECL).
- (iii) Stage 3 – when a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL).

As all financial assets within the scope of MFRS 9 impairment model will be assessed for at least 12-month ECL, and the population of financial assets to which full lifetime ECL applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with MFRS 139, the total allowance for credit losses is expected to increase under MFRS 9 relative to the allowance for credit losses under MFRS 139.

In addition, changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month ECL) and Stage 2 (lifetime ECL) and the application of forward looking information, will be recorded in profit or loss, allowance for credit losses will be more volatile under MFRS 9.

A29 Changes in Accounting Policy (Contd.)

(c) Impact on Adoption of MFRS 9

Statement of Financial Position as at 31 March 2018

	Original classification under MFRS 139	New classification under MFRS 9	MFRS 139 carrying amount RM'000	Classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount RM'000
ASSETS						
Cash and short-term funds	Receivables	Amortised Cost	1,290,567	-	-	1,290,567
Financial investments at fair value through other comprehensive income	AFS	FVOCI	-	1,772,502	-	1,772,502
Financial investments available-for-sale	AFS	FVOCI	1,772,502	(1,772,502)	-	-
Financing and advances	Financing and receivables	Amortised Cost	8,027,331	(7,745)	(34,151)	7,985,435
Other assets	Receivables	Amortised Cost	2,064	-	-	2,064
Tax recoverable			-	1,394	-	1,394
Statutory deposits with Bank Negara Malaysia	Receivables	Amortised Cost	276,888	-	-	276,888
Property, plant and equipment			331	-	-	331
Deferred tax assets			1,250	-	12,164	13,414
Intangible assets			1,058	-	-	1,058
TOTAL ASSETS			11,371,991	(6,351)	(21,987)	11,343,653
LIABILITIES AND EQUITY						
Deposits from customers			9,439,065	-	-	9,439,065
Deposits and placements of banks and other financial institutions			243,848	-	-	243,848
Recourse obligation on financing sold to Cagamas			500,667	-	-	500,667
Other liabilities			138,200	-	16,460	154,660
Provision for taxation			465	(465)	-	-
Provision for zakat			252	-	-	252
Subordinated Sukuk Murabahah			129,602	-	-	129,602
TOTAL LIABILITIES			10,452,099	(465)	16,460	10,468,094
Share capital			400,000	-	-	400,000
Reserves			519,892	(5,886)	(38,447)	475,559
- Regulatory reserves			21,430	-	(21,430)	-
- FVOCI reserves			-	246	73	319
- Revaluation reserves			246	(246)	-	-
- Retained profits			498,216	(5,886)	(17,090)	475,240
TOTAL EQUITY			919,892	(5,886)	(38,447)	875,559
TOTAL LIABILITIES AND EQUITY			11,371,991	(6,351)	(21,987)	11,343,653

ALLIANCE ISLAMIC BANK BERHAD

(776882-V)

(Incorporated in Malaysia)

PART B - Review of Performance & Current Year Prospect

B1 Review of Performance

The Bank recorded a Net Profit After Tax (NPAT) of RM29.9 million for the first quarter ended 30 June 2018, representing an increase of 96.5% or RM14.7 million compared to the last corresponding period. The increase in NPAT is primarily due to lower expected credit loss and higher net profit income.

Net profit income was higher mainly due to higher profit income from high RAR financing and interbank lending.

Other operating income recorded at RM5.5 million where fee based income increased by RM0.7mil or 15.4% mainly from higher trade fees, services charges from deposit and wealth management income.

Gross financing and advances expanded by RM267.4 million or 3.3% to arrive at a total gross financing and advances of RM8.4 billion as at 30 June 2018. This growth was driven mainly by the segments with higher risk-adjusted returns, namely Alliance One Account, cash line and revolving credit.

Total customer deposits stood at RM9.7 billion, better by 3.1% year-on-year with the Bank's Current Account and Savings Account (CASA) ratio recorded at 29.7%.

The Bank maintained a Total Capital ratio of 14.1%, while both Common Equity Tier 1 and Tier 1 ratios stood at 11.2% as at 30 June 2018.

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 align AIS' products, distribution, and marketing efforts towards the Group's strategic initiatives which encompasses Alliance One Account, SME financing programme, Alliance@Work and deposit garnering initiatives. The Bank will also explore opportunities to enhance brand visibility in affinity market segments.

The Bank expects that these actions will position its businesses for sustainable revenue and profitability for the remainder of financial year 2019.