ALLIANCE ISLAMIC BANK BERHAD

(776882-V)

(Incorporated in Malaysia)

Condensed Interim Financial Statements

Unaudited Statement of Financial Position as at 30 September 2018

	Note	**30 September 2018 RM'000**	31 March 2018 RM'000
ASSETS			
Cash and short-term funds		**862,889**	1,290,567
Financial assets at fair value through profit or loss	A12	**9,983**	-
Financial investments at fair value through other comprehensive income	A13	**2,435,176**	-
Financial investments available-for-sale	A14	**-**	1,772,502
Financing and advances	A15	**8,388,095**	8,027,331
Other assets	A16	**2,558**	2,064
Statutory deposits with Bank Negara Malaysia		**305,388**	276,888
Property, plant and equipment		**290**	331
Deferred tax assets		**12,553**	1,250
Intangible assets		**938**	1,058
TOTAL ASSETS		**12,017,870**	11,371,991
LIABILITIES AND EQUITY			
Deposits from customers	A17	**10,072,695**	9,439,065
Deposits and placements of banks and other financial institutions	A18	**246,123**	243,848
Recourse obligation on financing sold to Cagamas		**500,605**	500,667
Other liabilities	A19	**150,789**	138,200
Provision for taxation		**3,186**	465
Provision for zakat		**314**	252
Subordinated Sukuk Murabahah		**129,647**	129,602
TOTAL LIABILITIES		**11,103,359**	10,452,099
Share capital		**400,000**	400,000
Reserves		**514,511**	519,892
TOTAL EQUITY		**914,511**	919,892
TOTAL LIABILITIES AND EQUITY		**12,017,870**	11,371,991
Restricted investment account[1]		**201,637**	-
Total Islamic Banking asset[1]		**12,219,507**	11,371,991
COMMITMENTS AND CONTINGENCIES	A26	**2,255,033**	2,040,121

1 The disclosure is in accordance with the requirements of Bank Negara Malaysia's Guideline on Financial Reporting for Islamic Banking Institutions.

<*The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2018*>

ALLIANCE ISLAMIC BANK BERHAD

(776882-V)

(Incorporated in Malaysia)

Condensed Interim Financial Statements

Unaudited Statement of Income

for the Financial Period Ended 30 September 2018

		2nd Quarter Ended		Six Months Ended	
		30 September 2018	30 September 2017	**30 September 2018**	30 September 2017
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Income derived from investment of depositors' funds and others	A20	**148,843**	119,456	**287,958**	235,754
Income derived from investment of shareholder's funds	A21	**13,371**	11,757	**26,431**	23,103
Allowance for credit losses on financing, advances and other assets	A22	**(11,196)**	(16,234)	**(14,495)**	(35,520)
Write-back for credit losses on financial investments		**-**	-	**20**	-
Total distributable income		**151,018**	114,979	**299,914**	223,337
Wakalah fees income from investment account		**205**	-	**205**	-
Income attributable to the depositors and financial institutions	A23	**(86,132)**	(65,318)	**(169,238)**	(127,313)
Total net income		**65,091**	49,661	**130,881**	96,024
Other operating expenses	A24	**(24,604)**	(26,105)	**(51,795)**	(52,244)
Profit before taxation		**40,487**	23,556	**79,086**	43,780
Taxation		**(9,780)**	(6,023)	**(18,487)**	(11,034)
Net profit for the financial period		**30,707**	17,533	**60,599**	32,746
Net profit for the financial period attributable to:					
Equity holder of the Bank		**30,707**	17,533	**60,599**	32,746
Earnings per share attributable to Equity holder of the Bank - basic/diluted (sen)	A25	**8.9**	5.1	**17.6**	9.5

<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 Comprehensive Income

for the Financial Period Ended 30 September 2018

	2nd Quarter Ended		**Six Months Ended**	
	30 September 2018 RM'000	30 September 2017 RM'000	**30 September 2018 RM'000**	30 September 2017 RM'000
Net profit for the financial period	**30,707**	17,533	**60,599**	32,746
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 gain from change in fair value	**10,419**	-	**6,734**	-
- Realised gain transferred to statement of income on disposal	**(604)**	-	**(604)**	-
- Transfer to deferred tax	**(2,355)**	-	**(1,471)**	-
- Changes in credit losses	**-**	-	**(20)**	-
	7,460	-	**4,639**	-
Revaluation reserve on financial investments available-for-sale				
- Net (loss)/gain from change in fair value	**-**	(47)	**-**	4,446
- Realised gain transferred to statement of income on disposal and impairment	**-**	(464)	**-**	(1,229)
- Transfer from/(to) deferred tax	**-**	123	**-**	(772)
	-	(388)	**-**	2,445
Other comprehensive income/(expense), net of tax	**7,460**	(388)	**4,639**	2,445
Total comprehensive income for the financial period	**38,167**	17,145	**65,238**	35,191
Total comprehensive income for the financial period attributable to:				
Equity holder of the Bank	**38,167**	17,145	**65,238**	35,191

<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 Changes in Equity for the Financial Period Ended 30 September 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)	(22,832)	(44,189)
As restated	400,000	-	319	-	475,384	875,703
Net profit for the financial period	-	-	-	-	60,599	60,599
Other comprehensive income	-	-	4,639	-	-	4,639
Total comprehensive income for the financial period	-	-	4,639	-	60,599	65,238
Transfer to regulatory reserves	-	866	-	-	(866)	-
Dividend paid	-	-	-	-	(26,430)	(26,430)
At 30 September 2018	**400,000**	**866**	**4,958**	**-**	**508,687**	**914,511**

<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 Changes in Equity for the Financial Period Ended 30 September 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	-	-	-	-	-	-	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 former ultimate holding company	-	-	-	-	-	(181)	-	(181)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(35)	35	-
Transition to no par-value regime pursuant to Companies Act, 2016	54,955	(54,955)	-	-	-	-	-	-
Transfer from reserves	-	-	(224,720)	(7,455)	-	-	232,175	-
At 30 September 2017	400,000	-	-	2,436	2,596	-	480,722	885,754

<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 Cash Flows
for the Financial Period Ended 30 September 2018

	30 September 2018 RM'000	30 September 2017 RM'000
Profit before taxation	**79,086**	43,780
Adjustments for non-cash items	**(42,333)**	(12,820)
Operating profit before changes in working capital	**36,753**	30,960
Changes in working capital	**176,620**	302,283
Taxation paid	**(14,564)**	(11,521)
Zakat paid	**(19)**	(76)
Net cash generated from operating activities	**198,790**	321,646
Net cash (used in)/generated from investing activities	**(600,067)**	264,318
Net cash (used in)/generated from financing activities	**(26,401)**	480,323
Net change in cash and cash equivalents	**(427,678)**	1,066,287
Cash and cash equivalents at beginning of the financial period	**1,290,567**	170,255
Cash and cash equivalents at end of the financial period	**862,889**	1,236,542
Cash and cash equivalents comprise the following:		
Cash and short term funds	**862,889**	1,236,542

<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 second quarter and financial half year ended 30 September 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 adoption of MFRS 9 where the impact are shown in Note A30.

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)
- Amendments to 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 to 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 Cyclicality 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 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 second quarter and financial half year ended 30 September 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 second quarter and financial half year ended 30 September 2018.

A6 Issuance and Repayment of Debt and Equity Securities

There were no issuance nor repayment of debt and equity securities during the second quarter and financial half year ended 30 September 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 second quarter and financial half year ended 30 September 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

The Directors of the Bank have proposed a single tier first interim dividend of 8.8 sen on 345,045,045 ordinary shares amounting to approximately RM30,364,000 in respect of financial year ending 31 March 2019.

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

	30 September 2018 RM'000	31 March 2018 RM'000
At fair value		
Money market instruments:		
Commercial papers	**9,983**	-
	9,983	-
Total financial assets at FVTPL	**9,983**	-

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 A30.

A13 Financial Investments at Fair Value through Other Comprehensive Income

	30 September 2018 RM'000	31 March 2018 RM'000
At fair value		
Money market instruments:		
Malaysian Government investment issues	**890,605**	-
Commercial papers	**14,975**	-
Negotiable instruments of deposits	**446,462**	-
	1,352,042	-
Unquoted securities:		
Sukuk	**1,083,134**	-
	1,083,134	-
Total financial investments at FVOCI	**2,435,176**	-

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 A30.

Movements in allowances for impairment losses 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 end of financial period	**53**

ALLIANCE ISLAMIC BANK BERHAD
(776882-V)
(Incorporated in Malaysia)

A14 Financial Investments Available-for-Sale

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

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 A30.

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 RM'000	Bai` Al-Dayn RM'000	Bai` `Inah RM'000	Total Financing and Advances RM'000
30 September 2018								
At amortised cost								
Cash line financing	**127,685**	**990,908**	**-**	**-**	**5,577**	**-**	**-**	**1,124,170**
Term financing								
- Housing financing	**2,659,039**	**-**	**-**	**-**	**-**	**-**	**-**	**2,659,039**
- Hire purchase receivables[1]	**-**	**-**	**366,284**	**-**	**-**	**-**	**-**	**366,284**
- Other term financing	**1,919,492**	**975,888**	**-**	**-**	**-**	**-**	**239,085**	**3,134,465**
Bills receivables	**-**	**-**	**-**	**14,460**	**-**	**-**	**-**	**14,460**
Trust receipts	**-**	**-**	**-**	**38,082**	**-**	**-**	**-**	**38,082**
Claims on customers under acceptance credits	**-**	**-**	**-**	**552,226**	**-**	**71,125**	**-**	**623,351**
Staff financing (including financing to Directors of RM Nil)	**16,731**	**-**	**-**	**-**	**-**	**-**	**-**	**16,731**
Revolving credits[2]	**347,450**	**148,548**	**-**	**-**	**-**	**-**	**-**	**495,998**
Gross financing and advances	**5,070,397**	**2,115,344**	**366,284**	**604,768**	**5,577**	**71,125**	**239,085**	**8,472,580**
Add: Sales commission and handling fees								**45,946**
Less: Allowances for credit losses on financing and advances:								
- Individual assessment allowance								**(18,686)**
- Collective assessment allowance								**(111,745)**
Total net financing and advances								**8,388,095**

ALLIANCE ISLAMIC BANK BERHAD
(776882-V)
(Incorporated in Malaysia)

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 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[1]	-	-	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[2]	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								8,027,331

[1] Included hire purchase receivables under Al-Ijarah Thumma Al-Bai` ("AITAB") which is the contract of lease ending transfer of ownership from the lessor to the lessee in the form of sale transaction, which may take place at the end of the Ijarah period or at any point of time during the period, subject to the agreed terms and conditions between the contracting parties.

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

The Bank has entered into an arrangement on Commodity Murabahah Term Financing (“CMTF”) with Alliance Bank Malaysia Berhad (“ABMB”), the holding company of the Bank, where ABMB will provide the funds, while the assets are managed by the Bank (as the Wakeel or agent) based on the Wakalah principle. The risk and rewards of the underlying assets are recognised and borne by ABMB. Hence, the underlying assets and allowances for credit losses are recognised and accounted for by ABMB. The total net financing and advances for CMTF was at RM201,637,000 as at 30 September 2018.

A15 Financing and Advances (Contd.)

(i) Purpose and source of fund for Qard Financing

	30 September 2018 RM'000	31 March 2018 RM'000
At beginning of financial period/year	**982**	635
Sources of Qard fund:		
- Shareholders' fund	**11,258**	5,763
- Purchase of landed property (Non-residential)	**(192)**	-
- Personal use	**(534)**	(818)
- Working capital	**(5,937)**	(3,990)
- Other	**-**	(608)
At the end of financial period/year	**5,577**	982

(ii) By maturity structure:

	30 September 2018 RM'000	31 March 2018 RM'000
Within one year	**2,367,469**	2,263,688
One year to three years	**377,267**	361,410
Three years to five years	**671,850**	582,290
Over five years	**5,055,994**	4,875,913
Gross financing and advances	**8,472,580**	8,083,301

(iii) By type of customers:

	30 September 2018 RM'000	31 March 2018 RM'000
Domestic non-bank financial institutions	**67,334**	77,311
Domestic business enterprises		
- Small and medium enterprises	**2,184,818**	2,124,722
- Others	**1,609,348**	1,748,075
Individuals	**4,525,558**	4,043,303
Foreign entities	**85,522**	89,890
Gross financing and advances	**8,472,580**	8,083,301

(iv) By profit rate sensitivity:

	30 September 2018 RM'000	31 March 2018 RM'000
Fixed rate		
- House financing	**29,420**	31,180
- Hire purchase receivables	**366,284**	431,393
- Other fixed rate financing	**1,453,356**	1,373,531
Variable rate		
- House financing	**2,639,735**	2,425,210
- Other variable rate financing	**3,983,785**	3,821,987
Gross financing and advances	**8,472,580**	8,083,301

ALLIANCE ISLAMIC BANK BERHAD
(776882-V)
(Incorporated in Malaysia)

A15 Financing and Advances (Contd.)

(v) By economic purposes:

	30 September 2018 RM'000	31 March 2018 RM'000
Purchase of transport vehicles	**345,470**	408,379
Purchase of landed property	**3,903,884**	3,695,825
of which: - Residential	***2,704,766***	*2,482,261*
- Non-residential	***1,199,118***	*1,213,564*
Purchase of fixed assets excluding land & buildings	**44,375**	45,809
Personal use	**1,675,069**	1,371,027
Construction	**17,666**	17,904
Working capital	**1,960,859**	1,965,671
Others	**525,257**	578,686
Gross financing and advances	**8,472,580**	8,083,301

(vi) By geographical distribution:

	30 September 2018 RM'000	31 March 2018 RM'000
Northern region	**745,098**	654,619
Central region	**5,738,301**	5,403,930
Southern region	**1,154,102**	1,102,633
Sabah region	**631,333**	613,694
Sarawak region	**203,746**	308,425
Gross financing and advances	**8,472,580**	8,083,301

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

	30 September 2018 RM'000
At 1 April 2018	
As previously stated	**104,232**
Effect of adoption of MFRS 9	**(709)**
As restated	**103,523**
Impaired during the financial period	**97,302**
Reclassified as unimpaired during the financial period	**(56,306)**
Recoveries during the financial period	**(12,535)**
Financial assets derecognised during the period other than write-off	**(3,632)**
Amount written-off	**(23,020)**
At end of financial period	**105,332**
Gross impaired financing as a % of gross financing and advances	**1.2%**

Movements in impaired financing 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 September 2018					31 March 2018	
	Non-credit impaired		Credit Impaired		Total		
	Collectively Assessed		Collectively Assessed	Individually Assessed		Collectively Assessed	Individually Assessed
	12 months ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (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					33,961	-	-
As restated	21,745	63,788	17,207	17,427	120,167	77,336	2,480
Transfer to 12 month ECL	4,331	(20,036)	(118)	(925)	(16,748)	-	-
Transfer to lifetime ECL non credit-impaired	(8,259)	40,594	(10,539)	(5,123)	16,673	-	-
Transfer to lifetime ECL credit-impaired	(2)	(24,785)	29,377	6,544	11,134	-	-
New financial assets originated or purchased	12,054	17,724	7,460	-	37,238	-	-
Financial assets derecognised other than write-off	(6,199)	(18,534)	(435)	(534)	(25,702)	-	-
Changes due to change in credit risk	(1,736)	10,252	(5,608)	2,191	5,099	43,596	7,790
Total charged to income statement	189	5,215	20,137	2,153	27,694	43,596	7,790
Unwind of discount	-	-	-	(894)	(894)	-	-
Write-off	-	(60)	(16,476)	-	(16,536)	(44,384)	(612)
Transfer from collective assessment allowance to individual assessment allowance	-	-	-	-	-	(1,108)	1,108
At end of financial period/year	**21,934**	**68,943**	**20,868**	**18,686**	**130,431**	75,440	10,766

A15 Financing and Advances (Contd.)

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

	30 September 2018 RM'000	31 March 2018 RM'000
Purchase of transport vehicles	**4,172**	3,511
Purchase of landed property	**58,002**	63,478
of which: - Residential	***18,746***	*31,449*
- Non-residential	***39,256***	*32,029*
Purchase of fixed assets excluding land & buildings	**705**	881
Personal use	**26,915**	21,177
Working capital	**13,526**	8,569
Others	**2,012**	6,616
Gross impaired financing and advances	**105,332**	104,232

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

	30 September 2018 RM'000	31 March 2018 RM'000
Northern region	**8,818**	7,882
Central region	**82,021**	78,565
Southern region	**10,195**	12,857
Sabah region	**3,563**	3,882
Sarawak region	**735**	1,046
Gross impaired financing and advances	**105,332**	104,232

A16 Other Assets

	30 September 2018 RM'000	31 March 2018 RM'000
Other receivables	**3,388**	2,937
Deposits	**89**	76
Prepayment	**643**	455
	4,120	3,468
Less:		
Allowance for credit losses on other receivables	**(1,562)**	(1,404)
	2,558	2,064

Movement for allowance for credit losses are as follows:

	Credit impaired Individually Assessed Lifetime ECL (Stage 3) RM'000
At 1 April 2018	
As previously stated	**1,404**
Effect of adoption of MFRS 9	**-**
As restated	**1,404**
Changes due to change in credit risk	**158**
At end of financial period	**1,562**

ALLIANCE ISLAMIC BANK BERHAD
(776882-V)
(Incorporated in Malaysia)

A17 Deposits from Customers

	30 September 2018 RM'000	31 March 2018 RM'000
Demand deposits		
- Qard	**2,907,407**	-
- Wadiah	**-**	2,426,503
Savings deposits		
- Qard	**315,448**	-
- Wadiah	**-**	323,936
Term deposits		
- Commodity Murabahah	**5,763,075**	5,251,685
- Negotiable Islamic Debt Certificate		
- Bai' Inah	**762,599**	934,367
- Money market deposits		
- Commodity Murabahah	**114,422**	263,862
- Other deposits		
- Mudharabah	**96,530**	106,666
- Wakalah	**43,204**	48,174
- Qard	**70,010**	83,872
	10,072,695	9,439,065

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

	30 September 2018 RM'000	31 March 2018 RM'000
Due within six months	**4,650,658**	3,088,958
Six months to one year	**1,375,505**	2,762,923
One year to three years	**673,677**	585,824
Three years to five years	**150,000**	250,921
	6,849,840	6,688,626

(ii) By type of customers:

	30 September 2018 RM'000	31 March 2018 RM'000
Domestic financial institutions	**762,599**	934,367
Government and statutory bodies	**2,207,861**	2,206,190
Business enterprises	**3,543,187**	3,043,789
Individuals	**2,992,046**	2,509,132
Domestic non-bank financial institutions	**404,671**	627,002
Foreign entities	**75,851**	61,394
Others	**86,480**	57,191
	10,072,695	9,439,065

ALLIANCE ISLAMIC BANK BERHAD
(776882-V)
(Incorporated in Malaysia)

A18 Deposits and Placements of Banks and Other Financial Institutions

	30 September 2018 RM'000	31 March 2018 RM'000
Non-Mudharabah Fund		
Bank Negara Malaysia	**246,123**	243,848

A19 Other Liabilities

	30 September 2018 RM'000	31 March 2018 RM'000
Other payables	**37,960**	25,818
Bills payable	**10,279**	14,209
Clearing account	**40,747**	39,344
Sundry deposits	**6,020**	7,617
Provision and accruals	**7,073**	6,504
Amount due to holding company	**40,409**	44,004
Amount due to related company	**2,672**	704
Allowance for credit losses on commitments and contingencies [Note (a)]	**5,629**	-
	150,789	138,200

ALLIANCE ISLAMIC BANK BERHAD
(776882-V)
(Incorporated in Malaysia)

A19 Other Liabilities (Contd.)

Note (a):
Movements in the allowance for credit losses on commitments and contingencies are as follows:

	30 September 2018				
	Non-credit impaired		Credit Impaired		Total
	Collectively Assessed		Collectively Assessed	Individually Assessed	
	12 months ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (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	78	(915)	-	-	(837)
Transfer to lifetime ECL non credit-impaired	(72)	639	-	(3)	564
Transfer to lifetime ECL credit-impaired	-	(12)	-	229	217
New financial assets originated or purchased	350	614	-	-	964
Financial assets derecognised other than write-off	(222)	(1,007)	(7,460)	(1,932)	(10,621)
Changes due to change in credit risk	(159)	(358)	(2,500)	1,893	(1,124)
Unwind of discount	-	-	-	(1)	(1)
Other adjustments	-	7	-	-	7
Total (write-back)/charged to income statement	(25)	(1,032)	(9,960)	186	(10,831)
At end of financial period	**768**	**4,675**	**-**	**186**	**5,629**

A20 Income Derived from Investment of Depositors' Funds and Others

	2nd Quarter Ended		Six Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	**30 September 2018 RM'000**	30 September 2017 RM'000
Income derived from investment of:				
(i) Term deposits	**99,134**	76,017	**195,050**	152,545
(ii) Other deposits	**49,709**	43,439	**92,908**	83,209
	148,843	119,456	**287,958**	235,754

(i) <u>Income derived from investment of term deposits:</u>

	2nd Quarter Ended		Six Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	**30 September 2018 RM'000**	30 September 2017 RM'000
Finance income and hibah				
Financing and advances	**72,292**	55,968	**142,024**	113,218
Financial investments at FVOCI	**11,826**	-	**23,238**	-
Financial investments available-for-sale	**-**	8,650	**-**	16,683
Financial investments held-to-maturity	**-**	-	**-**	382
Money at call and deposits placements with financial institutions	**5,012**	4,050	**10,581**	5,058
	89,130	68,668	**175,843**	135,341
Accretion of discount less amortisation of premium	**5,898**	4,104	**11,513**	10,249
Total finance income and hibah	**95,028**	72,772	**187,356**	145,590
Other operating income				
- Fee income	**3,499**	2,277	**6,864**	5,095
- Investment income	**104**	230	**222**	543
- Other income	**503**	738	**608**	1,317
	99,134	76,017	**195,050**	152,545

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 RM555,000 (30.09.2017: RM102,000).

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 2018 RM'000	30 September 2017 RM'000	**30 September 2018 RM'000**	30 September 2017 RM'000
Finance income and hibah				
Financing and advances	**36,244**	32,005	**67,650**	61,757
Financial investments at FVOCI	**5,929**	-	**11,069**	-
Financial investments available-for-sale	**-**	4,936	**-**	9,100
Financial investments held-to-maturity	**-**	-	**-**	209
Money at call and deposit placements with financial institutions	**2,532**	2,235	**5,040**	2,759
	44,705	39,176	**83,759**	73,825
Accretion of discount less amortisation of premium	**2,955**	2,397	**5,484**	5,591
Total finance income and hibah	**47,660**	41,573	**89,243**	79,416
Other operating income				
- Fee income	**1,753**	1,315	**3,269**	2,779
- Investment income	**53**	134	**106**	296
- Other income	**243**	417	**290**	718
	49,709	43,439	**92,908**	83,209

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 RM264,000 (30.09.2017: RM55,000).

A21 Income Derived from Investment of Shareholder's Funds

	2nd Quarter Ended		Six Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	**30 September 2018 RM'000**	30 September 2017 RM'000
Finance income and hibah				
Financing and advances	**9,751**	8,659	**19,246**	17,147
Financial investments at FVOCI	**1,595**	-	**3,149**	-
Financial investments available-for-sale	**-**	1,337	**-**	2,527
Financial investments held-to-maturity	**-**	-	**-**	58
Money at call and deposit placements with financial institutions	**676**	617	**1,434**	766
	12,022	10,613	**23,829**	20,498
Accretion of discount less amortisation of premium	**795**	641	**1,560**	1,552
Total finance income and hibah	**12,817**	11,254	**25,389**	22,050
Other operating income				
- Fee income	**472**	354	**930**	772
- Investment income	**14**	36	**30**	82
- Other income	**68**	113	**82**	199
	13,371	11,757	**26,431**	23,103

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 RM75,000 (30.09.2017: RM15,000).

ALLIANCE ISLAMIC BANK BERHAD
(776882-V)
(Incorporated in Malaysia)

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

	2nd Quarter Ended		Six Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	**30 September 2018 RM'000**	30 September 2017 RM'000
Allowance for credit losses on financing, advances:				
(a) Individual assessment allowance				
- Made during the financial period (net)	**305**	2,766	**2,153**	5,389
(b) Collective assessment allowance				
- Made during the financial period (net)	**8,605**	13,462	**25,541**	30,485
(c) Bad debts on financing				
- Written-off	**3,462**	2,715	**6,679**	5,313
- Recovered	**(2,754)**	(2,740)	**(9,205)**	(5,797)
(d) Commitments and contingencies	**1,500**	-	**(10,831)**	-
	11,118	16,203	**14,337**	35,390
Allowance for credit losses on other receivables	**78**	31	**158**	130
	11,196	16,234	**14,495**	35,520

A23 Income Attributable to the Depositors and Financial Institutions

	2nd Quarter Ended		Six Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	**30 September 2018 RM'000**	30 September 2017 RM'000
Deposits from customers:				
- Mudharabah fund	**718**	839	**1,439**	1,704
- Non-Mudharabah fund	**77,169**	59,709	**151,337**	119,330
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	**937**	884	**1,863**	1,934
Financing sold to Cagamas	**5,472**	3,847	**10,969**	4,306
Subordinated Sukuk Murabahah	**1,836**	39	**3,630**	39
	86,132	65,318	**169,238**	127,313

ALLIANCE ISLAMIC BANK BERHAD
(776882-V)
(Incorporated in Malaysia)

A24 Other Operating Expenses

	2nd Quarter Ended		Six Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	**30 September 2018 RM'000**	30 September 2017 RM'000
Personnel costs				
- Salaries, allowances and bonuses	**13,092**	13,249	**26,643**	26,199
- Contribution to EPF	**2,077**	2,069	**4,178**	4,095
- Share options/grants under ESS	**-**	-	**-**	24
- Others	**1,647**	1,437	**3,157**	2,544
	16,816	16,755	**33,978**	32,862
Establishment costs				
- Depreciation on property, plant and equipment	**30**	21	**57**	41
- Amortisation of computer software	**104**	61	**160**	122
- Rental	**1,244**	1,272	**2,498**	2,570
- Repairs and maintenance	**320**	385	**947**	761
- Water and electricity	**278**	453	**605**	828
- Information technology expenses	**1,602**	1,550	**3,185**	3,210
- Others [Note (a)]	**1,645**	1,740	**3,333**	3,554
	5,223	5,482	**10,785**	11,086
Marketing expenses				
- Promotion and advertisement	**174**	159	**528**	257
- Branding and publicity	**85**	200	**695**	630
- Others	**141**	128	**283**	255
	400	487	**1,506**	1,142
Administration and general expenses				
- Communication expenses	**425**	324	**1,094**	972
- Printing and stationeries	**102**	96	**217**	212
- Insurance	**264**	177	**556**	489
- Professional fees	**656**	1,096	**1,732**	1,917
- Others	**718**	1,688	**1,927**	3,564
	2,165	3,381	**5,526**	7,154
Total other operating expenses	**24,604**	26,105	**51,795**	52,244

Included in the other operating expenses are the Shariah Committee members' remuneration of RM153,000 (30.09.2017: RM156,000).

ALLIANCE ISLAMIC BANK BERHAD
(776882-V)
(Incorporated in Malaysia)

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 2018 RM'000	30 September 2017 RM'000	**30 September 2018 RM'000**	30 September 2017 RM'000
Sharing of Other Operating Expenses				
Personnel costs				
- Salaries, allowances and bonuses	**11,826**	11,769	**23,962**	23,478
- Contribution to EPF	**1,878**	1,859	**3,762**	3,692
- Others	**1,404**	1,202	**2,692**	2,084
	15,108	14,830	**30,416**	29,254
Establishment costs				
- Rental	**1,167**	1,196	**2,344**	2,421
- Repairs and maintenance	**315**	381	**937**	753
- Water and electricity	**274**	449	**590**	818
- Information technology expenses	**1,591**	1,540	**3,144**	3,164
- Others [Note (a)]	**1,640**	1,738	**3,247**	3,546
	4,987	5,304	**10,262**	10,702
Marketing expenses				
- Promotion and advertisement	**182**	94	**415**	177
- Branding and publicity	**72**	181	**682**	575
- Others	**137**	127	**276**	254
	391	402	**1,373**	1,006
Administration and general expenses				
- Communication expenses	**223**	173	**688**	591
- Printing and stationeries	**80**	66	**159**	143
- Professional fees	**547**	481	**1,169**	1,070
- Others	**194**	410	**418**	1,085
	1,044	1,130	**2,434**	2,889
Total sharing of other operating expenses	**21,530**	21,666	**44,485**	43,851

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.

ALLIANCE ISLAMIC BANK BERHAD
(776882-V)
(Incorporated in Malaysia)

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 2018	30 September 2017	**30 September 2018**	30 September 2017
Net profit for the financial period attributable to Equity holder of the Bank (RM'000)	**30,707**	17,533	**60,599**	32,746
Weighted average numbers of ordinary shares in issue ('000)	**345,045**	345,045	**345,045**	345,045
Basic/diluted earnings per share (sen)	**8.9**	5.1	**17.6**	9.5

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 2018 RM'000	31 March 2018 RM'000
Credit-related exposures		
Direct credit substitutes	**158,364**	154,702
Transaction-related contingent items	**65,346**	77,381
Short-term self-liquidating trade-related contingencies	**46,534**	19,611
Irrevocable commitments to extend credit:		
- maturity exceeding one year	**451,793**	289,834
- maturity not exceeding one year	**1,532,996**	1,498,593
Total	**2,255,033**	2,040,121

ALLIANCE ISLAMIC BANK BERHAD
(776882-V)
(Incorporated in Malaysia)

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 2018	31 March 2018
Before deducting proposed dividends		
CET I/Tier I capital ratio	**12.173%**	12.569%
Total capital ratio	**15.094%**	15.421%
After deducting proposed dividends		
CET I/Tier I capital ratio	**11.761%**	12.198%
Total capital ratio	**14.682%**	15.050%

	30 September 2018 RM'000	31 March 2018 RM'000
CET I Capital		
Paid-up share capital	**400,000**	400,000
Retained profits	**508,687**	498,216
Regulatory reserves	**866**	-
Revaluation reserves	**4,905**	246
	914,458	898,462
Less: Regulatory adjustments		
- Intangible assets	**(938)**	(1,058)
- Deferred tax assets	**(12,553)**	(1,250)
- 55% of revaluation reserves	**(2,698)**	(135)
- Regulatory reserves	**(866)**	-
Total CET I Capital/Total Tier I Capital	**897,403**	896,019
Tier II Capital		
Subordinated Sukuk Murabahah	**129,588**	129,543
Collective assessment allowance and regulatory reserves	**85,700**	73,810
Total Tier II Capital	**215,288**	203,353
Total Capital	**1,112,691**	1,099,372

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

	30 September 2018 RM'000	31 March 2018 RM'000
Credit risk	**6,856,023**	6,638,122
Market risk	**312**	-
Operational risk	**515,615**	490,929
Total RWA and capital requirements	**7,371,950**	7,129,051

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.

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 2018				
Assets				
Financial assets at FVTPL				
- Money market instruments	**-**	**9,983**	**-**	**9,983**
Financial investments at FVOCI				
- Money market instruments	**-**	**1,352,042**	**-**	**1,352,042**
- Unquoted securities	**-**	**1,083,134**	**-**	**1,083,134**
31 March 2018				
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 September 2018 and 31 March 2018.

A29 Credit Transactions And Exposures With Connected Parties

	30 September 2018 RM'000	31 March 2018 RM'000
Outstanding credit exposures with connected parties	**1,848**	1,180
of which:		
Total credit exposure which is impaired or in default	**-**	-
Total credit exposures	**12,797,410**	12,040,877
Percentage of outstanding credit exposures to connected parties:		
- as a proportion of total credit exposures	**0.01%**	0.01%
- 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.

A30 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.

A30 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.

ALLIANCE ISLAMIC BANK BERHAD
(776882-V)
(Incorporated in Malaysia)

A30 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 31 March 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 April 2018 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)	(33,961)	7,985,625
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	-	12,118	13,368
Intangible assets			1,058	-	-	1,058
TOTAL ASSETS			11,371,991	(6,351)	(21,843)	11,343,797
LIABILITIES AND EQUITY						
Deposits from customers	Amortised Cost	Amortised Cost	9,439,065	-	-	9,439,065
Deposits and placements of banks and other financial institutions	Amortised Cost	Amortised Cost	243,848	-	-	243,848
Recourse obligation on financing sold to Cagamas	Amortised Cost	Amortised Cost	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	Amortised Cost	Amortised Cost	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)	(38,303)	475,703
- Regulatory reserves			*21,430*	-	*(21,430)*	-
- FVOCI reserves			-	*246*	*73*	*319*
- Revaluation reserves			*246*	*(246)*	-	-
- Retained profits			*498,216*	*(5,886)*	*(16,946)*	*475,384*
TOTAL EQUITY			919,892	(5,886)	(38,303)	875,703
TOTAL LIABILITIES AND EQUITY			11,371,991	(6,351)	(21,843)	11,343,797

PART B - Review of Performance & Current Year Prospect

B1 Review of Performance

The Bank recorded a Net Profit After Tax (NPAT) of RM60.6 million for the for the 6 months ended 30 September 2018, representing an increase of 85.1% or RM27.9 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 risk adjusted return financing and interbank lending.

Other operating income recorded at RM12.6 million where fee based income increased by 26.5% or RM2.5 million mainly from higher wealth management income and trade fees.

Gross financing and advances expanded by 4.8% or RM389.3 million to RM8.5 billion as at 30 September 2018. This growth was driven mainly by the segments with better risk adjusted returns, namely Alliance One Account, cash line and term financing.

Total customer deposits stood at RM10.1 billion, better by 6.7% with the Bank's Current Account and Savings Account (CASA) ratio recorded at 32.0%.

The Bank maintained a Total Capital ratio of 14.7%, while both Common Equity Tier 1 and Tier 1 ratios stood at 11.8% as at 30 September 2018.

B2 Current Year Prospect

The outlook for the Islamic Banking industry is expected to be marked by steady growth with robust demand in the consumer financing segment, and moderated by softening in the business financing segment.

From the funding perspective, continued competition among banks for deposits to comply with liquidity ratio requirements is expected to create pressure on funding costs.

The Bank will continue to grow it's financing portfolio with attractive risk-adjusted returns, moderate funding costs by garnering lower cost deposits and expand revenue streams from wealth management.

This will be done while aligning 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.

Amidst the global concerns which is mounting downside risks, among others are the escalating trade tensions between the two major economies (United States and China), tightening monetary policy in United States, and as well as the turmoil among emerging market currencies. The trade war has led to further capital outflows and weaker trade momentum in the Advanced economies, in turn leading to capital and financial adjustments in emerging markets like Malaysia.

Internally, Malaysia's growth remains supportive, despite weaker second quarter growth which is led by supply disruption in our mining and agriculture sectors. We expect private consumption will remain as the key driver of growth, boosted by June-September tax holiday, as well as steady wage and employment growth.

As for the financial sector, Malaysia is experiencing Non-resident portfolio outflows, in-line with its regional peers. However, we believe that our financial market will remain stable, in view of rising crude oil price which would moderate Ringgit's depreciation, as well as supportive monetary and financial conditions to economic growth.

Notwithstanding the challenging economic outlook, the Bank expects that the transformation initiatives will position its businesses for sustainable revenue and profitability for the remainder of financial year 2019.