

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF FINANCIAL POSITION *as at 31 March 2014***

	Economic Entity		The Bank	
	Current Financial Quarter 31/3/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000	Current Financial Quarter 31/3/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000
ASSETS				
Cash and short-term funds	2,955,417	4,506,301	2,955,417	4,506,301
Deposits and placements with banks and other financial institutions	-	120,016	-	120,016
Derivatives financial assets	171	-	171	-
Financial investments available-for-sale	1,301,825	1,283,123	1,301,825	1,283,123
Financial investments held-to-maturity	86,504	85,064	86,504	85,064
Financing, advances and other financing	6,414,425	6,048,876	6,414,425	6,048,876
Other assets	35,658	42,517	35,658	42,517
Amount due from holding company	65,814	-	65,814	-
Amount due from jointly controlled entity	11,823	4,185	11,823	4,185
Deferred tax assets	1,982	2,960	1,982	2,960
Statutory deposits with Bank Negara Malaysia	254,700	233,000	254,700	233,000
Investment in jointly controlled entity	-	-	650	650
Property and equipment	2,907	3,046	2,907	3,046
Intangible assets	1,473	1,666	1,473	1,666
TOTAL ASSETS	11,132,699	12,330,754	11,133,349	12,331,404
LIABILITIES AND EQUITY				
Deposits from customers	8,776,312	9,290,544	8,776,312	9,290,544
Deposits and placements of banks and other financial institutions	1,597,504	2,242,480	1,597,504	2,242,480
Derivative financial liabilities	296	-	296	-
Other liabilities	33,846	31,167	33,846	31,167
Amount due to holding company	-	60,115	-	60,115
Provision for taxation	1,524	2,031	1,524	2,031
TOTAL LIABILITIES	10,409,482	11,626,337	10,409,482	11,626,337
Share capital	360,000	360,000	360,000	360,000
Reserves	363,217	344,417	363,867	345,067
TOTAL EQUITY	723,217	704,417	723,867	705,067
TOTAL LIABILITIES AND EQUITY	11,132,699	12,330,754	11,133,349	12,331,404
COMMITMENTS AND CONTINGENCIES	1,974,878	1,667,189	1,974,878	1,667,189
Capital Adequacy				
CET1 capital ratio	13.256%	13.876%	13.268%	13.889%
Tier 1 capital ratio	13.256%	13.876%	13.268%	13.889%
Total capital ratio	13.637%	14.269%	13.650%	14.281%

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INTERIM FINANCIAL STATEMENTS**UNAUDITED INCOME STATEMENTS for the financial quarter ended 31 March 2014**

	Individual Quarter Economic Entity		Cumulative Quarter Economic Entity	
	Current Financial Quarter 31/3/2014 RM'000	Preceding Year Corresponding Quarter 31/3/2013 RM'000	Current Financial Quarter 31/3/2014 RM'000	Preceding Year Corresponding Quarter 31/3/2013 RM'000
Income derived from investment of depositors' funds and others	113,869	104,595	113,869	104,595
Income derived from investment of shareholders' funds	7,695	7,271	7,695	7,271
Allowances for losses on financing	(162)	(186)	(162)	(186)
Total distributable income	121,402	111,680	121,402	111,680
Income attributable to the depositors	(72,008)	(64,028)	(72,008)	(64,028)
Total net income	49,394	47,652	49,394	47,652
Personnel expenses	(18,169)	(15,888)	(18,169)	(15,888)
Other overheads and expenditures	(10,210)	(9,228)	(10,210)	(9,228)
	21,015	22,536	21,015	22,536
Share of joint venture's results	-	(16)	-	(16)
Profit before zakat and taxation	21,015	22,520	21,015	22,520
Zakat	-	-	-	-
Profit before taxation	21,015	22,520	21,015	22,520
Taxation	(3,217)	(5,416)	(3,217)	(5,416)
Net profit after zakat and taxation	17,798	17,104	17,798	17,104
Attributable to:				
Equity holders of the Bank	17,798	17,104	17,798	17,104
Earnings per share (sen):				
- Basic/fully diluted	4.9	4.8	4.9	4.8

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
for the financial quarter ended 31 March 2014(continued)

	Individual Quarter Economic Entity		Cumulative Quarter Economic Entity	
	Current Financial Quarter 31/3/2014 RM'000	Preceding Year Corresponding Quarter 31/3/2013 RM'000	Current Financial Quarter 31/3/2014 RM'000	Preceding Year Corresponding Quarter 31/3/2013 RM'000
Profit after zakat and taxation	17,798	17,104	17,798	17,104
Other comprehensive income:				
Items that may be reclassified subsequently to Profit and loss:				
Net fair value change in financial investments available-for-sale	1,318	(1,135)	1,318	(1,135)
Deferred tax on financial investments available-for-sale	(316)	284	(316)	284
Other comprehensive income for the financial period, net of tax	1,002	(851)	1,002	(851)
Total comprehensive income for the financial period	18,800	16,253	18,800	16,253
Attributable to equity holders of the Bank:				
- Total comprehensive income	18,800	16,253	18,800	16,253

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INTERIM FINANCIAL STATEMENTS**UNAUDITED INCOME STATEMENTS for the financial quarter ended 31 March 2014***(continued)*

	Individual Quarter		Cumulative Quarter	
	The Bank		The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	113,869	104,595	113,869	104,595
Income derived from investment of shareholders' funds	7,695	7,271	7,695	7,271
Allowances for losses on financing	(162)	(186)	(162)	(186)
Total distributable income	121,402	111,680	121,402	111,680
Income attributable to the depositors	(72,008)	(64,028)	(72,008)	(64,028)
Total net income	49,394	47,652	49,394	47,652
Personnel expenses	(18,169)	(15,888)	(18,169)	(15,888)
Other overheads and expenditures	(10,210)	(9,228)	(10,210)	(9,228)
Profit before zakat and taxation	21,015	22,536	21,015	22,536
Zakat	-	-	-	-
Profit before taxation	21,015	22,536	21,015	22,536
Taxation	(3,217)	(5,416)	(3,217)	(5,416)
Net profit after zakat and taxation	17,798	17,120	17,798	17,120
Attributable to:				
Equity holders of the Bank	17,798	17,120	17,798	17,120
Earnings per share (sen):				
- Basic/fully diluted	4.9	4.8	4.9	4.8

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
for the financial quarter ended 31 March 2014(continued)

	Individual Quarter		Cumulative Quarter	
	The Bank		The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	17,798	17,120	17,798	17,120
Other comprehensive income:				
Items that may be reclassified subsequently to Profit and loss:				
Net fair value change in financial investments available-for-sale	1,318	(1,135)	1,318	(1,135)
Deferred tax on financial investments available-for-sale	(316)	284	(316)	284
Other comprehensive income for the financial period, net of tax	1,002	(851)	1,002	(851)
Total comprehensive income for the financial period	18,800	16,269	18,800	16,269
Attributable to equity holders of the Bank:				
- Total comprehensive income	18,800	16,269	18,800	16,269

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INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF CHANGES IN EQUITY***for the financial quarter ended 31 March 2014*

Economic Entity	Attributable to Equity Holders of the Bank				
	Share capital	Statutory reserves	AFS revaluation reserves	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2014	360,000	173,026	(6,925)	178,316	704,417
Comprehensive income:					
Net profit for the financial period	-	-	-	17,798	17,798
Other comprehensive income (net of tax)					
- Financial investments available-for-sale	-	-	1,002	-	1,002
Total comprehensive income	-	-	1,002	17,798	18,800
At 31 March 2014	360,000	173,026	(5,923)	196,114	723,217
Economic Entity	RM'000	RM'000	AFS revaluation reserves	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013	360,000	143,451	2,598	148,950	654,999
Comprehensive income:					
Net profit for the financial period	-	-	-	17,104	17,104
Other comprehensive income (net of tax)					
- Financial investments available-for-sale	-	-	(851)	-	(851)
Total comprehensive income	-	-	(851)	17,104	16,253
At 31 March 2013	360,000	143,451	1,747	166,054	671,252

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
for the financial quarter ended 31 March 2014
(continued)

	Non-distributable			Distributable	Total
	Share capital	Statutory reserves	AFS revaluation reserves	Retained profits	
The Bank	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2014	360,000	173,026	(6,925)	178,966	705,067
Comprehensive income:					
Net profit for the financial period	-	-	-	17,798	17,798
Other comprehensive income (net of tax)					
- Financial investments available-for-sale	-	-	1,002	-	1,002
Total comprehensive income	-	-	1,002	17,798	18,800
At 31 March 2014	360,000	173,026	(5,923)	196,764	723,867
The Bank	RM'000	RM'000	AFS revaluation reserves	Retained profits	Total
At 1 January 2013	360,000	143,451	2,598	149,390	655,439
Comprehensive income:					
Net profit for the financial period	-	-	-	17,120	17,120
Other comprehensive income (net of tax)					
- Financial investments available-for-sale	-	-	(851)	-	(851)
Total comprehensive income	-	-	(851)	17,120	16,269
At 31 March 2013	360,000	143,451	1,747	166,510	671,708

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS for the financial quarter ended 31 March 2014

	Economic Entity		The Bank	
	31/3/2014 RM'000	31/3/2013 RM'000	31/3/2014 RM'000	31/3/2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	21,015	22,520	21,015	22,536
Adjustments for items not involving the movement of cash and cash equivalents:				
Finance income and hibah from:				
- financial investments available-for-sale	(11,930)	(14,861)	(11,930)	(14,861)
- financial investments held-to-maturity	(1,440)	-	(1,440)	-
Accretion of discount less amortisation of premium:				
- financial investments available-for-sale	52	(1,831)	52	(1,831)
Gain on sale from:				
- financial investments available-for-sale	(669)	(20)	(669)	(20)
Unrealised gain on revaluation:				
- foreign exchange	124	-	124	-
Depreciation of property and equipment	203	226	203	226
Amortisation of intangible assets	194	199	194	199
Net individual impairment	(1,316)	207	(1,316)	207
Net collective impairment	1,540	497	1,540	497
Bad debt on financing written-off	1	-	1	-
Share of joint venture's results	-	16	-	-
Operating profit before changes in working capital	7,774	6,953	7,774	6,953
<i>Decrease/(increase) in operating assets:</i>				
Deposits and placements with banks and other financial institutions	120,016	99,913	120,016	99,913
Foreign exchange transaction	410	1,478	410	1,478
Financing, advances and other financing	(365,774)	(29,111)	(365,774)	(29,111)
Other assets	5,094	27,996	5,094	27,996
Statutory deposits with Bank Negara Malaysia	(21,700)	3,500	(21,700)	3,500
Amount due from holding company	(65,814)	-	(65,814)	-
Amount due from jointly controlled entity	(7,638)	-	(7,638)	-
Derivative financial instruments	124	-	124	-
<i>Increase/(decrease) in operating liabilities:</i>				
Deposits from customers	(514,232)	(1,440,602)	(514,232)	(1,440,602)
Deposits and placements of banks and other financial institutions	(644,976)	(475,372)	(644,976)	(475,372)
Amount due to holding company	(60,115)	219,586	(60,115)	219,586
Other liabilities	5,466	(4,627)	5,466	(4,627)
Cash used in operations	(1,541,365)	(1,590,286)	(1,541,365)	(1,590,286)
Zakat paid	(850)	(707)	(850)	(707)
Tax paid	(5,000)	(5,833)	(5,000)	(5,833)
Tax refund	1,937	25	1,937	25
Net cash used in operating activities	(1,545,278)	(1,596,801)	(1,545,278)	(1,596,801)

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS *for the financial quarter ended 31 March 2014*
(continued)

	Economic Entity		The Bank	
	31/3/2014 RM'000	31/3/2013 RM'000	31/3/2014 RM'000	31/3/2013 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in jointly controlled entity	-	(150)	-	(150)
Finance income and hibah received from:				
- financial investments available-for-sale	11,930	14,861	11,930	14,861
- financial investments held-to-maturity	1,440	-	1,440	-
Purchase of financial investments held-to-maturity	(1,440)	-	(1,440)	-
Net purchase of financial investments available-for-sale	(16,766)	(15,319)	(16,766)	(15,319)
Purchase of property and equipment	(64)	(24)	(64)	(24)
Net cash used in investing activities	(4,900)	(632)	(4,900)	(632)
Net decrease in cash and cash equivalents	(1,550,178)	(1,597,433)	(1,550,178)	(1,597,433)
Net decrease in foreign exchange	(706)	(1,478)	(706)	(1,478)
Cash and cash equivalents at beginning of the financial period	4,506,301	4,076,266	4,506,301	4,076,266
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	2,955,417	2,477,355	2,955,417	2,477,355

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2014

1 BASIS OF PREPARATION

This unaudited condensed interim financial information for the 3 months ended 31 March 2014 has been prepared in accordance with MFRS134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board (MASB) Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, Bank Negara Malaysia (BNM) Guidelines and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Bank have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The unaudited condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with the Malaysian Financial Reporting Standards (MFRS). The explanatory notes to this interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the Bank since the year ended 31 December 2013.

2 ACCOUNTING POLICIES

The consolidated financial statements include the financial statements of the Bank and a jointly controlled entity, made up to the quarter ended 31 March 2014.

The presentation of the comparative financial statements of the Bank has been restated to conform with the current period's presentation. The new and revised Malaysian Financial Reporting Standards (MFRS) which became effective for the financial period beginning 1 January 2014 are duly adopted by the Bank when preparing the financial report for the quarter ended 31 March 2014 are as follows:

Amendment to MFRS 10 "Consolidated Financial Statements"
Amendment to MFRS 12 "Disclosure of Interests in Other Entities"
Amendment to MFRS 127 "Consolidated and Separate Financial Statements"
Amendment to MFRS 132 "Financial Instruments: Presentation"
Amendment to MFRS 136 "Impairment of Assets"
Amendment to MFRS 139 "Financial Instrument: Recognition and Measurement"

Classification and impairment provisions for financing - maintenance of Regulatory Reserves

Pursuant to Paragraph 13 of the Policy Document on Classification and Impairment Provisions for Loans/Financing, Bank Negara Malaysia (BNM) had issued a letter on 4 February 2014, which require banking institutions to maintain, in aggregate collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding financing (excluding financing with an explicit guarantee from the Federal Government of Malaysia), net of individual impairment provisions. Banking institutions are required to comply with the requirement by 31 December 2015.

3 QUALIFICATION OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2013 was not qualified.

4 SEASONAL OR CYCLICAL FACTORS

The business operations of the Bank are not subject to material seasonal or cyclical fluctuation.

5 EXCEPTIONAL ITEMS

There was no exceptional items for the quarter ended 31 March 2014.

6 CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT

Refer to Note 2

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2014

7 CHANGES IN DEBTS AND EQUITY SECURITIES

There were no purchases or disposal of quoted securities for the quarter ended 31 March 2014 other than in the ordinary course of business.

8 DIVIDENDS

There were no interim dividend declared.

9 SUBSEQUENT MATERIAL EVENT

There is no material subsequent event after the quarter ended 31 March 2014 that have material financial impact.

10 CHANGES IN THE COMPOSITION OF THE BANK

There is no changes in the composition of the Bank between now and 31 December 2013 audited accounts.

11 PURCHASE AND SALE OF QUOTED SECURITIES

There were no purchases or disposals of quoted securities for the quarter ended 31 March 2014 other than in the ordinary course of business.

12 STATUS OF CORPORATE PROPOSAL

There were no corporate proposals announced but not completed during the period ended 31 March 2014.

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2014

13 FINANCING, ADVANCES AND OTHER FINANCING

(i) **By type**

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	31/3/2014	31/12/2013
	RM'000	RM'000
Cash line	193,429	182,947
Term financing		
- House financing	1,737,974	1,712,692
- Hire purchase receivables	1,846,089	1,795,689
- Syndicated financing	265,213	268,072
- Other term financing	1,793,978	1,610,756
Bills receivables	1,375	32,260
Trust receipts	21,439	25,702
Claims on customers under acceptances credits	117,677	67,474
Staff financing (of which RM Nil to Directors)	10,424	10,880
Revolving credits	495,236	410,707
Gross financing, advances and other financing	6,482,834	6,117,179
Less:		
Allowance for impairment		
- Individual	(33,150)	(34,584)
- Collective	(35,259)	(33,719)
Total net financing, advances and other financing	6,414,425	6,048,876

(ii) **By maturity structure**

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	31/3/2014	31/12/2013
	RM'000	RM'000
Maturing within one year	876,633	749,108
One year to three years	578,718	560,747
Three years to five years	736,116	770,939
Over five years	4,291,367	4,036,385
	6,482,834	6,117,179

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2014

13 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(iii) By contract

	Economic Entity and The Bank	
	Current Financial Quarter 31/3/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000
Bai' Bithamin Ajil (deferred payment sale)	1,838,415	1,890,400
AITAB	1,846,089	1,795,689
Murabahah (cost-plus)	887,999	768,532
Others	1,910,331	1,662,558
	<u>6,482,834</u>	<u>6,117,179</u>

(iv) By type of customer

	Economic Entity and The Bank	
	Current Financial Quarter 31/3/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000
Domestic non-banking institutions		
- Others	142,460	173,426
Domestic business enterprises		
- Small medium enterprises	624,075	479,727
- Others	1,801,555	1,584,730
Government and statutory bodies	26,680	53,835
Individuals	3,545,011	3,463,437
Other domestic entities	226,980	242,599
Foreign entities	116,073	119,425
	<u>6,482,834</u>	<u>6,117,179</u>

(v) By profit rate sensitivity

	Economic Entity and The Bank	
	Current Financial Quarter 31/3/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000
Fixed rate		
- House financing	69,559	72,091
- Hire purchase receivables	1,846,089	1,795,689
- Other fixed rate financing	594,287	621,817
Variable rate		
- BLR - plus	2,932,015	2,640,486
- Cost - plus	1,040,884	987,096
	<u>6,482,834</u>	<u>6,117,179</u>

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2014

13 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(vi) By economic purpose

	Economic Entity and The Bank	
	Current Financial Quarter 31/3/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000
Purchase of securities	12	13
Purchase of transport vehicles	1,844,496	1,794,188
Purchase of landed property of which:		
- Residential	1,754,387	1,729,436
- Non-residential	1,027,745	848,029
Fixed assets other than land and building	74,987	79,648
Personal use	31,794	34,056
Consumer durable	5	8
Construction	592,724	579,492
Working capital	1,124,529	1,016,670
Others	32,155	35,639
	6,482,834	6,117,179

(vii) By geographical distribution

	Economic Entity and The Bank	
	Current Financial Quarter 31/3/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000
Perlis	63,559	51,655
Kedah	351,678	333,380
Pulau Pinang	134,162	127,866
Perak	327,187	314,735
Selangor	2,274,702	2,141,066
Wilayah Persekutuan	1,763,581	1,627,566
Negeri Sembilan	145,295	136,922
Melaka	91,844	87,178
Johor	281,261	261,096
Pahang	251,036	250,289
Terengganu	388,056	380,028
Kelantan	188,183	194,116
Sarawak	29,637	28,701
Sabah	101,301	88,033
Labuan	81	88
Outside Malaysia	91,271	94,460
	6,482,834	6,117,179

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2014**13 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(viii) Movements of impaired financing**

	Economic Entity and The Bank	
	Current Financial Quarter 31/3/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000
At beginning of the financial period	131,630	129,792
Classified as impaired	21,443	69,047
Reclassified as non-impaired	(9,177)	(45,964)
Amount recovered	(7,467)	(19,782)
Amount written-off	-	(1,463)
At end of the financial period	136,429	131,630
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing	2.10%	2.15%

(ix) Movements in allowance for impairment on financing

	Economic Entity and The Bank	
	Current Financial Quarter 31/3/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000
Individual impairment		
At beginning of the financial period	34,584	35,095
Provision for loan impairment	649	690
Amount recovered	(1,965)	(434)
Unwinding of discount of allowance	(21)	(1,045)
Exchange differences	(97)	278
At end of the financial period	33,150	34,584
Collective impairment		
At beginning of the financial period	33,719	34,936
Provision for loan impairment/(recovered)	1,540	242
Amount written-off	-	(1,459)
At end of the financial period	35,259	33,719

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2014**13 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(x) Impaired financing by economic purpose**

	Economic Entity and The Bank	
	Current Financial Quarter 31/3/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000
Purchase of transport vehicles	9,346	8,570
Purchase of landed property of which:		
- Residential	37,837	30,746
- Non-residential	560	1,945
Personal use	595	195
Construction	65,409	65,656
Working capital	22,682	24,518
	136,429	131,630

(xi) Impaired financing by geographical distribution

	Economic Entity and The Bank	
	Current Financial Quarter 31/3/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000
Perlis	70	12
Kedah	1,548	1,823
Pulau Pinang	1,353	1,472
Perak	3,269	3,066
Selangor	41,521	41,827
Wilayah Persekutuan	8,106	3,313
Negeri Sembilan	2,983	2,631
Melaka	341	357
Johor	2,036	2,613
Pahang	3,183	3,368
Terengganu	2,886	2,480
Kelantan	2,640	2,321
Sarawak	557	496
Sabah	527	198
Outside Malaysia	65,409	65,653
	136,429	131,630

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14 DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	31/3/2014	31/12/2013
	RM'000	RM'000
Non-Mudharabah		
Demand deposits	2,311,414	2,717,722
Savings deposits	243,759	227,884
Murabahah term deposits	2,237,396	1,021,789
Mudharabah		
Demand deposits	41,477	37,631
Savings deposits	143,109	136,702
General investment deposits	3,027,447	4,574,624
Special investment deposits	771,710	574,192
	8,776,312	9,290,544

(ii) Maturity structure of general investment deposits and NID

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	31/3/2014	31/12/2013
	RM'000	RM'000
Due within six months	3,502,363	4,236,110
Six months to one year	1,752,955	1,357,552
One year to three years	9,251	2,478
Three years to five years	274	273
	5,264,843	5,596,413

(iii) By type of customer

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	31/3/2014	31/12/2013
	RM'000	RM'000
Government and statutory bodies	3,127,100	3,309,130
Business enterprise	3,412,571	3,680,168
Individuals	1,102,847	1,056,745
Others	1,133,794	1,244,501
	8,776,312	9,290,544

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15 INCOME FROM ISLAMIC BANKING OPERATIONS

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	113,869	104,595	113,869	104,595
Income attributable to depositors	(72,008)	(64,028)	(72,008)	(64,028)
Income derived from investment of shareholders' funds	7,695	7,271	7,695	7,271
	49,556	47,838	49,556	47,838
of which:				
Profit earned on impaired financing, advances and other financing	159	871	159	871

16 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
- General investment deposits (i)	72,478	65,551	72,478	65,551
- Other deposits (ii)	41,391	39,044	41,391	39,044
	113,869	104,595	113,869	104,595

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16 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)

(i) INCOME DERIVED FROM INVESTMENT OF GENERAL INVESTMENT DEPOSITS

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank Current Financial Quarter 31/3/2014 RM'000	Preceding Year Corresponding Quarter 31/3/2013 RM'000	Economic Entity and The Bank Current Financial Quarter 31/3/2014 RM'000	Preceding Year Corresponding Quarter 31/3/2013 RM'000
Finance income and hibah				
Financing, advances and other loans	46,900	39,557	46,900	39,557
Financial investments available-for-sale	7,113	8,708	7,113	8,708
Financial investments held-to-maturity	858	-	858	-
Money at call and deposits with other financial institutions	15,299	14,382	15,299	14,382
Total finance income and hibah	70,170	62,647	70,170	62,647
Accretion of discount less amortisation of premium	(31)	1,073	(31)	1,073
	70,139	63,720	70,139	63,720
Other operating income				
Fee income				
Commission	206	145	206	145
Service charges and fees	786	845	786	845
Guarantee fees	260	364	260	364
	1,252	1,354	1,252	1,354
Income from financial instruments				
Gains on arising on financial investments available-for-sale:				
- net gain on disposal	399	12	399	12
	399	12	399	12
Other income				
Foreign exchange profit:				
- realised	463	138	463	138
- unrealised	(74)	-	(74)	-
Other non-operating income	299	327	299	327
	688	465	688	465
	72,478	65,551	72,478	65,551

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16 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)

(ii) INCOME DERIVED FROM INVESTMENT OF OTHER DEPOSITS

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other loans	26,784	23,562	26,784	23,562
Financial investments available-for-sale	4,062	5,187	4,062	5,187
Financial investments held-to-maturity	490	-	490	-
Money at call and deposits with other financial institutions	8,737	8,567	8,737	8,567
Total finance income and hibah	40,073	37,316	40,073	37,316
Accretion of discount less amortisation of premium	(18)	639	(18)	639
	40,055	37,955	40,055	37,955
Other operating income				
Fee income				
Commission	118	86	118	86
Service charges and fees	449	503	449	503
Guarantee fees	148	217	148	217
	715	806	715	806
Income from financial instruments				
Gains on arising on financial investments available-for-sale:				
- net gain on disposal	228	7	228	7
	228	7	228	7
Other income				
Foreign exchange profit:				
- realised	264	82	264	82
- unrealised	(42)	-	(42)	-
Other non-operating income	171	194	171	194
	393	276	393	276
	41,391	39,044	41,391	39,044

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17 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	4,980	4,388	4,980	4,388
Financial investments available-for-sale	755	966	755	966
Financial investments held-to-maturity	91	-	91	-
Money at call and deposits with other financial institutions	1,624	1,595	1,624	1,595
Total finance income and hibah	7,450	6,949	7,450	6,949
Accretion of discount less amortisation of premium	(3)	119	(3)	119
	7,447	7,068	7,447	7,068
Other operating income				
Fee income				
Commission	22	16	22	16
Service charges and fees	83	94	83	94
Guarantee fees	28	40	28	40
	133	150	133	150
Income from financial instruments				
Gains on arising on financial investments available-for-sale:				
- net gain on disposal	42	1	42	1
	42	1	42	1
Other income				
Foreign exchange profit:				
- realised	49	15	49	15
- unrealised	(8)	-	(8)	-
Other non-operating income	32	37	32	37
	73	52	73	52
	7,695	7,271	7,695	7,271

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2014**18 ALLOWANCES FOR LOSSES ON FINANCING**

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Individual impairment				
- made in the financial period	649	238	649	238
- written-back	(1,965)	(31)	(1,965)	(31)
Collective impairment				
- made in the financial period	1,540	497	1,540	497
Bad debts on financing				
- recovered	(63)	(518)	(63)	(518)
- written-off	1	-	1	-
	162	186	162	186

19 INCOME ATTRIBUTABLE TO DEPOSITORS

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah	50,014	44,495	50,014	44,495
- Non-mudharabah	8,418	8,005	8,418	8,005
Deposits and placements of banks and other financial institutions				
- Mudharabah	13,084	10,179	13,084	10,179
Others	492	1,349	492	1,349
	72,008	64,028	72,008	64,028

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	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonuses	14,307	12,414	14,307	12,414
Defined contribution plan ('EPF')	2,333	2,012	2,333	2,012
Other personnel costs	1,529	1,462	1,529	1,462
	18,169	15,888	18,169	15,888

21 OTHER OVERHEADS AND EXPENDITURES

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Establishment costs				
Rental of premises	1,239	970	1,239	970
Equipment rental	13	10	13	10
Repair and maintenance	1,316	1,080	1,316	1,080
Depreciation of property and equipment	203	226	203	226
Amortisation of intangible assets	194	199	194	199
IT consultancy fees	2,270	2,198	2,270	2,198
Dataline rental	174	96	174	96
Security services	829	588	829	588
Electricity, water and sewerage	432	351	432	351
Licence fee	55	50	55	50
Insurance/takaful and indemnities	10	29	10	29
Other establishment costs	864	867	864	867
	7,599	6,664	7,599	6,664

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2014**21 OTHER OVERHEADS AND EXPENDITURES (continued)**

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Marketing expenses				
Business promotion and advertisement	175	33	175	33
Entertainment	103	91	103	91
Traveling and accommodation	209	252	209	252
Other marketing expenses	149	144	149	144
	636	520	636	520

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Administration and general expenses				
Telecommunication expenses	291	221	291	221
Auditors' remuneration	110	76	110	76
Professional fees	194	229	194	229
Mail and courier charges	148	149	148	149
Stationery and consumables	570	612	570	612
Commissions expenses	56	52	56	52
Brokerage expenses	67	20	67	20
Directors' fees and allowances	325	455	325	455
Donations	6	4	6	4
Settlement, clearing and bank charges	154	102	154	102
Stamp duties	-	1	-	1
Other administration and general expenses	54	123	54	123
	1,975	2,044	1,975	2,044
	10,210	9,228	10,210	9,228

22 COMMITMENTS AND CONTINGENCIES

	Current financial quarter ended			Previous financial year ended		
	31/3/2014			31/12/2013		
	Principal	* Credit	* Risk-	Principal	* Credit	* Risk-
	Amount	Equivalent	weighted	Amount	Equivalent	weighted
	RM'000	RM'000	Amount	RM'000	RM'000	Amount
Economic Entity and The Bank						
Direct credit substitutes	8,346	8,346	6,817	8,454	8,454	6,876
Transaction-related contingent items	147,926	73,963	71,806	125,567	62,784	60,717
Short-term self-liquidating trade-related contingencies	215,611	43,122	16,177	220,392	44,078	13,104
Irrevocable commitments to extend credit:						
- Maturity less than one year	703,890	140,778	54,608	978,152	195,630	157,426
- Maturity more than one year	710,131	355,066	121,942	334,624	167,312	151,793
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	37,745	-	-	-	-	-
Foreign exchange related contracts						
- Less than one year	151,229	959	554	-	-	-
	1,974,878	622,234	271,904	1,667,189	478,258	389,916

* The credit equivalent amount and risk-weighted amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2014**23 FAIR VALUE MEASUREMENTS**

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- (a) Level 1 - quoted price (unadjusted) in active markets for identical assets and liabilities;
- (b) Level 2 - inputs other than quoted price included within level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (c) Level 3 - inputs for the asset and liability that are not based on observable market data (unobservable inputs).

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Economic Entity and The Bank				
31/3/2014				
Assets				
Financial investments available-for-sale				
- Private debt securities	-	445,344	-	445,344
- Equity securities	-	-	69	69
- Other financial assets	-	856,412	-	856,412

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Economic Entity and The Bank				
31/12/2013				
Assets				
Financial investments available-for-sale				
- Private debt securities	-	509,716	-	509,716
- Equity securities	-	-	69	69
- Other financial assets	-	773,338	-	773,338

Financial instruments that are valued using quoted prices in active market are classified as Level 1 of the valuation hierarchy. These would include listed equities which are actively traded.

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 corporate private debt securities and corporate notes.

The Bank classify 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 Bank may also use valuation models or discounted cash flow technique to determine the 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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23 FAIR VALUE MEASUREMENTS (continued)

The following table present the changes in Level 3 instruments for the financial year ended:

	Economic Entity and The Bank	
	Current Financial Quarter 31/3/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000
Opening	69	69
AFS revaluation reserves	-	-
Closing	69	69

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

As at reporting date, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares held for socio economic purposes.

In estimating its significance, the Bank used an approach that is currently based on methodologies used for fair value adjustments. These adjustments reflects the values that the Bank estimates is appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be a statistical or other relevant approved techniques.

AFFIN Islamic Bank Berhad**(Incorporated in Malaysia)****MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2014****24 CAPITAL MANAGEMENT**

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 28 November 2012.

The Bank is currently adopting Standardised Approach for Credit Risk and Market Risk, the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio ('CET 1') and Tier 1 Capital Ratio are 4.0% and 5.5% respectively for year 2014. The minimum regulatory capital adequacy requirement remains at 8.0% (2013 : 8.0%) for total capital ratio.

The Bank has adopted and to comply with the Guidelines and are subject to the transition arrangements as set out by BNM.

The Bank's objectives when managing capital, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Bank maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with the management which takes into account the risk profile of the Bank.

The table in Note 25 below summarises the composition of regulatory capital and the ratios of the Bank for the financial quarter ended 31 March 2014.

25 CAPITAL ADEQUACY

The capital adequacy ratios are as follows:

	Economic Entity		The Bank	
	Current Financial Quarter	Previous Financial Year-End	Current Financial Quarter	Previous Financial Year-End
	31/3/2014	31/12/2013	31/3/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
Paid-up share capital	360,000	360,000	360,000	360,000
Retained profits	178,316	178,316	178,966	178,966
Statutory reserves	173,026	173,026	173,026	173,026
Unrealised gains and losses on AFS	(7,794)	(9,112)	(7,794)	(9,112)
	703,548	702,230	704,198	702,880
Less:				
Deferred tax assets *	(773)	(773)	(773)	(773)
Investment in subsidiaries/associates/ jointly controlled entity	(130)	-	(130)	-
CET1 Capital	702,645	701,457	703,295	702,107
Tier 1 Capital	702,645	701,457	703,295	702,107

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2014**25 CAPITAL ADEQUACY (continued)**

	Economic Entity		The Bank	
	Current Financial Quarter 31/3/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000	Current Financial Quarter 31/3/2014 RM'000	Previous Financial Year-End 31/12/2013 RM'000
Collective impairment ^	20,729	20,470	20,729	20,470
Less:				
Investment in subsidiaries/associates/ jointly controlled entity	(520)	(650)	(520)	(650)
Tier II capital	20,209	19,820	20,209	19,820
Total capital	722,854	721,277	723,504	721,927
CET1 capital ratio	13.256%	13.876%	13.268%	13.889%
Tier 1 capital ratio	13.256%	13.876%	13.268%	13.889%
Total capital ratio	13.637%	14.269%	13.650%	14.281%
CET1 capital ratio (net of proposed dividends)	13.256%	13.876%	13.268%	13.889%
Tier 1 capital ratio (net of proposed dividends)	13.256%	13.876%	13.268%	13.889%
Total capital ratio (net of proposed dividends)	13.637%	14.269%	13.650%	14.281%

* Deferred tax assets exclude deferred tax arising from AFS revaluation reserves.

^ Qualifying collective impairment is restricted to allowances on unimpaired portion of the financing, advances and other financing.

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MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2014**25 CAPITAL ADEQUACY (continued)**

Breakdown of gross risk weighted assets in the various categories of risk-weights:

	Economic Entity		The Bank	
	Principal Current Financial Quarter 31/3/2014 RM'000	Principal Previous Financial Year-End 31/12/2013 RM'000	Principal Current Financial Quarter 31/3/2014 RM'000	Principal Previous Financial Year-End 31/12/2013 RM'000
0%	4,247,709	5,524,677	4,247,709	5,524,677
20%	425,234	743,693	425,234	743,693
35%	1,198,515	1,219,206	1,198,515	1,219,206
50%	224,411	221,326	224,411	221,325
75%	2,058,258	2,006,120	2,058,258	2,006,120
100%	2,682,683	2,440,815	2,682,683	2,440,815
150%	66,947	53,693	66,947	53,693
Total risk-weighted assets for credit risk	10,903,757	12,209,530	10,903,757	12,209,529

	Economic Entity		The Bank	
	Risk-Weighted Current Financial Quarter 31/3/2014 RM'000	Risk-Weighted Previous Financial Year-End 31/12/2013 RM'000	Risk-Weighted Current Financial Quarter 31/3/2014 RM'000	Risk-Weighted Previous Financial Year-End 31/12/2013 RM'000
0%	-	-	-	-
20%	85,047	148,739	85,047	148,739
35%	419,480	426,722	419,480	426,722
50%	112,206	110,663	112,206	110,663
75%	1,543,693	1,504,590	1,543,693	1,504,590
100%	2,682,683	2,440,815	2,682,683	2,440,815
150%	100,421	80,539	100,421	80,539
Total risk-weighted assets for credit risk	4,943,530	4,712,068	4,943,530	4,712,068
Risk-weighted assets for market risk	13,005	3,570	13,005	3,570
Risk-weighted assets for operational risk	344,048	339,365	344,048	339,365
Total risk-weighted assets	5,300,583	5,055,003	5,300,583	5,055,003

Effective 1 January 2008, the Bank's capital ratios is being computed in accordance with the RWCAF (Basel II - Risk Weighted Assets Computation) or Capital Adequacy Framework for Islamic Banks (CAFIB). The Bank has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk computation.

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26 REVIEW OF PERFORMANCE OF THE BANK

(Analysis of financial performance of current quarter comparing to previous year's corresponding quarter)

During the 1st quarter of 2014, the Bank registered a profit before tax of RM21.0 million as compared to the previous year's corresponding quarter of RM22.5 million, a decrease of RM1.5 million or 6.7%.

This was due to:

- i) higher income attributable to the depositors' funds by RM8.0 million.
- ii) higher operating expenses by RM3.2 million.

The above was off-set by:

- i) higher income derived from investment of depositors' funds and others by RM9.3 million.
- ii) higher income derived from investment of shareholders' funds by RM0.4 million.

27 COMMENT ON FINANCIAL RESULTS

(Analysis of financial performance of current quarter comparing to immediate preceding quarter)

The Bank's profit before tax for 1st quarter of 2014 stood at RM21.0 million as compared to RM21.1 million reported in the 4th quarter of 2013, a decrease of RM0.1 million or 0.3%.

Decrease in profit before tax as compared to immediate preceding quarter due to:

- i) lower net writeback of allowances for losses on financing by RM0.5 million.
- ii) higher other operating expenses by RM1.2 million.

The above was off-set by:

- i) higher income derived from investment of depositors' funds and others by RM1.4 million
- ii) higher income derived from investment of shareholders' funds by RM0.1 million.
- iii) lower income attributable to the depositors' funds by RM0.1 million.

AFFIN Islamic Bank Berhad
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28 PROSPECT FOR THE CURRENT FINANCIAL YEAR

The Malaysian economy is seen growing between 4.5% and 5.5% in 2014 on a slower demand expansion but improving external trade. The consumer demand is expected to soften in light of the property restrictions that came into effect early this year as well as higher inflationary pressures. However, the Government efforts in the Economic Transformation Programme ('ETP') will continue to offer support to activity on the corporate front. Hence, much more prospects and projects in the pipeline to be tapped under SME segment and contract financing to pace up our business growth this year.

The Islamic banking business in Malaysia is expected to further expand in 2014 with continued initiatives introduced by Bank Negara Malaysia to promote Malaysia as an international Islamic banking hub.

AFFIN Islamic ('The Bank') will continue to focus on both Consumer and Business Financing using globally accepted Shariah concepts. In addition, the Bank will launch several new products during the year to further contribute to its financing growth as well as increase its products offering. On deposit taking activities, the Bank will continue to source for cheap deposits, namely from Current and Saving Accounts, and continue to increase its Consumer deposits base. In addition, new deposits and fee based products will be developed in 2014 to meet customers' needs and expectation. As at 1st quarter of 2014, the Bank has launched two new products; one of which focused on the financing segment, namely, Affin Tawarruq Term Financing-i and the other one is focused on the deposits segment; namely, Affin Islamic Term Deposit-i (AITD-i).

29 VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

The Bank's profit before tax registered an adverse variance of RM6.5 million. The main contributing factors are follows:

Net income and other operating income

The net income and other operating income showed an adverse variance of RM6.3 million.

Other operating expenses

Operating costs showed a favourable variance of RM0.2 million.

Allowance for losses on financing

Allowance for losses on financing showed an adverse variance of RM0.4 million.