

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION as at 30 June 2018

	Note	Economic Entity		The Bank	
		Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
ASSETS					
Cash and short-term funds		1,644,520	1,423,594	1,644,520	1,423,594
Derivative financial assets	13	5,041	2,623	5,041	2,623
Financial assets at fair value through other comprehensive income ("FVOCI")	14	2,561,887	-	2,561,887	-
Financial investments available-for-sale	14	-	2,377,724	-	2,377,724
Financing, advances and other financing	15	17,403,523	15,369,747	17,403,523	15,369,747
Other assets	16	11,342	17,833	11,342	17,833
Amount due from holding company		-	406,523	-	406,523
Amount due from joint ventures	17	35,994	32,849	35,994	32,849
Amount due from associate	18	500	500	500	500
Deferred tax assets		21,819	5,020	21,819	5,020
Statutory deposits with Bank Negara Malaysia		521,000	400,640	521,000	400,640
Investment in joint ventures		-	-	650	650
Investment in associate		750	750	750	750
Property and equipment		2,618	2,411	2,618	2,411
Intangible assets		392	-	392	-
TOTAL ASSETS		22,209,386	20,040,214	22,210,036	20,040,864
LIABILITIES AND EQUITY					
Deposits from customers	19	15,944,682	14,199,332	15,944,682	14,199,332
Investment accounts of customers	20	1,262	449	1,262	449
Deposits and placements of banks and other financial institutions	21	2,161,752	1,261,400	2,161,752	1,261,400
Investment accounts due to designated financial institutions	22	2,028,621	2,749,016	2,028,621	2,749,016
Derivative financial liabilities	23	4,053	3,258	4,053	3,258
Other liabilities	24	112,175	67,456	112,175	67,456
Amount due to holding company		181,924	-	181,924	-
Provision for taxation		6,163	1,150	6,163	1,150
TOTAL LIABILITIES		20,440,632	18,282,061	20,440,632	18,282,061
Share capital		1,060,000	1,060,000	1,060,000	1,060,000
Reserves	25	708,754	698,153	709,404	698,803
TOTAL EQUITY		1,768,754	1,758,153	1,769,404	1,758,803
TOTAL LIABILITIES AND EQUITY		22,209,386	20,040,214	22,210,036	20,040,864
COMMITMENTS AND CONTINGENCIES	32	4,716,132	4,734,028	4,716,132	4,734,028
Capital Adequacy					
CET1 capital ratio	35	11.137%	15.086%	11.137%	15.087%
Tier 1 capital ratio	35	11.137%	15.086%	11.137%	15.087%
Total capital ratio	35	12.333%	16.251%	12.333%	16.251%

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(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS**UNAUDITED INCOME STATEMENTS for the financial quarter ended 30 June 2018**

	Note	Individual Quarter Economic Entity		Cumulative Quarter Economic Entity	
		Current Financial Quarter 30/6/2018 RM'000	Preceding Year Corresponding Quarter 30/6/2017 RM'000	Current Financial Quarter 30/6/2018 RM'000	Preceding Year Corresponding Quarter 30/6/2017 RM'000
Income derived from investment of depositors' funds and others	26	234,419	166,753	445,034	314,835
Income derived from investment of investment account funds	27	22,400	25,369	45,949	53,763
Income derived from investment of shareholders' funds	28	23,027	16,981	44,557	32,619
Allowances for credit impairment losses	29	1,272	(11,110)	(13,664)	(16,502)
Total distributable income		281,118	197,993	521,876	384,715
Income attributable to the depositors	30	(172,625)	(131,724)	(327,173)	(247,226)
Total net income		108,493	66,269	194,703	137,489
Other operating expenses	31	(55,144)	(43,283)	(109,082)	(81,753)
Profit before zakat and taxation		53,349	22,986	85,621	55,736
Zakat		-	-	-	-
Profit before taxation		53,349	22,986	85,621	55,736
Taxation		(12,815)	(4,092)	(20,497)	(12,773)
Net profit after zakat and taxation		40,534	18,894	65,124	42,963
Attributable to:					
Equity holder of the Bank		40,534	18,894	65,124	42,963
Earnings per share (sen):					
- Basic		3.8	2.9	6.1	6.6

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INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME***for the financial quarter ended 30 June 2018 (continued)*

	Individual Quarter Economic Entity		Cumulative Quarter Economic Entity	
	Current Financial Quarter 30/6/2018 RM'000	Preceding Year Corresponding Quarter 30/6/2017 RM'000	Current Financial Quarter 30/6/2018 RM'000	Preceding Year Corresponding Quarter 30/6/2017 RM'000
Profit after zakat and taxation	40,534	18,894	65,124	42,963
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- financial assets at FVOCI	(11,732)	-	(12,207)	-
- financial investments available-for-sale	-	11,238	-	19,952
Net credit impairment losses change in financial assets at FVOCI	(6)	-	(6)	-
Deferred tax on				
- financial assets at FVOCI	2,816	-	2,930	-
- financial investments available-for-sale	-	(2,698)	-	(4,789)
Other comprehensive income for the financial period, net of tax	(8,922)	8,540	(9,283)	15,163
Total comprehensive income for the financial period	31,612	27,434	55,841	58,126
Attributable to equity holder of the Bank:				
- Total comprehensive income	31,612	27,434	55,841	58,126

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INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS *for the financial quarter ended 30 June 2018*

(continued)

	Note	Individual Quarter The Bank		Cumulative Quarter The Bank	
		Current Financial Quarter 30/6/2018 RM'000	Preceding Year Corresponding Quarter 30/6/2017 RM'000	Current Financial Quarter 30/6/2018 RM'000	Preceding Year Corresponding Quarter 30/6/2017 RM'000
Income derived from investment of depositors' funds and others	26	234,419	166,753	445,034	314,835
Income derived from investment of investment account funds	27	22,400	25,369	45,949	53,763
Income derived from investment of shareholders' funds	28	23,027	16,981	44,557	32,619
Allowances for credit impairment losses	29	1,272	(11,110)	(13,664)	(16,502)
Total distributable income		281,118	197,993	521,876	384,715
Income attributable to the depositors	30	(172,625)	(131,724)	(327,173)	(247,226)
Total net income		108,493	66,269	194,703	137,489
Other operating expenses	31	(55,144)	(43,283)	(109,082)	(81,753)
Profit before zakat and taxation		53,349	22,986	85,621	55,736
Zakat		-	-	-	-
Profit before taxation		53,349	22,986	85,621	55,736
Taxation		(12,815)	(4,092)	(20,497)	(12,773)
Net profit after zakat and taxation		40,534	18,894	65,124	42,963
Attributable to:					
Equity holder of the Bank		40,534	18,894	65,124	42,963
Earnings per share (sen):					
- Basic		3.8	2.9	6.1	6.2

AFFIN Islamic Bank Berhad

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INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME***for the financial quarter ended 30 June 2018 (continued)*

	Individual Quarter		Cumulative Quarter	
	The Bank		The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	40,534	18,894	65,124	42,963
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- financial assets at FVOCI	(11,732)	-	(12,207)	-
- financial investments available-for-sale	-	11,238	-	19,952
Net credit impairment losses change in financial assets at FVOCI	(6)	-	(6)	-
Deferred tax on				
- financial assets at FVOCI	2,816	-	2,930	-
- financial investments available-for-sale	-	(2,698)	-	(4,789)
Other comprehensive income for the financial period, net of tax	(8,922)	8,540	(9,283)	15,163
Total comprehensive income for the financial period	31,612	27,434	55,841	58,126
Attributable to equity holder of the Bank:				
- Total comprehensive income	31,612	27,434	55,841	58,126

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
for the financial quarter ended 30 June 2018

Economic Entity	Attributable to Equity Holder of the Bank					Total RM'000
	Share capital RM'000	Statutory reserves RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
At 1 January 2018						
As previously reported	1,060,000	-	(6,915)	94,866	610,202	1,758,153
Adjustment arising from adoption of MFRS 9	-	-	215	(19,067)	(26,388)	(45,240)
	1,060,000	-	(6,700)	75,799	583,814	1,712,913
Net profit for the financial period	-	-	-	-	65,124	65,124
Other comprehensive income (net of tax)						
- Financial assets at FVOCI	-	-	(9,283)	-	-	(9,283)
Total comprehensive income	-	-	(9,283)	-	65,124	55,841
Transfer to regulatory reserves	-	-	-	25,751	(25,751)	-
At 30 June 2018	1,060,000	-	(15,983)	101,550	623,187	1,768,754
Economic Entity	Share capital RM'000	Statutory reserves RM'000	AFS revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total RM'000
At 1 January 2017	560,000	305,016	(18,064)	73,178	237,127	1,157,257
Net profit for the financial period	-	-	-	-	42,963	42,963
Other comprehensive income (net of tax)						
- Financial investments available-for-sale	-	-	15,163	-	-	15,163
Total comprehensive income	-	-	15,163	-	42,963	58,126
Issued during the financial period	200,000	-	-	-	-	200,000
Transfer to regulatory reserves	-	-	-	9,827	(9,827)	-
Transfer to retained profits	-	(305,016)	-	-	305,016	-
At 30 June 2017	760,000	-	(2,901)	83,005	575,279	1,415,383

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
for the financial quarter ended 30 June 2018
(continued)

	Non-distributable			Distributable		Total RM'000
	Share capital RM'000	Statutory reserves RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
The Bank						
At 1 January 2018						
As previously reported	1,060,000	-	(6,915)	94,866	610,852	1,758,803
Adjustment arising from adoption of MFRS 9	-	-	215	(19,067)	(26,388)	(45,240)
	1,060,000	-	(6,700)	75,799	584,464	1,713,563
Net profit for the financial period	-	-	-	-	65,124	65,124
Other comprehensive income (net of tax)						
- Financial assets at FVOCI	-	-	(9,283)	-	-	(9,283)
Total comprehensive income	-	-	(9,283)	-	65,124	55,841
Transfer to regulatory reserves	-	-	-	25,751	(25,751)	-
At 30 June 2018	1,060,000	-	(15,983)	101,550	623,837	1,769,404
The Bank						
At 1 January 2017						
As previously reported	560,000	305,016	(18,064)	73,178	237,777	1,157,907
Net profit for the financial period	-	-	-	-	42,963	42,963
Other comprehensive income (net of tax)						
- Financial investments available-for-sale	-	-	15,163	-	-	15,163
Total comprehensive income	-	-	15,163	-	42,963	58,126
Issued during the financial period	200,000	-	-	-	-	200,000
Transfer to regulatory reserves	-	-	-	9,827	(9,827)	-
Transfer to retained profits	-	(305,016)	-	-	305,016	-
At 30 June 2017	760,000	-	(2,901)	83,005	575,929	1,416,033

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS *for the financial quarter ended 30 June 2018*

	Economic Entity		The Bank	
	30/6/2018 RM'000	30/6/2017 RM'000	30/6/2018 RM'000	30/6/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	85,621	55,736	85,621	55,736
Adjustments for items not involving the movement of cash and cash equivalents:				
Finance income and hibah from:				
- financial assets at FVOCI	(47,994)	-	(47,994)	-
- financial investments available-for-sale	-	(36,335)	-	(36,335)
- financial investments held-to-maturity	-	(2,360)	-	(2,360)
Accretion of discount less amortisation of premium:				
- financial assets at FVOCI	(3,812)	-	(3,812)	-
- financial investments available-for-sale	-	(2,640)	-	(2,640)
Gain on sale/redemption:				
- financial assets at FVOCI	(837)	-	(837)	-
- financial investments available-for-sale	-	(2,974)	-	(2,974)
(Gain)/Loss on unrealised foreign exchange	(1,623)	5,876	(1,623)	5,876
Depreciation of property and equipment	361	433	361	433
Property and equipment written-off	3	1	3	1
Amortisation of intangible assets	32	-	32	-
Net individual impairment	-	2,906	-	2,906
Net collective impairment	14,000	14,033	14,000	14,033
Bad debt on financing written-off	29	1	29	1
Operating profit before changes in working capital	45,780	34,677	45,780	34,677
<i>(Increase)/Decrease in operating assets:</i>				
Financing, advances and other financing	(2,090,936)	(1,478,911)	(2,090,936)	(1,478,911)
Other assets	6,177	(3,382)	6,177	(3,382)
Statutory deposits with Bank Negara Malaysia	(120,360)	37,360	(120,360)	37,360
Amount due from holding company	406,523	(33,787)	406,523	(33,787)
Amount due from joint ventures	(3,145)	(3,653)	(3,145)	(3,653)
Derivative financial instruments	(1,623)	5,876	(1,623)	5,876
<i>Increase/(Decrease) in operating liabilities:</i>				
Deposits from customers	1,745,350	1,267,984	1,745,350	1,267,984
Investment accounts of customers	813	706	813	706
Deposits and placements of banks and other financial institutions	900,352	1,033,484	900,352	1,033,484
Investment accounts due to designated financial institutions	(720,395)	38,061	(720,395)	38,061
Amount due to holding company	181,924	(196,828)	181,924	(196,828)
Other liabilities	30,091	(8,957)	30,091	(8,957)
Cash generated from operations	380,551	692,630	380,551	692,630
Zakat paid	(1,834)	(901)	(1,834)	(901)
Tax paid	(15,000)	(16,667)	(15,000)	(16,667)
Net cash generated from operating activities	363,717	675,062	363,717	675,062

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UNAUDITED STATEMENTS OF CASH FLOWS for the financial quarter ended 30 June 2018

(continued)

	Economic Entity		The Bank	
	30/6/2018 RM'000	30/6/2017 RM'000	30/6/2018 RM'000	30/6/2017 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Finance income and hibah received from:				
- financial assets at FVOCI				
- financial investments available-for-sale	47,994	38,975	47,994	38,975
- financial investments held-to-maturity	-	2,360	-	2,360
Redemption of financial investments held-to-maturity	-	6,023	-	6,023
Net purchase of				
- financial assets at FVOCI	(191,728)	-	(191,728)	-
- financial investments available-for-sale	-	(278,866)	-	(278,866)
Purchase of property and equipment	(680)	(320)	(680)	(320)
Net cash used in investing activities	(144,414)	(231,828)	(144,414)	(231,828)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in share capital	-	200,000	-	200,000
Net cash generated from financing activities	-	200,000	-	200,000
Net increase in cash and cash equivalents	219,303	643,234	219,303	643,234
Net increase/(decrease) in foreign exchange	1,623	(592)	1,623	(592)
Cash and cash equivalents at beginning of the financial period	1,423,594	1,057,844	1,423,594	1,057,844
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	1,644,520	1,700,486	1,644,520	1,700,486

AFFIN Islamic Bank Berhad
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MFRS 134 INTERIM FINANCIAL REPORTING - 30 June 2018

1 BASIS OF PREPARATION

This unaudited condensed interim financial information for the 6 months ended 30 June 2018 has been prepared in accordance with MFRS134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ('MASB'), Bank Negara Malaysia ('BNM') Guidelines and the requirements of the Companies Act, 2016 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 2017, 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 2017.

2 ACCOUNTING POLICIES

The consolidated financial statements include the financial statements of the Bank and a joint ventures, made up to the quarter ended 30 June 2018.

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 on or after 1 January 2016 are as follows:

Adoption of MFRS 9 "Financial Instruments"

Classification and measurements

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 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.

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:

- 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.
- 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 profit rate, should be recognised immediately in profit or loss.

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 as at 31 December 2017. However, the Bank has identified certain instruments currently held at financial investments available for sales of which that fail the solely for the payment of principal and interest ("SPPI") test will be reclassified as fair value through profit or loss ("FVTPL") with certain equity instruments elected at inception to be fair valued in OCI accordingly on 1 January 2018.

The Bank does not expect a significant impact arising from the changes in classification and measurement of the financial assets.

There are no changes to the Bank's accounting for financial liabilities. All the financial liabilities, except for 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.

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MFRS 134 INTERIM FINANCIAL REPORTING - 30 June 2018

2 ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss 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 expected credit losses ("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, loan commitments and financial guarantee contracts.

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

- 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).
- 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).
- 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 financings 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, is recorded in profit or loss, and allowance for credit losses will be more volatile under MFRS 9.

The impact of adoption of the MFRS 9 on the Bank's classification and measurement categories and opening retained profits as at 1 January 2018 are set out below.

	MFRS 139		MFRS 9	
	carrying amount 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	carrying amount 1 January 2018 RM'000
Financial assets at amortised cost				
Financial investments available-for-sale ("AFS")				
Opening balance	2,377,724	-	-	2,377,724
To financial assets at FVOCI-debt	-	(2,377,724)	-	(2,377,724)
Closing balance	2,377,724	(2,377,724)	-	-
Financing, advances and other financing				
Opening balance	15,369,747	-	-	15,369,747
Remeasurement - unwinding of discount	-	-	(594)	(594)
Remeasurement - expected credit losses ("ECL")	-	-	(42,537)	(42,537)
Closing balance	15,369,747	-	(43,131)	15,326,616
Deferred tax assets				
Opening balance	5,020	-	-	5,020
Remeasurement-tax effect arising from MFRS9	-	-	14,355	14,355
Closing balance	5,020	-	14,355	19,375

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MFRS 134 INTERIM FINANCIAL REPORTING - 30 June 2018

2 ACCOUNTING POLICIES (CONTINUED)

	MFRS 139			MFRS 9
	carrying amount 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	carrying amount 1 January 2018 RM'000
Financial assets at FVOCI				
Financial assets at FVOCI - debt				
Opening balance	-	-	-	-
From financial investments available-for-sale	-	2,377,724	-	2,377,724
Closing balance	-	2,377,724	-	2,377,724
Other liabilities				
Opening balance	67,456	-	-	67,456
Remeasurement - ECL	-	-	16,463	16,463
Closing balance	67,456	-	16,463	83,919

The following table analysis the impact, net of tax, of transition to MFRS 9 on reserves and retained profits. The impact relates to the liability credit reserve, the fair value reserve and retained profits. There is no impact on other components of equity.

	Impact of adopting MFRS9 at 1 January 2018 RM'000
FVOCI Revaluation Reserves	
Closing balance under MFRS 139 (at 31 December 2017)	(6,915)
Recognition of expected credit losses under MFRS9 for debt financial assets at FVOCI	215
Opening balance under MFRS 9 (at 1 January 2018)	(6,700)
Regulatory Reserves at 1.2%	
Closing balance under MFRS 139 (at 31 December 2017)	94,866
Reserve to retained profits on adoption of MFRS 9	(94,866)
Opening balance under MFRS 9 (at 1 January 2018)	-
Regulatory Reserves at 1.0%	
Closing balance under MFRS 139 (at 31 December 2017)	-
Transfer from retained profits	75,799
Opening balance under MFRS 9 (at 1 January 2018)	75,799
Retained profits	
Closing balance under MFRS 139 (at 31 December 2017)	610,202
Reclassification under MFRS9	(594)
Recognition of expected credit losses under MFRS 9 (financing and advances including financing commitments)	(140,300)
Recognition of expected credit losses under MFRS 9 (financial assets at FVOCI)	(215)
Additional of BNM 1.0% Regulatory Reserve	(75,799)
Reversal of 1.2% Regulatory Reserve	94,866
Reversal of collective allowance and individual allowance under MFRS9	81,300
Deferred tax	14,354
Opening balance under MFRS 9 (at 1 January 2018)	583,814

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2 ACCOUNTING POLICIES (CONTINUED)

The following table reconciles:

- the closing impairment allowance for financial assets in accordance with MFRS139.
- the opening ECL allowance determined in accordance with MFRS9 as at 1 January 2018.

	MFRS 139			MFRS 9
	carrying amount 31 December 2017	Reclassification	Remeasurement	carrying amount 1 January 2018
	RM'000	RM'000	RM'000	RM'000
Financing, advances and other financing	81,300	-	42,537	123,837
Financing, advances and other financing commitments	-	-	16,463	16,463
Financial assets at FVOCI	-	-	215	215
	<u>81,300</u>	<u>-</u>	<u>59,215</u>	<u>140,515</u>

Presentation of profit for derivatives and other financial instruments measured at Fair Value through Profit or Loss ("FVTPL")

IFRS 9 introduced a consequential amendment to paragraph 82 (a) of IAS 1 "Presentation of Financial Statements", which is effective for accounting periods beginning on or after 1 January 2018. Under this amendment, profit calculated using the effective profit method should be separately presented as a component of profit on the face of the income statement.

The effective profit method does not apply to derivatives and other instruments measured at FVTPL, the profit arising on such instruments should not be included in the line item of "profit income" (except for gains and losses arising from related hedging instruments that are accounted for as hedges under IFRS 9).

Accordingly, the Bank changed the classification of profit income for financial assets measured at FVTPL from "Profit Income" to "Net gain and losses on financial instruments" for the current and previous financial quarters.

Profit income and profit expense on derivatives instruments are also correspondingly reclassified to "Net gain and losses on financial instruments" as reflected in the interim financial statements.

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3 QUALIFICATION OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2017 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 30 June 2018.

6 CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT

Refer to Note 2

7 CHANGES IN DEBTS AND EQUITY SECURITIES

There were no purchases or disposal of quoted securities for the quarter ended 30 June 2018 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 30 June 2018 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 2017 audited accounts.

11 PURCHASE AND SALE OF QUOTED SECURITIES

There were no purchases or disposals of quoted securities for the quarter ended 30 June 2018 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 30 June 2018.

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13 DERIVATIVE FINANCIAL ASSETS

	Economic Entity and The Bank			
	Current Financial Quarter		Previous Financial Year End	
	30/6/2018		31/12/2017	
	Contract/ notional amount RM'000	Assets RM'000	Contract/ notional amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	207,285	5,041	360,254	2,623
	<u>207,285</u>	<u>5,041</u>	<u>360,254</u>	<u>2,623</u>

**14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")/
FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	Economic Entity and The Bank	
	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
At fair value		
Money market instruments:		
Malaysian Government treasury bills	78,379	12,517
Malaysian Government investment issues	852,281	820,816
Sukuk Perumahan Kerajaan	90,115	90,231
Khazanah Sukuk	158,770	156,249
Cagamas bond	5,179	5,227
	<u>1,184,724</u>	<u>1,085,040</u>
Unquoted securities:		
Corporate bonds/sukuk		
- in Malaysia	1,377,163	1,292,684
	<u>1,377,163</u>	<u>1,292,684</u>
	<u>2,561,887</u>	<u>2,377,724</u>

Movement in allowance for impairment which reflect the expected credit losses ("ECL") model on impairment are as follows:

	12-Month ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	RM'000
Economic Entity and The Bank				
At the beginning of financial period, on adoption of MFRS9	215	-	-	215
Allowance made/(written-back) due to changes in credit risk	(6)	-	-	(6)
At end of the financial period	<u>209</u>	<u>-</u>	<u>-</u>	<u>209</u>

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15 FINANCING, ADVANCES AND OTHER FINANCING

(i) By type

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/6/2018	31/12/2017
	RM'000	RM'000
Cash line	417,257	312,995
Term financing		
- House financing	5,459,074	4,399,777
- Hire purchase receivables	4,078,794	3,864,507
- Syndicated financing	531,966	1,065,164
- Business term financing	5,710,778	4,300,524
Bills receivables	10,702	8,228
Trust receipts	10,076	14,717
Claims on customers under acceptances credits	330,455	250,246
Staff financing (of which RM Nil to Directors)	36,578	28,931
Credit card	1,647	12
Revolving credits	942,122	1,205,946
Gross financing, advances and other financing	17,529,449	15,451,047
Less:		
Allowance for impairment losses		
- Individual impairment	-	(24,039)
- Collective impairment	-	(57,261)
- Expected credit losses ("ECL")	(125,926)	-
Total net financing, advances and other financing	17,403,523	15,369,747

Included in business term financing as at reporting date is RM53.7 million (31 December 2017: RM53.7 million) and RM38.0 million (31 December 2017: RM51.1 million) of term financing disbursed by the Bank to joint ventures with AFFIN-i Nadayu Sdn Bhd and KL South Development Sdn Bhd respectively.

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15 FINANCING, ADVANCES AND OTHER FINANCING

(ii) By maturity structure

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/6/2018	31/12/2017
	RM'000	RM'000
Maturing within one year	1,722,114	1,945,574
One year to three years	543,126	823,365
Three years to five years	1,098,373	1,613,049
Over five years	14,165,836	11,069,059
	<u>17,529,449</u>	<u>15,451,047</u>

(iii) By contract

Economic Entity and The Bank
30/6/2018
RM'000

	Al- Bai		Al-Ijarah					
	Bithaman Ajil	Ijarah	Thumma Al-Bai	Murabahah	Musyarakah	Istisna'	Others	Total
Cash line	-	-	-	344,761	-	-	72,496	417,257
Term financing								
House financing	809,387	-	-	38,169	4,611,518	-	-	5,459,074
Hire purchase receivables	-	-	4,078,794	-	-	-	-	4,078,794
Syndicated financing	-	287,701	-	244,265	-	-	-	531,966
Business term financing	146,943	1,037,435	-	3,012,587	749,614	758,856	5,343	5,710,778
Bills receivables	-	-	-	-	-	-	10,702	10,702
Trust receipts	-	-	-	10,076	-	-	-	10,076
Claims on customers under acceptance credits	-	-	-	330,455	-	-	-	330,455
Staff financing	5,442	-	-	24,810	6,326	-	-	36,578
Credit/charge cards	-	-	-	-	-	-	1,647	1,647
Revolving credit	-	-	-	942,122	-	-	-	942,122
Total Financing	961,772	1,325,136	4,078,794	4,947,245	5,367,458	758,856	90,188	17,529,449

Economic Entity and The Bank
31/12/2017
RM'000

	Al- Bai		Al-Ijarah Thumma					
	Bithaman Ajil	Ijarah	Al-Bai	Murabahah	Musyarakah	Istisna'	Others	Total
Cash line	-	-	-	257,161	-	-	55,834	312,995
Term financing								
House financing	844,197	-	-	14,115	3,541,465	-	-	4,399,777
Hire purchase receivables	-	-	3,864,507	-	-	-	-	3,864,507
Syndicated financing	-	303,351	-	761,813	-	-	-	1,065,164
Business term financing	168,226	1,067,632	-	1,890,373	516,047	652,139	6,107	4,300,524
Bills receivables	-	-	-	-	-	-	8,228	8,228
Trust receipts	-	-	-	14,717	-	-	-	14,717
Claims on customers under acceptance credits	-	-	-	250,246	-	-	-	250,246
Staff financing	5,993	-	-	18,862	4,076	-	-	28,931
Credit/charge cards	-	-	-	-	-	-	12	12
Revolving credit	-	-	-	1,205,946	-	-	-	1,205,946
Total Financing	1,018,416	1,370,983	3,864,507	4,413,233	4,061,588	652,139	70,181	15,451,047

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MFRS 134 INTERIM FINANCIAL REPORTING - 30 June 2018**15 FINANCING, ADVANCES AND OTHER FINANCING****(iv) By type of customer**

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/6/2018	31/12/2017
	RM'000	RM'000
Domestic non-banking institutions		
- Others	163,554	176,557
Domestic business enterprises		
- Small medium enterprises	2,461,286	2,456,690
- Others	3,772,840	3,173,314
Government and statutory bodies	1,168,369	1,046,324
Individuals	9,553,776	8,188,648
Other domestic entities	8,752	9,029
Foreign entities	400,872	400,485
	17,529,449	15,451,047

(v) By profit rate sensitivity

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/6/2018	31/12/2017
	RM'000	RM'000
Fixed rate		
- House financing	44,572	43,942
- Hire purchase receivables	4,078,794	3,864,507
- Other fixed rate financing	1,478,121	1,393,439
Variable rate		
- BR and BFR	8,997,649	7,736,389
- Cost - plus	2,930,313	2,412,770
	17,529,449	15,451,047

(vi) By economic sectors

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/6/2018	31/12/2017
	RM'000	RM'000
Primary agriculture	886,120	333,688
Mining and quarrying	314,579	367,769
Manufacturing	550,578	414,541
Electricity, gas and water supply	315,377	112,394
Construction	888,622	859,226
Real estate	1,812,884	1,770,326
Wholesale & retail trade and restaurants & hotels	640,351	436,965
Transport, storage and communication	228,147	767,956
Finance, insurance and business activities	553,703	587,765
Education, health and others	1,730,407	1,561,385
Household	9,608,311	8,238,798
Others	370	234
	17,529,449	15,451,047

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MFRS 134 INTERIM FINANCIAL REPORTING - 30 June 2018**15 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(vii) By economic purpose**

	Economic Entity and The Bank	
	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Purchase of securities	271,391	282,565
Purchase of transport vehicles	4,148,008	3,934,879
Purchase of landed property of which:		
- Residential	5,595,769	4,527,444
- Non-residential	2,103,752	1,543,054
Fixed assets other than land and building	96,048	99,983
Personal use	63,341	41,200
Credit card	1,647	12
Consumer durable	4	5
Construction	1,256,707	1,084,579
Working capital	3,537,804	3,544,790
Others	454,978	392,536
	17,529,449	15,451,047

(viii) By geographical distribution

	Economic Entity and The Bank	
	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Perlis	201,884	202,748
Kedah	737,448	677,730
Pulau Pinang	683,573	555,878
Perak	691,556	605,837
Selangor	5,325,642	4,267,771
Wilayah Persekutuan	4,360,568	4,861,075
Negeri Sembilan	817,735	660,077
Melaka	265,827	247,677
Johor	2,022,280	1,682,220
Pahang	549,705	383,081
Terengganu	386,008	379,608
Kelantan	173,280	167,256
Sarawak	426,177	306,013
Sabah	762,976	315,865
Labuan	55,878	68,994
Outside Malaysia	68,912	69,217
	17,529,449	15,451,047

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15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(ix) Movements of impaired financing

	Economic Entity and The Bank	
	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
At beginning of the financial period/year	142,310	97,498
Effect of adoption of MFRS 9	(593)	-
Classified as impaired	81,706	419,647
Reclassified as non-impaired	(45,844)	(337,769)
Amount recovered	(7,964)	(28,700)
Amount written-off	(11,064)	(8,366)
At end of the financial period/year	158,551	142,310
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing (*)	1.02%	1.12%
* RIA financing excluded in the ratio calculation.		
Gross financing, advances and other financing	17,529,449	15,451,047
RIA financing	(2,031,496)	(2,749,016)
	15,497,953	12,702,031
Less:		
- Individual impairment	-	(24,039)
- Collective impairment	-	(23,937)
- Expected credit losses	(52,440)	-
Total net financing, advances and other financing	15,445,513	12,654,055
Net impaired financing, advances and other financing as a percentage of net financing, advances and other financing	1.03%	0.75%

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	Economic Entity and The Bank	
	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Individual impairment		
At beginning of the financial period	24,040	18,003
Effect of adoption of MFRS 9	(24,040)	-
Allowance made during the financial period	-	16,404
Amount recovered	-	(8,096)
Unwinding of income	-	(881)
Exchange differences	-	(1,390)
At end of the financial period	-	24,040
Collective impairment		
At beginning of the financial period	57,262	44,995
Effect of adoption of MFRS 9	(57,262)	-
Allowance made during the financial period	-	20,595
Amount written-off	-	(8,328)
At end of the financial period	-	57,262
As a percentage of gross financing and advances (excluding RIA financing) less individual impairment allowance	0.00%	0.45%

(xi) Impaired financing by economic sectors

	Economic Entity and The Bank	
	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Primary agriculture	37	75
Mining and quarrying	-	63
Manufacturing	1,069	1,092
Electricity, gas and water supply	232	235
Construction	20,271	19,609
Real estate	31,597	30,279
Wholesale & retail trade and restaurants & hotels	4,585	4,974
Transport, storage and communication	194	180
Finance, insurance and business activities	942	956
Education, health and others	89	125
Household	99,535	84,722
	158,551	142,310

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15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(xii) Impaired financing by economic purpose

	Economic Entity and The Bank	
	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Purchase of transport vehicles	19,202	21,928
Purchase of landed property of which:		
- Residential	88,274	70,355
- Non-residential	6,014	5,347
Fixed assets other than land and building	246	235
Personal use	1,050	805
Construction	7,975	7,975
Working capital	35,707	35,583
Others	83	82
	158,551	142,310

(xiii) Impaired financing by geographical distribution

	Economic Entity and The Bank	
	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Perlis	2,091	2,122
Kedah	13,816	13,422
Pulau Pinang	1,545	1,612
Perak	5,635	5,772
Selangor	62,808	58,077
Wilayah Persekutuan	18,631	9,671
Negeri Sembilan	10,674	6,308
Melaka	1,468	2,077
Johor	5,333	3,823
Pahang	816	1,100
Terengganu	4,567	6,005
Kelantan	2,341	3,488
Sarawak	303	172
Sabah	373	396
Outside Malaysia	28,150	28,265
	158,551	142,310

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MFRS 134 INTERIM FINANCIAL REPORTING - 30 June 2018**15 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(xiv) Movement in Expected Credit Losses ("ECL")**

	12 months ECL (Stage 1) 30/6/2018 RM'000	Lifetime ECL not Credit Impaired (Stage 2) 30/6/2018 RM'000	Lifetime ECL Credit Impaired (Stage 3) 30/6/2018 RM'000	Total 30/6/2018 RM'000
At the beginning of financial period/year	-	-	-	-
Effect of adoption of MFRS9	54,528	10,975	58,334	123,837
Total transfer between stages	1,590	11,293	(12,883)	-
Transfer to 12-month ECL (Stage 1)				
- Changes due to change in credit risk	3,436	(3,322)	(114)	-
Transfer to Lifetime ECL not credit impaired (Stage 2)				
- Changes due to change in credit risk	(1,845)	15,539	(13,694)	-
Transfer to Lifetime ECL credit impaired provision (Stage 3)				
- Changes due to change in credit risk	(1)	(924)	925	-
Financing, advances and other financing derecognised during the period (other than write-offs)	(13,886)	(765)	(143)	(14,794)
New financing, advances and other financing originated or purchased	21,115	732	5	21,852
Changes due to change in credit risk	(8,114)	(3,982)	19,038	6,942
Write-offs	-	-	(11,061)	(11,061)
Other adjustments				
- Unwind of discount (*)	-	-	(798)	(798)
- Foreign exchange and other movements	-	-	(52)	(52)
At the end of financial period/year	55,233	18,253	52,440	125,926

* Unwind of discount on Stage 3 financial assets is the finance income recognised on amortised cost (after deducting the ECL allowance).

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16 OTHER ASSETS

	Economic Entity and The Bank	
	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Other debtors	1,565	6,567
Prepayment and deposits	1,587	779
Clearing accounts	5,745	8,042
Foreclosed properties (a)	2,445	2,445
	11,342	17,833

(a) Foreclosed properties

At beginning of the financial period	2,445	2,445
Amount arising during the financial period	-	-
At end of the financial period	2,445	2,445

17 AMOUNT DUE FROM JOINT VENTURES

	Economic Entity and The Bank	
	30/6/2018 RM'000	31/12/2017 RM'000
Advances to joint ventures	35,994	32,849

18 AMOUNT DUE FROM ASSOCIATE

	Economic Entity and The Bank	
	30/6/2018 RM'000	31/12/2017 RM'000
Advances to associate	500	500

The advances to associate are unsecured, bear no profit rate and payable on demand.

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19 DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/6/2018	31/12/2017
	RM'000	RM'000
Qard		
Demand deposits	2,311,526	3,071,743
Savings deposits	575,915	539,826
	<u>2,887,441</u>	<u>3,611,569</u>
Mudharabah		
General investment deposits	76,571	76,332
Tawarruq		
Murabahah term deposits	12,207,962	9,925,402
Commodity Murabahah	772,708	586,029
	<u>12,980,670</u>	<u>10,511,431</u>
	<u>15,944,682</u>	<u>14,199,332</u>

(ii) Maturity structure of Murabahah term deposits and general investment deposits

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/6/2018	31/12/2017
	RM'000	RM'000
Due within six months	7,925,667	6,995,629
Six months to one year	3,516,078	2,529,053
One year to three years	646,519	215,241
Three years to five years	196,269	261,811
	<u>12,284,533</u>	<u>10,001,734</u>

(iii) By type of customer

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/6/2018	31/12/2017
	RM'000	RM'000
Government and statutory bodies	6,066,694	5,237,179
Business enterprise	4,436,050	4,071,527
Individuals	1,763,560	1,580,143
Domestic banking institutions	8,365	4,452
Domestic non-banking financial institutions	2,967,758	2,995,415
Foreign entities	93,324	84,191
Others entities	608,931	226,425
	<u>15,944,682</u>	<u>14,199,332</u>

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20 INVESTMENT ACCOUNTS OF CUSTOMERS

	Economic Entity and The Bank	
	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Mudharabah	1,262	449

	Economic Entity and The Bank	
	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Movement in investment accounts		
At beginning of the financial period	449	-
New placement during the period	1,135	870
Redemption during the period	(327)	(423)
Finance expense on RIA	33	35
Profit distributed	(28)	(33)
At end of the financial period	1,262	449

Profit Sharing Ratio and Rate of Return

	Economic Entity and The Bank			
	30/6/2018		31/12/2017	
	Average profit sharing ratio (PSR) %	Average rate of return (ROR) %	Average profit sharing ratio (PSR) %	Average rate of return (ROR) %
Investment accounts:				
Due within six months	-	-	80	6.12
Six months to one year	80	6.32	-	-
One year to three years	85	7.19	-	-

The above table provides analysis of PSR & ROR as at reporting date into relevant maturity tenures based on remaining contractual maturities.

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21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Economic Entity and The Bank	
	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Qard		
Licensed banks	68,905	69,258
	68,905	69,258
Tawarruq		
Licensed banks	1,436,381	452,280
Licensed investment banks	2,080	101,330
Bank Negara Malaysia	-	112
Other financial institutions	654,386	638,420
	2,092,847	1,192,142
	2,161,752	1,261,400
Maturity structure of deposits are as follows:		
Due within six months	2,161,752	1,261,400
	2,161,752	1,261,400

22 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	Economic Entity and The Bank	
	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Mudharabah		
Licensed banks	2,028,621	2,749,016
	2,028,621	2,749,016
Movement in investment accounts		
At beginning of the financial period	2,749,016	2,110,049
New placement during the period	303,883	1,841,284
Redemption during the period	(1,017,423)	(1,211,167)
Finance expense on RIA	52,741	108,040
Profit distributed	(54,806)	(99,190)
Exchange difference	(4,790)	-
At end of the financial period	2,028,621	2,749,016

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22 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS (continued)

Profit Sharing Ratio and Rate of Return

	Economic Entity and The Bank			
	30/6/2018		31/12/2017	
	Average profit sharing ratio (PSR)	Average rate of return (ROR)	Average profit sharing ratio (PSR)	Average rate of return (ROR)
	%	%	%	%
Investment accounts:				
Due within one month	-	-	95	4.40
One to three months	95	5.02	95	5.08
Due within six months	89	5.10	95	5.10
Six months to one year	97	4.80	80	6.12
One year to three years	89	6.82	97	5.09
Three years to five years	-	-	86	4.11
Five years and above	92	5.21	86	4.83

The above table provides analysis of PSR & ROR as at reporting date into relevant maturity tenures based on remaining contractual maturities.

23 DERIVATIVE FINANCIAL LIABILITIES

	Economic Entity and The Bank			
	Current Financial Quarter		Previous Financial Year End	
	30/6/2018		31/12/2017	
	Contract/notional amount	Liabilities	Contract/notional amount	Liabilities
	RM'000	RM'000	RM'000	RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	195,791	4,053	442,333	3,258
	195,791	4,053	442,333	3,258

24 OTHER LIABILITIES

	Economic Entity and The Bank	
	Current Financial Quarter	Previous Financial Year-End
	30/6/2018	31/12/2017
	RM'000	RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes	1,000	-
Margin and collateral deposits	16,841	17,092
Other creditors and accruals	6,399	3,800
Sundry creditors	63,456	19,876
Provision for zakat	-	1,745
Defined contribution plan (a)	1,009	1,257
Accrued employee benefits (b)	2,022	2,866
Charity funds	63	63
Unearned income	4,778	20,757
Expected credit losses (c):		
- financing commitments and financial guarantees	16,607	-
	112,175	67,456

(a) Defined contribution plan

The Bank contributes to the Employee Provident Fund ('EPF'), the national defined contribution plan. Once the contributions have been paid, the Bank has no further payment obligations.

(b) Accrued employee benefits

This refers to the accruals for short-term employee benefits for leave entitlement. Under employment contract, employees earn their leave entitlement which they are entitled to carry forward and will lapse if not utilised in the following accounting period. Accruals are made for the estimated liability for unutilised annual leave.

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24 OTHER LIABILITIES (Continued)

(c) Movement in expected credit losses ("ECL")

	Economic Entity and The Bank	
	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
At the beginning of financial period	-	-
Effect of adoption of MFRS9	16,463	-
Net remeasurement of loss allowance	(1,890)	-
New financing commitments and financial guarantees issued during the financial period	2,034	-
At the end of financial period	16,607	-

25 RESERVES

	Economic Entity		The Bank	
	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Retained profits	623,187	610,202	623,837	610,852
FVOCI revaluation reserves/AFS revaluation reserves (b)	(15,983)	(6,915)	(15,983)	(6,915)
Regulatory reserves (c)	101,550	94,866	101,550	94,866
	708,754	698,153	709,404	698,803

(a) As at 30 June 2018, the Bank has tax exempt account balance of RM39,256,981 (31 December 2017: RM38,018,355) under Section 12 of the Income Tax (Amendment) Act 1999, subject to agreement by the Inland Revenue Board.

(b) Fair value reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial assets at FVOCI. The gains or securities become impaired. Losses are transferred in the income statement upon disposal or when the securities become impaired. The depositors' portion of net unrealised gains or losses on 'Available-for-sale' at the end of financial year is net unrealised losses of RM18,302,712 (31 December 2017: net unrealised losses of RM9,512,705).

(c) Pursuant to BNM letter dated 1 November 2017. Effective 1 January 2018, the Bank shall maintain, in aggregate, stage 1 and 2 provisions regulatory reserve of no less than 1% of all credit exposures (on and off balance sheet that are subject to MFRS9 impairment requirement, excluding exposures to and with an explicit guarantee from Malaysian Government), net of Stage 3 provision.

Prior to MFRS 9 implementation, the Bank is required to maintain in aggregate collective impairment allowances and regulatory reserves of no less than 1.2% of the total outstanding financing, advances and other financing, net of individual impairment allowances.

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INCOME FROM ISLAMIC BANKING BUSINESS

	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
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	234,419	166,753	445,034	314,835
Income derived from investment of investment account funds	22,400	25,369	45,949	53,763
Income derived from investment of shareholders' funds	23,027	16,981	44,557	32,619
Income attributable to depositors	(172,625)	(131,724)	(327,173)	(247,226)
	107,221	77,379	208,367	153,991
of which:				
Profit earned on impaired financing, advances and other financing	1,394	20	2,083	745

26 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
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
- General investment deposits (i)	152,157	95,255	284,866	175,427
- Other deposits (ii)	82,262	71,498	160,168	139,408
	234,419	166,753	445,034	314,835

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26 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		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	120,497	74,218	224,864	138,589
Financial assets at FVOCI	13,372	(7,200)	25,529	-
Financial investments available-for-sale	-	15,887	-	15,887
Financial investments held-to-maturity	-	500	-	1,032
Money at call and deposits with other financial institutions	9,468	6,270	17,471	10,124
	143,337	89,675	267,864	165,632
Accretion of discount less amortisation of premium	1,278	611	2,028	1,154
Total finance income and hibah	144,615	90,286	269,892	166,786
Other operating income				
Fee income:				
Commission	449	272	735	640
Service charges and fees	2,013	1,034	4,751	1,997
Guarantee fees	525	670	988	1,042
	2,987	1,976	6,474	3,679
Commission paid on will/wasiat	(2)	-	(5)	-
Income from financial instruments:				
Gain on arising on financial assets at FVOCI/ financial investments available-for-sale:				
- net gain on disposal	11	852	445	1,300
	11	852	445	1,300
Other income:				
Foreign exchange profit/(loss)				
- realised	1,001	1,808	3,058	4,693
- unrealised	1,258	(563)	863	(2,569)
Other non-operating income	2,287	896	4,139	1,538
	4,546	2,141	8,060	3,662
	152,157	95,255	284,866	175,427

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26 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
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	65,163	55,608	126,431	110,135
Financial assets at FVOCI	7,217	(6,099)	14,354	-
Financial investments available-for-sale	-	12,625	-	12,625
Financial investments held-to-maturity	-	370	-	820
Money at call and deposits with other financial institutions	5,125	4,781	9,823	8,045
	<u>77,505</u>	<u>67,285</u>	<u>150,608</u>	<u>131,625</u>
Accretion of discount less amortisation of premium	700	457	1,140	917
Total finance income and hibah	<u>78,205</u>	<u>67,742</u>	<u>151,748</u>	<u>132,542</u>
Other operating income				
Fee income:				
Commission	246	198	414	509
Service charges and fees	1,065	771	2,672	1,587
Guarantee fees	283	513	555	828
	<u>1,594</u>	<u>1,482</u>	<u>3,641</u>	<u>2,924</u>
Commission paid on will/wasiat	(1)	-	(3)	-
Income from financial instruments:				
Gain on arising on financial assets at FVOCI/ financial investments available-for-sale:				
- net gain on disposal	(5)	654	250	1,033
	<u>(5)</u>	<u>654</u>	<u>250</u>	<u>1,033</u>
Other income:				
Foreign exchange profit/(loss)				
- realised	511	1,285	1,719	3,729
- unrealised	717	(343)	485	(2,042)
Other non-operating income	1,241	678	2,328	1,222
	<u>2,469</u>	<u>1,620</u>	<u>4,532</u>	<u>2,909</u>
	<u>82,262</u>	<u>71,498</u>	<u>160,168</u>	<u>139,408</u>

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27 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT 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
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	17,751	19,674	36,271	42,473
Financial assets at FVOCI	1,961	(2,550)	4,118	-
Financial investments available-for-sale	-	4,869	-	4,869
Financial investments held-to-maturity	-	128	-	316
Money at call and deposits with other financial institutions	1,398	1,738	2,818	3,103
	21,110	23,859	43,207	50,761
Accretion of discount less amortisation of premium	194	162	327	354
Total finance income and hibah	21,304	24,021	43,534	51,115
Other operating income				
Fee income:				
Commission	68	66	119	196
Service charges and fees	280	271	766	612
Guarantee fees	77	187	159	319
	425	524	1,044	1,127
Commission paid on will/wasiat	-	-	(1)	-
Income from financial instruments:				
Gain on arising on financial assets at FVOCI/ financial investments available-for-sale:				
- net gain on disposal	(5)	240	72	399
	(5)	240	72	399
Other income:				
Foreign exchange profit/(loss)				
- realised	128	416	493	1,438
- unrealised	209	(76)	139	(787)
Other non-operating income	339	244	668	471
	676	584	1,300	1,122
	22,400	25,369	45,949	53,763

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28 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
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	18,240	13,213	35,172	25,769
Financial assets at FVOCI	2,021	-	3,993	-
Financial investments available-for-sale	-	1,550	-	2,954
Financial investments held-to-maturity	-	88	-	192
Money at call and deposits with other financial institutions	1,435	1,130	2,733	1,882
	21,696	15,981	41,898	30,797
Accretion of discount less amortisation of premium	195	109	317	215
Total finance income and hibah	21,891	16,090	42,215	31,012
Other operating income				
Fee income:				
Commission	68	47	115	119
Service charges and fees	299	183	743	371
Guarantee fees	79	122	154	194
	446	352	1,012	684
Income from financial instruments:				
Gain on arising on financial assets at FVOCI/ financial investments available-for-sale:				
- net gain on disposal	-	155	70	242
	-	155	70	242
Other income:				
Foreign exchange profit/(loss)				
- realised	144	310	478	873
- unrealised	199	(87)	135	(478)
Other non-operating income	347	161	647	286
	690	384	1,260	681
	23,027	16,981	44,557	32,619

29 ALLOWANCES FOR CREDIT IMPAIRMENT LOSSES

	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
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Individual impairment				
- made during the financial period	-	1,737	-	7,485
- written-back during the financial period	-	(748)	-	(4,579)
Collective impairment				
- made during the financial period	-	10,294	-	14,033
Expected credit loss ("ECL") made/(written-back) on:				
- Financing, advances and other financing	(3,158)	-	14,000	-
- Securities	(7)	-	(7)	-
- Financing commitments and financial guarantees	2,013	-	144	-
Bad debts and financing				
- recovered	(146)	(174)	(502)	(438)
- written-off	26	1	29	1
	(1,272)	11,110	13,664	16,502

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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
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah	469	475	983	1,128
- Non-mudharabah	129,989	87,900	239,291	165,077
Deposits and placements of banks and other financial institutions				
- Mudharabah	18,256	18,228	34,126	29,420
Others	5	-	5	-
Profit distributed to investment account holders	23,906	25,121	52,768	51,601
	172,625	131,724	327,173	247,226

31 OTHER OPERATING EXPENSES

	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
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs (a)	36,011	26,345	72,471	50,853
Establishment costs (b)	12,421	12,068	23,173	21,674
Marketing expenses (c)	1,918	970	3,890	1,736
Administrative and general expenses (d)	4,794	3,900	9,548	7,490
	55,144	43,283	109,082	81,753

(a) Personnel costs

	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
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonuses	29,269	20,419	56,674	39,133
Defined contribution plan (EPF)	4,938	3,345	9,914	6,567
Other personnel costs	1,804	2,581	5,883	5,153
	36,011	26,345	72,471	50,853

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31 OTHER OPERATING EXPENSES (continued)

(b) Establishment costs

	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
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Rental of premises	2,029	1,501	4,089	3,202
Equipment rental	38	24	74	42
Repair and maintenance	2,539	2,446	3,970	3,927
Depreciation of property and equipment	177	208	361	433
Amortisation of intangible assets	21	-	32	-
IT consultancy fees	2,523	4,350	4,980	7,154
Dataline rental	1,066	332	1,478	624
Security services	1,267	1,040	2,227	2,071
Electricity, water and sewerage	575	497	1,398	966
Licence fee	92	85	205	178
Insurance/takaful and indemnities	537	462	1,022	895
Other establishment costs	1,557	1,123	3,337	2,182
	12,421	12,068	23,173	21,674

(c) Marketing expenses

	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
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Business promotion and advertisement	464	481	840	729
Entertainment	93	71	104	138
Traveling and accommodation	492	300	873	544
Commissions expenses	399	-	789	-
Brokerage expenses	303	-	642	-
Other marketing expenses	167	118	642	325
	1,918	970	3,890	1,736

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31 OTHER OPERATING EXPENSES (continued)

(d) Administration and general expenses

	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	
30/6/2018	30/6/2017	30/6/2018	30/6/2017	
RM'000	RM'000	RM'000	RM'000	
Telecommunication expenses	287	227	640	489
Auditors' remuneration	140	110	250	222
Professional fees	227	360	1,339	687
Property and equipment written-off	-	-	3	1
Mail and courier charges	147	185	147	291
Stationery and consumables	1,398	569	2,258	1,264
Commissions expenses	-	349	-	597
Brokerage expenses	-	278	-	494
Directors' fees and allowances	394	180	742	548
Donations	193	54	203	81
Settlement, clearing and bank charges	312	300	581	576
Stamp duties	-	1	2	4
GST Input tax-non recoverable	1,559	1,238	2,803	2,140
Other administration and general expenses	137	49	580	96
	4,794	3,900	9,548	7,490

32 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. These commitments and contingencies are not secured over the assets of the Bank.

The commitments and contingencies consist of:

	Economic Entity	
	and The Bank	
	Principal	Principal
	amount	amount
	30/6/2018	31/12/2017
	RM'000	RM'000
Direct credit substitutes (*)	97,738	92,241
Transaction-related contingent items (*)	325,685	293,354
Short-term self-liquidating trade related contingencies	240,673	279,532
Irrevocable commitments to extend credit:		
- maturity less than one year	1,430,334	1,583,496
- maturity more than one year	2,165,594	1,656,826
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	14,139	25,654
Unutilised credit card lines	38,893	337
Foreign exchange related contracts (#):		
- less than one year	403,076	802,588
	4,716,132	4,734,028

* Included in direct credit substitutes as above are financial guarantee contracts of RM97.7 million at the Bank (31 December 2017: RM92.2 million), of which fair value at the time of issuance is zero.

The fair value of these derivatives have been recognised as "derivative financial assets" and "derivative financial liabilities" in the statement of financial position and disclosed in Note 13 and 23 to the financial statements.

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33 FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market price 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.

Financial instruments as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Economic Entity and The Bank				
30/6/2018				
Assets				
Derivative financial assets	-	5,041	-	5,041
Investment securities at fair value through other comprehensive income				
- Money market instruments	-	1,184,724	-	1,184,724
- Corporate bonds/sukuk	-	1,377,163	-	1,377,163
	-	2,566,928	-	2,566,928
Liabilities				
Derivative financial liabilities	-	4,053	-	4,053
	-	4,053	-	4,053
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Economic Entity and The Bank				
31/12/2017				
Assets				
Derivative financial assets	-	2,623	-	2,623
Investment securities at fair value through other comprehensive income				
- Money market instruments	-	1,085,040	-	1,085,040
- Corporate bonds/sukuk	-	1,292,684	-	1,292,684
	-	2,380,347	-	2,380,347
Liabilities				
Derivative financial liabilities	-	3,258	-	3,258
	-	3,258	-	3,258

* Net of allowance for impairment.

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33 FAIR VALUE MEASUREMENTS (continued)

This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Bank exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Bank's portfolio of financial instruments. hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

The Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (31 December 2017: Nil)

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

	Economic Entity and The Bank	
	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
As at beginning of the financial period	-	-
As at end of the financial period	-	-

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.

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34 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 for Islamic Banks (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio ('CET 1') and Tier 1 Capital Ratio are 6.375% (2017: 5.750%) and 7.875% (2017: 7.250%) respectively for year 2018. The minimum regulatory capital adequacy requirement has increased to 9.875% (2017 : 9.250%) 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 35 below summarises the composition of regulatory capital and the ratios of the Bank for the financial quarter ended 30 June 2018.

35 CAPITAL ADEQUACY

The capital adequacy ratios are as follows:

	Economic Entity		The Bank	
	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000	Current Financial Quarter 30/6/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Paid-up share capital	1,060,000	1,060,000	1,060,000	1,060,000
Retained profits	558,062	610,202	558,712	610,852
Unrealised gains/(losses) of financial instrument measured at FVOCI	(15,983)	(6,915)	(15,983)	(6,915)
	1,602,079	1,663,287	1,602,729	1,663,937
Less:				
Goodwill and other intangibles	(392)	-	(392)	-
Deferred tax assets	(21,819)	(5,020)	(21,819)	(5,020)
Investment in associate/joint ventures	(750)	(600)	(1,400)	(1,120)
CET1 Capital	1,579,118	1,657,667	1,579,118	1,657,797
Tier 1 Capital	1,579,118	1,657,667	1,579,118	1,657,797

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35 CAPITAL ADEQUACY (continued)

	Economic Entity		The Bank	
	Current Financial Quarter Financial 30/6/2018 RM'000	Previous Financial Year-End Financial 31/12/2017 RM'000	Current Financial Quarter Financial 30/6/2018 RM'000	Previous Financial Year-End Financial 31/12/2017 RM'000
Loss provision	169,500	33,324	169,500	33,324
Regulatory adjustments	-	94,866	-	94,866
Less:				
Investment in associate/joint ventures	-	(150)	-	(280)
Tier II capital	169,500	128,040	169,500	127,910
Total capital	1,748,618	1,785,707	1,748,618	1,785,707
CET1 capital ratio	11.137%	15.086%	11.137%	15.087%
Tier 1 capital ratio	11.137%	15.086%	11.137%	15.087%
Total capital ratio	12.333%	16.251%	12.333%	16.251%
CET1 capital ratio (net of proposed dividends)	11.137%	15.086%	11.137%	15.087%
Tier 1 capital ratio (net of proposed dividends)	11.137%	15.086%	11.137%	15.087%
Total capital ratio (net of proposed dividends)	12.333%	16.251%	12.333%	16.251%
Risk-weighted assets for:				
Credit risk	13,559,995	10,438,538	13,559,995	10,438,538
Market risk	27,638	19,266	27,638	19,266
Operational risk	591,003	530,574	591,003	530,574
Total risk-weighted assets	14,178,636	10,988,378	14,178,636	10,988,378

In accordance with BNM's Guidelines on Investment Account, the credit and market risk weighted on the assets funded by the RIA are excluded from calculation of capital adequacy. As at 30 June 2018, RIA assets excluded from Total Capital Ratio calculation amounted to RM2,031,496,125 (31 December 2017: RM2,749,016,285).

The following information concerning the Bank's risk exposures under the Pillar 3 quantitative disclosures are disclosed in Appendix I, II, III and IV.

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36 REVIEW OF PERFORMANCE OF THE BANK

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

During the 2nd quarter of 2018, the Bank registered a profit before tax of RM53.3 million as compared to the previous year's corresponding quarter of RM23.0 million, an increase of RM30.3 million or 131.7%.

This was mainly due to:

- i) higher income derived from investments after netting off income attributable to depositors' funds by RM29.8 million.
- ii) lower allowances for impairment losses on financing, advances and other financing by RM12.4 million.

The above was off-set by:

- iii) higher operating expenses by RM11.9 million.

37 COMMENT ON FINANCIAL RESULTS

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

The Bank's profit before tax for 2nd quarter of 2018 stood at RM53.3 million as compared to RM32.3 million reported in the 1st quarter of 2018, an increase of RM21.0 million or 65.0%.

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

- i) higher income derived from investments after netting off income attributable to the depositors' funds by RM6.0 million.
- ii) lower allowances for impairment loss on financing, advances and other financing by RM16.2 million.

The above was off-set by:

- iii) higher operating expenses by RM1.2 million.

38 PROSPECT FOR THE CURRENT FINANCIAL YEAR

For the period ended 30 June 2018, Affin Islamic ("the Bank") has improved its revenue position by 41.6% which reflected from total income of RM194.7 million compared to the corresponding period last year, while profit before zakat and taxation was at RM85.6 million.

Prospects for the remaining 2018

Malaysia's banking system is expected to remain stable supported by robust macroeconomic conditions and improving capitalization. Bank Negara Malaysia (BNM) is expected to hold its overnight policy rate at 3.25 percent throughout 2018. With the continued growth in consumer spending and stronger external demand the GDP growth is expected to grow between 5.5% and 6.0% this year.

Going forward, the Bank remains optimistic on revenue improvements driven by financing growth and fee income although stiffer deposit competition in the industry. This will be supported by positive economic outlook coupled with the low unemployment rate and the removal of the Goods and Services Tax (GST) from 1 June 2018. The GST removal could also boost private consumption and business sentiment with expectations of higher retail financing growth, mostly on hire purchase, mortgage and to some extent credit cards.

The Bank will continue to expand its portfolio by seizing opportunities in retail and business financing particularly on Millennial and SMEs. On product focus, education segment will be the target segment thru AFFIN Education Financing-i. This financing is based on the concept of Ijarah and open to all Diploma, Degree and Postgraduate programme offered at universities or colleges in Malaysia. The financing offered up to RM400,000 to full, part time both new and existing students with up to 15 years financing tenure.

The Bank will remain cautious and selective on asset quality to improve in credit costs due to the impact of MFRS9 implementation. Adjacent to that the Bank priority is to focus on deposit mobilization for funding and liquidity stability, fee income generation and continued building the digital banking capacity for customer to deliver greater impact to the economy and society.

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39 VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

The Bank's profit before tax registered a favorable variance of RM13.1 million. The main contributing factors are follows:

Other operating expenses

Operating costs showed an adverse variance of RM11.1 million.

Allowances for impairment losses on financing, advances and other financing

Allowances for impairment losses on financing, advances and other financing showed a favorable variance of RM3.1 million.

Income derived from investments after netting off income attributable to the depositors' funds

Income derived from investments after netting off income attributable to the depositors' funds showed a favourable variance of RM21.1 million.

40 CONNECTED PARTIES TRANSACTIONS AND BALANCES

The following credit exposure are based on Bank Negara Malaysia's revised Guidelines on Credit Transaction and Exposures with Connected Parties, which are effective 1 January 2008.

i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	1,154,995
ii) The percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	4%
iii) The percentage of outstanding credit exposures with connected parties which is non-performing or in default	Nil

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BASEL II Pillar 3 Disclosures

Disclosure on Capital Adequacy under the Standardised Approach (RM'000)
Economic Entity/The Bank
30.06.2018

	Exposure Class	Gross Exposures		Net Exposures	Risk Weighted Assets	Total Risk Weighted Assets after Effects of PSIA	Minimum Capital Requirements at 8%
		/EAD before CRM	/EAD after CRM				
1	<u>CREDIT RISK</u>						
	<u>On Balance Sheet Exposures</u>						
	Corporates	6,401,810	6,306,049	5,215,305	5,215,305	417,224	
	Regulatory Retail	4,560,389	4,536,053	3,402,336	3,402,336	272,188	
	Other Assets	654,835	654,834	108,137	108,137	8,651	
	Sovereigns/Central Banks	2,949,732	2,949,732	-	-	-	
	Banks, Development Financial Institutions & MDBs	29,567	29,567	1,967	1,967	157	
	Insurance Companies, Securities Firms & Fund Managers	40	40	40	40	3	
	Residential Mortgages	5,342,527	5,328,216	3,199,256	3,199,256	255,941	
	Higher Risk Assets	148,460	144,810	210,907	210,907	16,873	
	Defaulted Exposures	187,747	193,794	258,153	258,153	20,651	
	Total for On-Balance Sheet Exposures	20,275,107	20,143,095	12,396,101	12,396,101	991,688	
	<u>Off Balance Sheet Exposures</u>						
	Off Balance sheet Exposures other than OTC derivatives or credit derivatives	1,661,790	1,650,013	1,113,028	1,113,028	89,043	
	Defaulted Exposures	34,491	34,505	50,866	50,866	4,069	
	Total for Off-Balance Sheet Exposures	1,696,281	1,684,518	1,163,894	1,163,894	93,112	
	Total for On and Off-Balance Sheet Exposures	21,971,388	21,827,613	13,559,995	13,559,995	1,084,800	
2	<u>MARKET RISK</u>						
		Long Position	Short Position				
	Interest Rate Risk	395,471	394,452	1,019	8,615	689	
	Foreign Currency Risk	58,382	39,359	19,023	19,023	1,522	
3	<u>OPERATIONAL RISK</u>						
	Operational Risk			591,003		47,280	
	Total RWA and Capital Requirements			14,178,636	13,559,995	1,134,291	

OTC "Over The Counter"

PSIA "Profit Sharing Investment Account"

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BASEL II Pillar 3 Disclosures (continued)

Disclosure on Capital Adequacy under the Standardised Approach (RM'000)

Economic Entity/The Bank

31.12.2017

Exposure Class	Gross Exposures /EAD before CRM		Net Exposures /EAD after CRM	Risk Weighted Assets	Total Risk Weighted Assets after Effects of PSIA	Minimum Capital Requirements at 8%
1	CREDIT RISK					
	On Balance Sheet Exposures					
	Corporates	4,937,875	4,884,094	3,750,233	3,750,233	300,019
	Regulatory Retail	4,233,282	4,217,538	3,163,123	3,163,123	253,050
	Other Assets	931,548	931,548	159,073	159,073	12,726
	Sovereigns/Central Banks	2,634,063	2,634,063	-	-	-
	Banks, Development Financial Institutions & MDBs	29,706	29,706	1,984	1,984	159
	Insurance Companies, Securities Firms & Fund Managers	49	49	49	49	4
	Residential Real Estate (RRE) Financing	4,285,488	4,273,551	2,003,369	2,003,369	160,269
	Higher Risk Assets	149,313	145,698	210,214	210,214	16,817
	Defaulted Exposures	157,592	157,530	216,302	216,302	17,304
	Total for On-Balance Sheet Exposures	17,358,916	17,273,777	9,504,347	9,504,347	760,348
	Off Balance Sheet Exposures					
	Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	1,447,524	1,433,041	930,581	930,581	74,446
	Defaulted Exposures	2,748	2,748	3,610	3,610	289
	Total for Off-Balance Sheet Exposures	1,450,272	1,435,789	934,191	934,191	74,735
	Total for On and Off-Balance Sheet Exposures	18,809,188	18,709,566	10,438,538	10,438,538	835,083
2	MARKET RISK					
		Long Position	Short Position			
	Profit Rate Risk	771,686	772,194	(509)	8,626	690
	Foreign Currency Risk	10,640	-	10,640	-	851
3	OPERATIONAL RISK					
	Operational Risk			530,574		42,446
	Total RWA and Capital Requirements			10,988,378	10,438,538	879,070

OTC "Over The Counter"

PSIA "Profit Sharing Investment Account"

AFFIN Islamic Bank Berhad
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BASEL II Pillar 3 Disclosures (continued)

Disclosure on Capital Adequacy under the Standardised Approach (RM'000)

Market risk is defined as changes in the market value of financial instrument position arising from movements in market factors such as profit rate, foreign exchange rates and implied volatility rates. The Bank's Capital-at-Risk ('CaR') is defined as the amount of the Bank's capital that is exposed to the risk of unexpected losses arising particularly from movements in profit and foreign exchange rates. A CaR reference threshold is set as a management trigger to ensure that the Bank's capital adequacy is not impinged upon in the event of adverse market movements. The Bank currently adopts BNM's Standardised Approach for the computation of market risk capital charges. The market risk capital charge addresses among others, capital requirement for market risk which includes the profit rate risk in the Bank's Trading Book as well as foreign exchange risk in the Trading and Banking Books.

The computation of market risk capital charge covers the following outstanding financial instruments:

- a) Foreign Exchange ('FX')
- b) Profit Rate Swap ('IRS')
- c) Cross Currency Swap ('CCS')
- d) Fixed Income Instruments (i.e. Corporate Sukuk and Government Securities)

The Bank's Trading Book Policy Statement stipulates the policies and procedures for including or excluding exposures from the Trading Book for the purpose of calculating regulatory market risk capital.

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BASEL II Pillar 3 Disclosures (continued)

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000)
Economic Entity/The Bank
30.06.2018

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitization	Equity		
0%	3,003,317	-	19,734	-	727,834	-	-	-	543,826	-	-	-	4,294,711	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	39,013	-	20,779	-	470,473	-	-	-	3,589	-	-	-	533,854	106,771
35%	-	-	-	-	-	-	3,305,311	-	-	-	-	-	3,305,311	1,156,859
50%	-	-	1,289	-	93,530	440	695,726	8,630	-	-	-	-	799,615	399,807
70%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	4,625,465	5,717	-	-	-	-	-	4,631,182	3,473,386
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	40	5,917,184	9,153	1,908,679	-	107,420	-	-	-	7,942,476	7,942,476
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
115%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	112,550	7,373	60,864	139,676	-	-	-	-	320,464	480,696
250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight														
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	

PSE "Public Sector Entities"

MDB "Multilateral Development Banks"

FDI "Financial Development Institutions"

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BASEL II Pillar 3 Disclosures (continued)

Disclosure on Credit Risk: Disclosures on Risk Weights (RM'000)
Economic Entity/The Bank
31.12.2017

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitization	Equity		
0%	2,686,196	-	19,786	-	632,838	-	-	-	445,995	-	-	-	3,784,815	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	47,607	-	23,129	-	630,150	-	-	-	408,100	-	-	-	1,108,986	221,797
35%	-	-	-	-	-	-	3,443,888	-	-	-	-	-	3,443,888	1,205,361
50%	-	-	-	-	95,561	2,555	736,931	7,297	-	-	-	-	842,344	421,172
70%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	4,271,894	145	-	-	-	-	-	4,272,039	3,204,030
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	49	4,283,681	7,057	629,814	2,072	77,453	-	-	-	5,000,126	5,000,126
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
115%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	62,121	7,648	50,107	137,492	-	-	-	-	257,368	386,052
250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight														
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	

PSE "Public Sector Entities"
MDB "Multilateral Development Banks"
FDI "Financial Development Institutions"

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BASEL II Pillar 3 Disclosures (continued)

- (i) Disclosures on Rated Exposures according to Ratings by ECAs (RM'000)
Economic Entity/The Bank
30.06.2018

Exposure Class	Ratings of Corporate by Approved ECAs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)						
Insurance Cos, Securities Firms & Fund Managers						
Corporates						
Total						
		210,836	27,861	-	-	7,180,468
		210,836	27,861	-	-	7,180,508

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moodys	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	Rating & Investment Inc	a-1+, a-1	a-2	a-3	b, c	Unrated
On and Off-Balance-Sheet Exposures						
Banks, MDBs and FDIs						
Rated Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)						
Insurance Cos, Securities Firms & Fund Managers						
Corporates						
Total						
		-	-	-	-	-
		-	-	-	-	-
		-	-	-	-	-
		-	-	-	-	-

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BASEL II Pillar 3 Disclosures (continued)

- (i) **Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000)**
Economic Entity/The Bank
31.12.2017

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
<u>On and Off-Balance-Sheet Exposures</u>						
<u>Credit Exposures (using Corporate Risk Weights)</u>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	49
Corporates		329,585	33,696	-	-	5,404,728
Total		329,585	33,696	-	-	5,404,777

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moodys	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	Rating & Investment Inc	a-1+, a-1	a-2	a-3	b, c	Unrated
<u>On and Off-Balance-Sheet Exposures</u>						
Banks, MDBs and FDIs		-	-	-	-	-
<u>Rated Credit Exposures (using Corporate Risk Weights)</u>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		-	-	-	-	-
Total		-	-	-	-	-

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BASEL II Pillar 3 Disclosures (continued)

- (ii) Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)
Economic Entity/The Bank
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Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Sovereigns and Central Banks		-	3,042,330	-	-	-	-
Total		-	3,042,330	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Banks, MDBs and FDIs		10,946	-	-	-	-	30,856
Total		10,946	-	-	-	-	30,856

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BASEL II Pillar 3 Disclosures (continued)

- (ii) **Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)**
Economic Entity/The Bank
31.12.2017

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
<u>On and Off-Balance-Sheet Exposures</u>							
Sovereigns and Central Banks		-	2,733,803	-	-	-	-
Total		-	2,733,803	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
<u>On and Off-Balance-Sheet Exposures</u>							
Banks, MDBs and FDIs		12,092	-	-	-	-	30,823
Total		12,092	-	-	-	-	30,823

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BASEL II Pillar 3 Disclosures (continued)

a) **Disclosures on Credit Risk Mitigation (RM'000)**
Economic Entity/The Bank
30.06.2018

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees /Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<u>Credit Risk</u>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	2,949,732	-	-	-
Banks, Development Financial Institutions & MDBs	29,567	-	-	-
Insurance Cos, Securities Firms & Fund Managers	40	-	-	-
Corporates	6,401,810	63,947	59,517	-
Regulatory Retail	4,560,389	-	24,437	-
Residential Mortgages	5,342,527	-	11,140	-
Higher Risk Assets	148,460	-	6,148	-
Other Assets	654,835	-	-	-
Defaulted Exposures	187,747	-	-	-
Total for On-Balance Sheet Exposures	20,275,107	63,947	101,242	-
<u>Off-Balance Sheet Exposures</u>				
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	1,661,790	-	-	-
Defaulted Exposures	34,491	-	75	-
Total for Off-Balance Sheet Exposures	1,696,281	-	75	-
Total On and Off-Balance Sheet Exposures	21,971,388	63,947	101,317	-

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BASEL II Pillar 3 Disclosures (continued)**a) Disclosures on Credit Risk Mitigation (RM'000)****Economic Entity/The Bank**

31.12.2017

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees /Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<u>Credit Risk</u>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	2,634,063	-	-	-
Banks, Development Financial Institutions & MDBs	29,706	-	-	-
Corporates	4,937,875	61,865	63,658	-
Regulatory Retail	4,233,282	-	19,537	-
Residential Mortgages	4,285,488	-	12,750	-
Higher Risk Assets	149,313	7,297	3,615	-
Other Assets	931,548	-	-	-
Defaulted Exposures	157,592	-	61	-
Total for On-Balance Sheet Exposures	17,358,916	69,162	99,621	-
<u>Off-Balance Sheet Exposures</u>				
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	1,447,524	-	-	-
Defaulted Exposures	2,748	-	-	-
Total for Off-Balance Sheet Exposures	1,450,272	-	-	-
Total On and Off-Balance Sheet Exposures	18,809,188	69,162	99,621	-

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BASEL II Pillar 3 Disclosures (continued)**b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000)**

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cashflows. An economic loss could occur if the transactions with the counterparty has a positive economic value for the Bank at the time of default.

In contrast to the exposure to credit risk through a financing, where the exposure to credit risk is unilateral and only the financing bank faces the risk of loss, Counterparty Credit Risk creates a bilateral risk of loss where the market value for many types of transactions can be positive or negative to either counterparty.

In respect of off-balance sheet items, the credit risk inherent in each off-balance sheet instrument is translated into an on-balance sheet exposure equivalent (credit equivalent) by multiplying the nominal principal amount with a credit conversion factor ('CCF') as prescribed by the Standardised Approach under the Risk Weighted Capital Adequacy Framework. The resulting amount is then weighted against the risk weight of the counterparty. In addition, counterparty risk weights for over-the-counter ('OTC') derivative transactions will be determined based on the external rating of the counterparty and will not be subject to any specific ceiling.

Economic Entity/The Bank
30.06.2018

Description	Total Principle Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	97,738		97,738	89,807
Transaction related contingent Items	325,685		162,842	162,235
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,165,594		1,082,797	714,755
Short Term Self Liquidating trade related contingencies	240,673		48,135	16,924
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,430,334		286,067	171,396
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	14,139		-	-
Foreign exchange related contracts				
-less than one year	403,076	5,041	10,923	2,943
Total	4,716,132	5,041	1,696,281	1,163,894

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BASEL II Pillar 3 Disclosures (continued)**b) Disclosure on Off Balance Sheet and Counterparty Credit Risk (RM'000)****Economic Entity/The Bank**

31.12.2017

Description	Total Principle Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
Direct Credit Substitutes	92,241		92,241	84,311
Transaction related contingent Items	293,354		146,677	144,108
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,656,826		828,413	481,577
Short Term Self Liquidating trade related contingencies	279,532		55,907	14,903
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,583,496		316,699	206,972
Unutilised credit card lines	338		68	51
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	25,654		-	-
Foreign exchange related contracts				
-less than one year	802,588	2,623	10,267	2,269
Total	4,734,028	2,623	1,450,272	934,191

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BASEL II Pillar 3 Disclosures (continued)**c) Disclosures on Market Risk - Profit Rate Risk/Rate of Return Risk in the Banking Book (RM million)**

Profit rate risk is the risk to earnings and capital arising from exposure to adverse movements in profit rates mainly due to mismatches in timing repricing of assets and liabilities. These mismatches are actively managed from an earnings and economic value perspective.

The objective of profit rate risk management is to achieve a stable and sustainable net profit income from the following perspectives:

(1) Next 12 months' Earnings - Profit rate risk from the earnings perspective is the impact based on changes to the net profit income ('NPI') over the next 12 months. This risk is measured through sensitivity analysis including the application of an instantaneous 100 basis point parallel shock in profit rates across the yield curve.

(2) Economic Value - Measuring the change in the economic value of equity ('EVE') is an assessment of the long term impact to the Bank's capital. This is assessed through the application of relevant duration factors to capture the net economic value impact over the long term or total life of all balance sheet assets and liabilities to adverse changes in profit rates.

Profit rate risk thresholds are established in line with the Group's strategy and risk appetite. These thresholds are reviewed regularly to ensure relevance in the context of prevailing market conditions.

Type of Currency	The Bank/Economic Entity 30.06.2018		The Bank/Economic Entity 31.12.2017	
	Impact on Positions (100 basis points) Parallel Shift		Impact on Positions (100 basis points) Parallel Shift	
	Increase/(Decline) in Earnings	Increase/(Decline) in Economic Value	Increase/(Decline) in Earnings	Increase/(Decline) in Economic Value
Ringgit Malaysia	13.8	150.3	(11.9)	114.2
US Dollar	0.6	-	(0.8)	-
Others (*)	(0.2)	-	(0.1)	-
Total	14.2	150.3	(12.8)	114.2

* Others comprise of AUD, EUR and GBP currencies where the amount of each currency is relatively small.