

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

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

	Note	Economic Entity		The Bank	
		Current Financial Quarter 30/9/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000	Current Financial Quarter 30/9/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
ASSETS					
Cash and short-term funds		2,580,723	1,423,594	2,580,723	1,423,594
Derivative financial assets	13	6,067	2,623	6,067	2,623
Financial assets at fair value through other comprehensive income ("FVOCI")	14	2,526,571	-	2,526,571	-
Financial investments available-for-sale	14	-	2,377,724	-	2,377,724
Financing, advances and other financing	15	18,435,311	15,369,747	18,435,311	15,369,747
Other assets	16	13,833	17,833	13,833	17,833
Amount due from holding company		428,867	406,523	428,867	406,523
Amount due from joint ventures	17	30,776	32,849	30,776	32,849
Amount due from associate	18	500	500	500	500
Deferred tax assets		16,771	5,020	16,771	5,020
Statutory deposits with Bank Negara Malaysia		567,500	400,640	567,500	400,640
Investment in joint ventures		-	-	650	650
Investment in associate		750	750	750	750
Property and equipment		2,969	2,411	2,969	2,411
Intangible assets		406	-	406	-
TOTAL ASSETS		24,611,044	20,040,214	24,611,694	20,040,864
LIABILITIES AND EQUITY					
Deposits from customers	19	18,403,020	14,199,332	18,403,020	14,199,332
Investment accounts of customers	20	1,010	449	1,010	449
Deposits and placements of banks and other financial institutions	21	1,329,192	1,261,400	1,329,192	1,261,400
Investment accounts due to designated financial institutions	22	2,967,442	2,749,016	2,967,442	2,749,016
Derivative financial liabilities	23	999	3,258	999	3,258
Other liabilities	24	91,352	67,456	91,352	67,456
Provision for taxation		11,455	1,150	11,455	1,150
TOTAL LIABILITIES		22,804,470	18,282,061	22,804,470	18,282,061
Share capital		1,060,000	1,060,000	1,060,000	1,060,000
Reserves	25	746,574	698,153	747,224	698,803
TOTAL EQUITY		1,806,574	1,758,153	1,807,224	1,758,803
TOTAL LIABILITIES AND EQUITY		24,611,044	20,040,214	24,611,694	20,040,864
COMMITMENTS AND CONTINGENCIES					
	33	5,035,468	4,734,028	5,035,468	4,734,028
Capital Adequacy					
CET1 capital ratio	36	11.635%	15.086%	11.635%	15.087%
Tier 1 capital ratio	36	11.635%	15.086%	11.635%	15.087%
Total capital ratio	36	12.827%	16.251%	12.827%	16.251%

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UNAUDITED INCOME STATEMENTS for the financial quarter ended 30 September 2018

	Note	Individual Quarter Economic Entity		Cumulative Quarter Economic Entity	
		Current Financial Quarter 30/9/2018 RM'000	Preceding Year Corresponding Quarter 30/9/2017 RM'000	Current Financial Quarter 30/9/2018 RM'000	Preceding Year Corresponding Quarter 30/9/2017 RM'000
Income derived from investment of depositors' funds and others	26	246,127	183,824	691,161	498,659
Income derived from investment of investment account funds	27	29,772	27,412	75,721	81,175
Income derived from investment of shareholders' funds	28	22,491	18,281	67,048	50,900
Allowances for credit impairment losses	29	(6,158)	(6,964)	(19,822)	(23,466)
Allowance for impairment losses on other assets	30	(5,719)	-	(5,719)	-
Total distributable income		286,513	222,553	808,389	607,268
Income attributable to the depositors	31	(196,668)	(143,389)	(523,841)	(390,615)
Total net income		89,845	79,164	284,548	216,653
Other operating expenses	32	(55,138)	(44,650)	(164,220)	(126,403)
Profit before zakat and taxation		34,707	34,514	120,328	90,250
Zakat		(3,061)	(3,000)	(3,061)	(3,000)
Profit before taxation		31,646	31,514	117,267	87,250
Taxation		(12,082)	(8,407)	(32,579)	(21,180)
Net profit after zakat and taxation		19,564	23,107	84,688	66,070
Attributable to:					
Equity holder of the Bank		19,564	23,107	84,688	66,070
Earnings per share (sen):					
- Basic		1.8	3.2	8.0	9.1

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

	Individual Quarter Economic Entity		Cumulative Quarter Economic Entity	
	Current Financial Quarter 30/9/2018 RM'000	Preceding Year Corresponding Quarter 30/9/2017 RM'000	Current Financial Quarter 30/9/2018 RM'000	Preceding Year Corresponding Quarter 30/9/2017 RM'000
Profit after zakat and taxation	19,564	23,107	84,688	66,070
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- financial assets at FVOCI	23,994	-	11,787	-
- financial investments available-for-sale	-	3,979	-	23,931
Net credit impairment losses change in financial assets at FVOCI	21	-	15	-
Deferred tax on				
- financial assets at FVOCI	(5,759)	-	(2,829)	-
- financial investments available-for-sale	-	(954)	-	(5,743)
Other comprehensive income for the financial period, net of tax	18,256	3,025	8,973	18,188
Total comprehensive income for the financial period	37,820	26,132	93,661	84,258
Attributable to equity holder of the Bank:				
- Total comprehensive income	37,820	26,132	93,661	84,258

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

(continued)

	Note	Individual Quarter The Bank		Cumulative Quarter The Bank	
		Current Financial Quarter 30/9/2018 RM'000	Preceding Year Corresponding Quarter 30/9/2017 RM'000	Current Financial Quarter 30/9/2018 RM'000	Preceding Year Corresponding Quarter 30/9/2017 RM'000
Income derived from investment of depositors' funds and others	26	246,127	183,824	691,161	498,659
Income derived from investment of investment account funds	27	29,772	27,412	75,721	81,175
Income derived from investment of shareholders' funds	28	22,491	18,281	67,048	50,900
Allowances for credit impairment losses	29	(6,158)	(6,964)	(19,822)	(23,466)
Allowance for impairment losses on other assets	30	(5,719)	-	(5,719)	-
Total distributable income		286,513	222,553	808,389	607,268
Income attributable to the depositors	31	(196,668)	(143,389)	(523,841)	(390,615)
Total net income		89,845	79,164	284,548	216,653
Other operating expenses	32	(55,138)	(44,650)	(164,220)	(126,403)
Profit before zakat and taxation		34,707	34,514	120,328	90,250
Zakat		(3,061)	(3,000)	(3,061)	(3,000)
Profit before taxation		31,646	31,514	117,267	87,250
Taxation		(12,082)	(8,407)	(32,579)	(21,180)
Net profit after zakat and taxation		19,564	23,107	84,688	66,070
Attributable to:					
Equity holder of the Bank		19,564	23,107	84,688	66,070
Earnings per share (sen):					
- Basic		1.8	3.2	8.0	9.1

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

	Individual Quarter		Cumulative Quarter	
	The Bank		The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	19,564	23,107	84,688	66,070
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- financial assets at FVOCI	23,994	-	11,787	-
- financial investments available-for-sale	-	3,979	-	23,931
Net credit impairment losses change in financial assets at FVOCI	21	-	15	-
Deferred tax on				
- financial assets at FVOCI	(5,759)	-	(2,829)	-
- financial investments available-for-sale	-	(954)	-	(5,743)
Other comprehensive income for the financial period, net of tax	18,256	3,025	8,973	18,188
Total comprehensive income for the financial period	37,820	26,132	93,661	84,258
Attributable to equity holder of the Bank:				
- Total comprehensive income	37,820	26,132	93,661	84,258

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
for the financial quarter ended 30 September 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	-	-	-	-	84,688	84,688
Other comprehensive income (net of tax)						
- Financial assets at FVOCI	-	-	8,973	-	-	8,973
Total comprehensive income	-	-	8,973	-	84,688	93,661
Transfer to regulatory reserves	-	-	-	68,515	(68,515)	-
At 30 September 2018	1,060,000	-	2,273	144,314	599,987	1,806,574
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	-	-	-	-	66,070	66,070
Other comprehensive income (net of tax)						
- Financial investments available-for-sale	-	-	18,188	-	-	18,188
Total comprehensive income	-	-	18,188	-	66,070	84,258
Issued during the financial period	200,000	-	-	-	-	200,000
Transfer to regulatory reserves	-	-	-	16,394	(16,394)	-
Transfer to retained profits	-	(305,016)	-	-	305,016	-
At 30 September 2017	760,000	-	124	89,572	591,819	1,441,515

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
for the financial quarter ended 30 September 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	-	-	-	-	84,688	84,688
Other comprehensive income (net of tax)						
- Financial assets at FVOCI	-	-	8,973	-	-	8,973
Total comprehensive income	-	-	8,973	-	84,688	93,661
Transfer to regulatory reserves	-	-	-	68,515	(68,515)	-
At 30 September 2018	1,060,000	-	2,273	144,314	600,637	1,807,224
			AFS			
	Share capital RM'000	Statutory reserves RM'000	revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total RM'000
The Bank						
At 1 January 2017	560,000	305,016	(18,064)	73,178	237,777	1,157,907
Net profit for the financial period	-	-	-	-	66,070	66,070
Other comprehensive income (net of tax)						
- Financial investments available-for-sale	-	-	18,188	-	-	18,188
Total comprehensive income	-	-	18,188	-	66,070	84,258
Issued during the financial period	200,000	-	-	-	-	200,000
Transfer to regulatory reserves	-	-	-	16,394	(16,394)	-
Transfer to retained profits	-	(305,016)	-	-	305,016	-
At 30 September 2017	760,000	-	124	89,572	592,469	1,442,165

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

	Economic Entity		The Bank	
	30/9/2018 RM'000	30/9/2017 RM'000	30/9/2018 RM'000	30/9/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	117,267	87,250	117,267	87,250
Adjustments for items not involving the movement of cash and cash equivalents:				
Finance income and hibah from:				
- financial assets at FVOCI	(72,852)	-	(72,852)	-
- financial investments available-for-sale	-	(57,043)	-	(57,043)
- financial investments held-to-maturity	-	(3,548)	-	(3,548)
Accretion of discount less amortisation of premium:				
- financial assets at FVOCI	(5,630)	-	(5,630)	-
- financial investments available-for-sale	-	(3,957)	-	(3,957)
Gain on sale/redemption:				
- financial assets at FVOCI	(2,178)	-	(2,178)	-
- financial investments available-for-sale	-	(4,132)	-	(4,132)
(Gain)/Loss on unrealised foreign exchange	(5,703)	7,901	(5,703)	7,901
Depreciation of property and equipment	564	637	564	637
Property and equipment written-off	3	6	3	6
Amortisation of intangible assets	55	-	55	-
Net individual impairment	-	9,243	-	9,243
Net collective impairment	20,772	15,022	20,772	15,022
Bad debt on financing written-off	30	1	30	1
Zakat	3,061	3,000	3,061	3,000
Operating profit before changes in working capital	55,389	54,380	55,389	54,380
<i>(Increase)/Decrease in operating assets:</i>				
Deposits and placements with banks and other financial institutions	-	(30,036)	-	(30,036)
Financing, advances and other financing	(3,129,497)	(1,933,924)	(3,129,497)	(1,933,924)
Other assets	3,583	(28,307)	3,583	(28,307)
Statutory deposits with Bank Negara Malaysia	(166,860)	(120,340)	(166,860)	(120,340)
Amount due from holding company	(22,344)	(142,447)	(22,344)	(142,447)
Amount due from joint ventures	2,073	(3,911)	2,073	(3,911)
Derivative financial instruments	(5,703)	7,901	(5,703)	7,901
<i>Increase/(Decrease) in operating liabilities:</i>				
Deposits from customers	4,203,688	2,710,946	4,203,688	2,710,946
Investment accounts of customers	561	579	561	579
Deposits and placements of banks and other financial institutions	67,792	615,670	67,792	615,670
Investment accounts due to designated financial institutions	218,426	(17,222)	218,426	(17,222)
Amount due to holding company	-	(196,828)	-	(196,828)
Other liabilities	6,517	(9,362)	6,517	(9,362)
Cash generated from operations	1,233,625	907,099	1,233,625	907,099
Zakat paid	(2,147)	(1,819)	(2,147)	(1,819)
Tax paid	(22,500)	(26,104)	(22,500)	(26,104)
Net cash generated from operating activities	1,208,978	879,176	1,208,978	879,176

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

(continued)

	Economic Entity		The Bank	
	30/9/2018 RM'000	30/9/2017 RM'000	30/9/2018 RM'000	30/9/2017 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Finance income and hibah received from:				
- financial assets at FVOCI				
- financial investments available-for-sale	72,852	61,000	72,852	61,000
- financial investments held-to-maturity	-	3,548	-	3,548
Redemption of financial investments held-to-maturity	-	4,836	-	4,836
Net purchase of				
- financial assets at FVOCI	(129,236)	-	(129,236)	-
- financial investments available-for-sale	-	(289,816)	-	(289,816)
Purchase of property and equipment	(1,168)	(510)	(1,168)	(510)
Net cash used in investing activities	(57,552)	(220,942)	(57,552)	(220,942)
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	1,151,426	858,234	1,151,426	858,234
Net increase/(decrease) in foreign exchange	5,703	(4,051)	5,703	(4,051)
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	2,580,723	1,912,027	2,580,723	1,912,027

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MFRS 134 INTERIM FINANCIAL REPORTING - 30 September 2018

1 BASIS OF PREPARATION

This unaudited condensed interim financial information for the 9 months ended 30 September 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 September 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 September 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 September 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 MFRS 139	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 September 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 September 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 September 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 September 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 September 2018.

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13 DERIVATIVE FINANCIAL ASSETS

	Economic Entity and The Bank			
	Current Financial Quarter 30/9/2018		Previous Financial Year End 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	360,703	6,067	360,254	2,623
	360,703	6,067	360,254	2,623

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

	Economic Entity and The Bank	
	Current Financial Quarter 30/9/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
At fair value		
Money market instruments:		
Malaysian Government treasury bills	79,063	12,517
Malaysian Government investment issues	822,019	820,816
Sukuk Perumahan Kerajaan	89,897	90,231
Khazanah Sukuk	161,580	156,249
Cagamas bond	5,111	5,227
	1,157,670	1,085,040
Unquoted securities:		
Corporate bonds/sukuk		
- in Malaysia	1,368,901	1,292,684
	2,526,571	2,377,724
Allowance for impairment losses	-	-
	2,526,571	2,377,724

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

	12-Month ECL Stage 1 RM'000	Lifetime ECL Stage 2 RM'000	Lifetime ECL Stage 3 RM'000	Total 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	15	-	-	15
At end of the financial period	230	-	-	230

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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
	30/9/2018	31/12/2017
	RM'000	RM'000
Cash line	448,020	312,995
Term financing		
- House financing	5,982,663	4,399,777
- Hire purchase receivables	4,248,590	3,864,507
- Syndicated financing	997,566	1,065,164
- Business term financing	5,368,481	4,300,524
Bills receivables	11,696	8,228
Trust receipts	15,027	14,717
Claims on customers under acceptances credits	388,941	250,246
Staff financing (of which RM Nil to Directors)	39,958	28,931
Credit card	5,274	12
Revolving credits	1,063,505	1,205,946
Gross financing, advances and other financing	18,569,721	15,451,047
Less:		
Allowance for impairment losses		
- Individual impairment	-	(24,039)
- Collective impairment	-	(57,261)
- Expected credit losses ("ECL")	(134,410)	-
Total net financing, advances and other financing	18,435,311	15,369,747

Included in business term financing as at reporting date is RM53.7 million (31 December 2017: RM53.7 million) and RM33.2 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
	30/9/2018	31/12/2017
	RM'000	RM'000
Maturing within one year	2,534,551	1,945,574
One year to three years	616,423	823,365
Three years to five years	1,306,261	1,613,049
Over five years	14,112,486	11,069,059
	<u>18,569,721</u>	<u>15,451,047</u>

(iii) By contract

Economic Entity and The Bank
30/9/2018
RM'000

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma Al-Bai	Murabahah	Musyarakah	Istisna'	Others	Total
Cash line	-	-	-	378,990	-	-	69,030	448,020
Term financing								
House financing	786,716	-	-	44,663	5,151,284	-	-	5,982,663
Hire purchase receivables	-	-	4,248,590	-	-	-	-	4,248,590
Syndicated financing	-	284,004	-	713,562	-	-	-	997,566
Business term financing	138,607	1,024,559	-	2,576,262	768,479	855,512	5,062	5,368,481
Bills receivables	-	-	-	-	-	-	11,696	11,696
Trust receipts	-	-	-	15,027	-	-	-	15,027
Claims on customers under acceptance credits	-	-	-	388,941	-	-	-	388,941
Staff financing	5,241	-	-	27,964	6,753	-	-	39,958
Credit/charge cards	-	-	-	-	-	-	5,274	5,274
Revolving credit	-	-	-	1,063,505	-	-	-	1,063,505
Total Financing	930,564	1,308,563	4,248,590	5,208,914	5,926,516	855,512	91,062	18,569,721

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

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma 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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15 FINANCING, ADVANCES AND OTHER FINANCING

(iv) By type of customer

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/9/2018	31/12/2017
	RM'000	RM'000
Domestic non-banking institutions		
- Others	157,097	176,557
Domestic business enterprises		
- Small medium enterprises	2,425,525	2,456,690
- Others	4,208,875	3,173,314
Government and statutory bodies	1,069,161	1,046,324
Individuals	10,292,455	8,188,648
Other domestic entities	8,427	9,029
Foreign entities	408,181	400,485
	18,569,721	15,451,047

(v) By profit rate sensitivity

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/9/2018	31/12/2017
	RM'000	RM'000
Fixed rate		
- House financing	45,540	43,942
- Hire purchase receivables	4,248,590	3,864,507
- Other fixed rate financing	1,500,071	1,393,439
Variable rate		
- BR and BFR	9,758,305	7,736,389
- Cost - plus	3,017,215	2,412,770
	18,569,721	15,451,047

(vi) By economic sectors

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/9/2018	31/12/2017
	RM'000	RM'000
Primary agriculture	908,801	333,688
Mining and quarrying	318,947	367,769
Manufacturing	622,040	414,541
Electricity, gas and water supply	478,735	112,394
Construction	932,806	859,226
Real estate	2,001,322	1,770,326
Wholesale & retail trade and restaurants & hotels	574,666	436,965
Transport, storage and communication	218,617	767,956
Finance, insurance and business activities	476,338	587,765
Education, health and others	1,688,093	1,561,385
Household	10,349,156	8,238,798
Others	200	234
	18,569,721	15,451,047

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15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(vii) By economic purpose

	Economic Entity and The Bank	
	Current Financial Quarter 30/9/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Purchase of securities	310,655	282,565
Purchase of transport vehicles	4,307,474	3,934,879
Purchase of landed property of which:		
- Residential	6,117,738	4,527,444
- Non-residential	2,136,302	1,543,054
Fixed assets other than land and building	94,501	99,983
Personal use	66,183	41,200
Credit card	5,274	12
Consumer durable	4	5
Construction	1,410,043	1,084,579
Working capital	3,681,619	3,544,790
Others	439,928	392,536
	18,569,721	15,451,047

(viii) By geographical distribution

	Economic Entity and The Bank	
	Current Financial Quarter 30/9/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Perlis	234,146	202,748
Kedah	776,905	677,730
Pulau Pinang	741,478	555,878
Perak	731,733	605,837
Selangor	5,731,274	4,267,771
Wilayah Persekutuan	4,457,505	4,861,075
Negeri Sembilan	869,452	660,077
Melaka	278,986	247,677
Johor	2,208,956	1,682,220
Pahang	574,346	383,081
Terengganu	472,887	379,608
Kelantan	181,994	167,256
Sarawak	462,992	306,013
Sabah	732,224	315,865
Labuan	44,380	68,994
Outside Malaysia	70,463	69,217
	18,569,721	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 30/9/2018 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	258,178	419,647
Reclassified as non-impaired	(74,970)	(337,769)
Amount recovered	(20,183)	(28,700)
Amount written-off	(11,067)	(8,366)
At end of the financial period/year	293,675	142,310
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing (*)	1.88%	1.12%
* RIA financing excluded in the ratio calculation.		
Gross financing, advances and other financing	18,569,721	15,451,047
RIA financing	(2,973,938)	(2,749,016)
	15,595,783	12,702,031
Less:		
- Individual impairment	-	(24,039)
- Collective impairment	-	(23,937)
- Expected credit losses	(134,410)	-
Total net financing, advances and other financing	15,461,373	12,654,055
Net impaired financing, advances and other financing as a percentage of net financing, advances and other financing	1.52%	0.75%

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15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(x) Movements in allowance for impairment on financing

	Economic Entity and The Bank	
	Current Financial Quarter 30/9/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Individual impairment		
At beginning of the financial period	24,039	18,003
Effect of adoption of MFRS 9	(24,039)	-
Allowance made during the financial period	-	16,404
Amount recovered	-	(8,096)
Unwinding of income	-	(881)
Exchange differences	-	(1,391)
At end of the financial period	-	24,039
Collective impairment		
At beginning of the financial period	57,261	44,995
Effect of adoption of MFRS 9	(57,261)	-
Allowance made during the financial period	-	20,595
Amount written-off	-	(8,329)
At end of the financial period	-	57,261
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 30/9/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Primary agriculture	-	75
Mining and quarrying	-	63
Manufacturing	62,690	1,092
Electricity, gas and water supply	148	235
Construction	19,280	19,609
Real estate	79,622	30,279
Wholesale & retail trade and restaurants & hotels	5,442	4,974
Transport, storage and communication	16,286	180
Finance, insurance and business activities	944	956
Education, health and others	88	125
Household	109,175	84,722
	293,675	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 30/9/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Purchase of transport vehicles	36,016	21,928
Purchase of landed property of which:		
- Residential	96,922	70,355
- Non-residential	14,272	5,347
Fixed assets other than land and building	249	235
Personal use	777	805
Credit card	5	-
Construction	72,279	7,975
Working capital	73,073	35,583
Others	82	82
	293,675	142,310

(xiii) Impaired financing by geographical distribution

	Economic Entity and The Bank	
	Current Financial Quarter 30/9/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Perlis	2,134	2,122
Kedah	13,353	13,422
Pulau Pinang	2,607	1,612
Perak	6,190	5,771
Selangor	81,518	58,077
Wilayah Persekutuan	120,576	9,671
Negeri Sembilan	13,290	6,308
Melaka	2,307	2,077
Johor	7,536	3,824
Pahang	911	1,100
Terengganu	5,635	6,005
Kelantan	2,395	3,488
Sarawak	155	172
Sabah	6,305	396
Outside Malaysia	28,763	28,265
	293,675	142,310

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

	12 months ECL (Stage 1) 30/9/2018 RM'000	Lifetime ECL not Credit Impaired (Stage 2) 30/9/2018 RM'000	Lifetime ECL Credit Impaired (Stage 3) 30/9/2018 RM'000	Total 30/9/2018 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	2,814	13,474	(16,288)	-
Transfer to 12-month ECL (Stage 1)				
- Changes due to change in credit risk	7,151	(7,019)	(132)	-
Transfer to Lifetime ECL not credit impaired (Stage 2)				
- Changes due to change in credit risk	(3,505)	25,087	(21,582)	-
Transfer to Lifetime ECL credit impaired provision (Stage 3)				
- Changes due to change in credit risk	(832)	(4,594)	5,426	-
Financing, advances and other financing derecognised during the period (other than write-offs)	(22,794)	(1,161)	(165)	(24,120)
New financing, advances and other financing originated or purchased	31,525	958	6	32,489
Changes due to change in credit risk	(16,303)	1,526	28,677	13,900
Write-offs	-	-	(11,064)	(11,064)
Other adjustments				
- Unwind of discount (*)	-	-	(632)	(632)
- Foreign exchange and other movements	-	-	-	-
At the end of financial period/year	49,770	25,772	58,868	134,410

* 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 30/9/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Other debtors	2,427	6,567
Prepayment and deposits	1,120	779
Clearing accounts	5,413	8,042
Foreclosed properties (a)	4,873	2,445
	13,833	17,833

(a) Foreclosed properties

At beginning of the financial period	2,445	2,445
Amount arising during the financial period	2,428	-
At end of the financial period	4,873	2,445

17 AMOUNT DUE FROM JOINT VENTURES

	Economic Entity and The Bank	
	30/9/2018 RM'000	31/12/2017 RM'000
Advances to joint ventures	30,776	32,849

18 AMOUNT DUE FROM ASSOCIATE

	Economic Entity and The Bank	
	30/9/2018 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
	30/9/2018	31/12/2017
	RM'000	RM'000
Qard		
Demand deposits	2,002,446	3,071,743
Savings deposits	581,627	539,826
	2,584,073	3,611,569
Mudharabah		
General investment deposits	68,773	76,332
Tawarruq		
Murabahah term deposits	14,831,898	9,925,402
Commodity Murabahah	918,276	586,029
	15,750,174	10,511,431
	18,403,020	14,199,332

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

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/9/2018	31/12/2017
	RM'000	RM'000
Due within six months	9,387,499	6,995,629
Six months to one year	4,776,602	2,529,053
One year to three years	542,047	215,241
Three years to five years	194,523	261,811
	14,900,671	10,001,734

(iii) By type of customer

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/9/2018	31/12/2017
	RM'000	RM'000
Government and statutory bodies	7,657,803	5,237,179
Business enterprise	4,813,003	4,071,527
Individuals	1,806,378	1,580,143
Domestic banking institutions	7,639	4,452
Domestic non-banking financial institutions	3,481,475	2,995,415
Foreign entities	96,256	84,191
Others entities	540,466	226,425
	18,403,020	14,199,332

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20 INVESTMENT ACCOUNTS OF CUSTOMERS

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/9/2018	31/12/2017
	RM'000	RM'000
Mudharabah	1,010	449

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/9/2018	31/12/2017
	RM'000	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	(578)	(423)
Finance expense on RIA	52	35
Profit distributed	(48)	(33)
At end of the financial period	1,010	449

Profit Sharing Ratio and Rate of Return

	Economic Entity and The Bank			
	30/9/2018		31/12/2017	
	Average profit	Average rate of	Average profit	Average rate of
	sharing ratio	return (ROR)	sharing ratio	return (ROR)
	(PSR)	%	(PSR)	%
	%	%	%	%
Investment accounts:				
Due within six months	80	6.35	-	-
Six months to one year	-	-	80	6.12
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	Previous
	Financial	Financial
	Quarter	Year-End
	30/9/2018	31/12/2017
	RM'000	RM'000
Qard		
Licensed banks	70,616	69,258
	<u>70,616</u>	<u>69,258</u>
Tawarruq		
Licensed banks	846,086	452,280
Licensed investment banks	2,110	101,330
Bank Negara Malaysia	-	112
Other financial institutions	410,380	638,420
	<u>1,258,576</u>	<u>1,192,142</u>
	<u>1,329,192</u>	<u>1,261,400</u>
Maturity structure of deposits are as follows:		
Due within six months	1,329,192	1,261,400
	<u>1,329,192</u>	<u>1,261,400</u>

22 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	30/9/2018	31/12/2017
	RM'000	RM'000
Mudharabah		
Licensed banks	2,967,442	2,749,016
	<u>2,967,442</u>	<u>2,749,016</u>
Movement in investment accounts		
At beginning of the financial period	2,749,016	2,110,049
New placement during the period	1,255,732	1,841,284
Redemption during the period	(1,039,461)	(1,211,167)
Finance expense on RIA	83,681	108,040
Profit distributed	(83,550)	(99,190)
Exchange difference	2,024	-
At end of the financial period	<u>2,967,442</u>	<u>2,749,016</u>

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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			
	30/9/2018		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	82	5.24	95	4.40
One to three months	83	4.73	95	5.08
Due within six months	95	5.08	95	5.10
Six months to one year	98	4.41	80	6.12
One year to three years	89	6.82	97	5.09
Three years to five years	90	5.22	86	4.11
Five years and above	91	5.14	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 30/9/2018		Previous Financial Year End 31/12/2017	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Liabilities RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	288,587	999	442,333	3,258
	<u>288,587</u>	<u>999</u>	<u>442,333</u>	<u>3,258</u>

24 OTHER LIABILITIES

	Economic Entity and The Bank	
	Current Financial Quarter 30/9/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes	1,004	-
Margin and collateral deposits	16,661	17,092
Other creditors and accruals	8,222	3,800
Sundry creditors	37,787	19,876
Provision for zakat	2,659	1,745
Defined contribution plan (a)	1,226	1,257
Accrued employee benefits (b)	3,058	2,866
Charity funds	63	63
Unearned income	5,721	20,757
Expected credit losses (c):		
- financing commitments and financial guarantees	14,951	-
	<u>91,352</u>	<u>67,456</u>

(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 30/9/2018 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	(3,857)	-
New financing commitments and financial guarantees issued during the financial period	2,345	-
At the end of financial period	14,951	-

25 RESERVES

	Economic Entity		The Bank	
	Current Financial Quarter 30/9/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000	Current Financial Quarter 30/9/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Retained profits	599,987	610,202	600,637	610,852
FVOCI revaluation reserves/AFS revaluation reserves (b)	2,273	(6,915)	2,273	(6,915)
Regulatory reserves (c)	144,314	94,866	144,314	94,866
	746,574	698,153	747,224	698,803

(a) As at 30 September 2018, the Bank has tax exempt account balance of RM39,564,958 (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 gains of RM3,024,088 (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
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	246,127	183,824	691,161	498,659
Income derived from investment of investment account funds	29,772	27,412	75,721	81,175
Income derived from investment of shareholders' funds	22,491	18,281	67,048	50,900
Income attributable to depositors	(196,668)	(143,389)	(523,841)	(390,615)
	101,722	86,128	310,089	240,119
of which:				
Profit earned on impaired financing, advances and other financing	1,113	399	3,196	1,144

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
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
- General investment deposits (i)	169,296	107,262	454,162	282,689
- Other deposits (ii)	76,831	76,562	236,999	215,970
	246,127	183,824	691,161	498,659

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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
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	136,018	83,857	360,882	222,446
Financial assets at FVOCI	14,147	-	39,676	-
Financial investments available-for-sale	-	9,679	-	25,566
Financial investments held-to-maturity	-	558	-	1,590
Money at call and deposits with other financial institutions	9,829	6,623	27,300	16,747
	159,994	100,717	427,858	266,349
Accretion of discount less amortisation of premium	1,038	620	3,066	1,774
Total finance income and hibah	161,032	101,337	430,924	268,123
Other operating income				
Fee income:				
Commission	518	275	1,253	915
Service charges and fees	1,983	1,335	6,734	3,332
Guarantee fees	656	483	1,644	1,525
	3,157	2,093	9,631	5,772
Commission paid on will/wasiat	(3)	-	(8)	-
Income from financial instruments:				
Gain on arising on financial assets at FVOCI/ financial investments available-for-sale:				
- net gain on disposal	741	552	1,186	1,852
	741	552	1,186	1,852
Other income:				
Foreign exchange profit/(loss)				
- realised	(431)	3,087	2,627	7,780
- unrealised	2,243	(972)	3,106	(3,541)
Other non-operating income	2,557	1,165	6,696	2,703
	4,369	3,280	12,429	6,942
	169,296	107,262	454,162	282,689

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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
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	61,891	59,810	188,322	169,945
Financial assets at FVOCI	6,350	-	20,704	-
Financial investments available-for-sale	-	6,907	-	19,532
Financial investments held-to-maturity	-	395	-	1,215
Money at call and deposits with other financial institutions	4,423	4,749	14,246	12,794
	<u>72,664</u>	<u>71,861</u>	<u>223,272</u>	<u>203,486</u>
Accretion of discount less amortisation of premium	460	438	1,600	1,355
Total finance income and hibah	<u>73,124</u>	<u>72,299</u>	<u>224,872</u>	<u>204,841</u>
Other operating income				
Fee income:				
Commission	240	190	654	699
Service charges and fees	842	959	3,514	2,546
Guarantee fees	303	337	858	1,165
	<u>1,385</u>	<u>1,486</u>	<u>5,026</u>	<u>4,410</u>
Commission paid on will/wasiat	(1)	-	(4)	-
Income from financial instruments:				
Gain on arising on financial assets at FVOCI/ financial investments available-for-sale:				
- net gain on disposal	369	382	619	1,415
	<u>369</u>	<u>382</u>	<u>619</u>	<u>1,415</u>
Other income:				
Foreign exchange profit/(loss)				
- realised	(348)	2,215	1,371	5,944
- unrealised	1,136	(663)	1,621	(2,705)
Other non-operating income	1,166	843	3,494	2,065
	<u>1,954</u>	<u>2,395</u>	<u>6,486</u>	<u>5,304</u>
	<u>76,831</u>	<u>76,562</u>	<u>236,999</u>	<u>215,970</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
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	23,897	21,403	60,168	63,876
Financial assets at FVOCI	2,497	-	6,615	-
Financial investments available-for-sale	-	2,472	-	7,341
Financial investments held-to-maturity	-	141	-	457
Money at call and deposits with other financial institutions	1,734	1,706	4,552	4,809
	28,128	25,722	71,335	76,483
Accretion of discount less amortisation of premium	184	155	511	509
Total finance income and hibah	28,312	25,877	71,846	76,992
Other operating income				
Fee income:				
Commission	90	67	209	263
Service charges and fees	357	345	1,123	957
Guarantee fees	115	119	274	438
	562	531	1,606	1,658
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	126	133	198	532
	126	133	198	532
Other income:				
Foreign exchange profit/(loss)				
- realised	(55)	796	438	2,234
- unrealised	379	(230)	518	(1,017)
Other non-operating income	448	305	1,116	776
	772	871	2,072	1,993
	29,772	27,412	75,721	81,175

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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
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	18,105	14,284	53,277	40,053
Financial assets at FVOCI	1,864	-	5,857	-
Financial investments available-for-sale	-	1,650	-	4,604
Financial investments held-to-maturity	-	94	-	286
Money at call and deposits with other financial institutions	1,297	1,133	4,030	3,015
	21,266	17,161	63,164	47,958
Accretion of discount less amortisation of premium	136	104	453	319
Total finance income and hibah	21,402	17,265	63,617	48,277
Commission paid on will/wasiat	(1)	-	(1)	-
Other operating income				
Fee income:				
Commission	70	46	185	165
Service charges and fees	251	229	994	600
Guarantee fees	89	81	243	275
	410	356	1,422	1,040
Income from financial instruments:				
Gain on arising on financial assets at FVOCI/ financial investments available-for-sale:				
- net gain on disposal	105	91	175	333
	105	91	175	333
Other income:				
Foreign exchange profit/(loss)				
- realised	(90)	528	388	1,401
- unrealised	323	(160)	458	(638)
Other non-operating income	342	201	989	487
	575	569	1,835	1,250
	22,491	18,281	67,048	50,900

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
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Individual impairment				
- made during the financial period	-	6,391	-	13,876
- written-back during the financial period	-	(54)	-	(4,633)
Collective impairment				
- made during the financial period	-	989	-	15,022
Expected credit loss ("ECL") made/(written-back) on:				
- Financing, advances and other financing	8,269	-	22,269	-
- Securities	22	-	15	-
- Financing commitments and financial guarantees	(1,656)	-	(1,512)	-
Bad debts and financing				
- recovered	(478)	(362)	(980)	(800)
- written-off	1	-	30	1
	6,158	6,964	19,822	23,466

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30 IMPAIRMENT ON OTHER ASSETS

	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
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Other provision (Impairment Others)	5,719	-	5,719	-

31 INCOME ATTRIBUTABLE TO DEPOSITORS

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah	549	473	1,532	1,601
- Non-mudharabah	150,179	94,268	389,470	259,345
Deposits and placements of banks and other financial institutions				
- Mudharabah	16,133	20,642	50,259	50,062
Others	4	-	9	-
Profit distributed to investment account holders	29,803	28,006	82,571	79,607
	196,668	143,389	523,841	390,615

32 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
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs (a)	37,335	28,702	109,806	79,555
Establishment costs (b)	12,451	10,314	35,624	31,988
Marketing expenses (c)	1,659	1,738	5,549	4,565
Administrative and general expenses (d)	3,693	3,896	13,241	10,295
	55,138	44,650	164,220	126,403

(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
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonuses	29,528	21,363	86,202	60,496
Defined contribution plan ('EPF')	4,952	3,599	14,866	10,166
Termination benefits	(30)	1,000	(30)	1,000
Other personnel costs	2,885	2,740	8,768	7,893
	37,335	28,702	109,806	79,555

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32 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
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Rental of premises	2,049	1,626	6,138	4,828
Equipment rental	6	27	80	69
Repair and maintenance	2,110	2,058	6,080	5,985
Depreciation of property and equipment	203	204	564	637
Amortisation of intangible assets	23	-	55	-
IT consultancy fees	2,430	2,156	7,410	9,310
Dataline rental	1,521	557	2,999	1,181
Security services	1,390	1,317	3,617	3,388
Electricity, water and sewerage	857	562	2,255	1,528
Licence fee	94	84	299	262
Insurance/takaful and indemnities	551	383	1,573	1,278
Other establishment costs	1,217	1,340	4,554	3,522
	12,451	10,314	35,624	31,988

(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
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Business promotion and advertisement	296	483	1,136	1,212
Entertainment	171	152	275	290
Traveling and accommodation	397	324	1,270	868
Commissions expenses	272	367	1,061	964
Brokerage expenses	278	265	920	759
Other marketing expenses	245	147	887	472
	1,659	1,738	5,549	4,565

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32 OTHER OPERATING EXPENSES (continued)

(d) Administration and general expenses

	Individual Quarter Economic Entity and The Bank		Cumulative Quarter Economic Entity and The Bank	
	Current Financial Quarter 30/9/2018 RM'000	Preceding Year Corresponding Quarter 30/9/2017 RM'000	Current Financial Quarter 30/9/2018 RM'000	Preceding Year Corresponding Quarter 30/9/2017 RM'000
Telecommunication expenses	474	242	1,114	731
Auditors' remuneration	139	224	389	446
Professional fees	555	105	1,894	792
Property and equipment written-off	-	5	3	6
Mail and courier charges	302	230	449	521
Stationery and consumables	1,022	667	3,280	1,931
Directors' fees and allowances	777	371	1,519	919
Donations	27	103	230	184
Settlement, clearing and bank charges	333	266	914	842
Stamp duties	-	-	2	4
Operational and litigation write-off expenses	-	117	-	117
GST Input tax-non recoverable	64	1,289	2,867	3,429
Other administration and general expenses	-	277	580	373
	3,693	3,896	13,241	10,295

33 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 amount 30/9/2018 RM'000	Principal amount 31/12/2017 RM'000
Direct credit substitutes (*)	101,829	92,241
Transaction-related contingent items (*)	329,390	293,354
Short-term self-liquidating trade related contingencies	341,116	279,532
Irrevocable commitments to extend credit:		
- maturity less than one year	1,468,240	1,583,496
- maturity more than one year	2,057,009	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	74,454	337
Foreign exchange related contracts (#):		
- less than one year	649,291	802,588
	5,035,468	4,734,028

* Included in direct credit substitutes as above are financial guarantee contracts of RM101.83 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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34 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				
30/9/2018				
Assets				
Derivative financial assets	-	6,067	-	6,067
Investment securities at fair value through other comprehensive income				
- Money market instruments	-	1,157,670	-	1,157,670
- Corporate bonds/sukuk	-	1,368,901	-	1,368,901
	-	2,532,638	-	2,532,638
Liabilities				
Derivative financial liabilities	-	999	-	999
	-	999	-	999
	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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34 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 30/9/2018 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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35 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.

36 CAPITAL ADEQUACY

The capital adequacy ratios are as follows:

	Economic Entity		The Bank	
	Current Financial Quarter 30/9/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000	Current Financial Quarter 30/9/2018 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	599,987	610,202	600,637	610,852
Unrealised gains/(losses) of financial instrument measured at FVOCI	2,273	(6,915)	2,273	(6,915)
	1,662,260	1,663,287	1,662,910	1,663,937
Less:				
Goodwill and other intangibles	(406)	-	(406)	-
Deferred tax assets	(16,771)	(5,020)	(16,771)	(5,020)
55% of cumulative unrealised gains of AFS	(1,250)	-	(1,250)	-
Investment in associate/joint ventures	(750)	(600)	(1,400)	(1,120)
CET1 Capital	1,643,083	1,657,667	1,643,083	1,657,797
Tier 1 Capital	1,643,083	1,657,667	1,643,083	1,657,797

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36 CAPITAL ADEQUACY (continued)

	Economic Entity		The Bank	
	Current Financial Quarter Financial 30/9/2018 RM'000	Previous Financial Year-End Financial 31/12/2017 RM'000	Current Financial Quarter Financial 30/9/2018 RM'000	Previous Financial Year-End Financial 31/12/2017 RM'000
Loss provision	168,287	33,324	168,287	33,324
Regulatory adjustments	-	94,866	-	94,866
Less:				
Investment in associate/joint ventures	-	(150)	-	(280)
Tier II capital	168,287	128,040	168,287	127,910
Total capital	1,811,370	1,785,707	1,811,370	1,785,707
CET1 capital ratio	11.635%	15.086%	11.635%	15.087%
Tier 1 capital ratio	11.635%	15.086%	11.635%	15.087%
Total capital ratio	12.827%	16.251%	12.827%	16.251%
CET1 capital ratio (net of proposed dividends)	11.635%	15.086%	11.635%	15.087%
Tier 1 capital ratio (net of proposed dividends)	11.635%	15.086%	11.635%	15.087%
Total capital ratio (net of proposed dividends)	12.827%	16.251%	12.827%	16.251%
Risk-weighted assets for:				
Credit risk	13,462,936	10,438,538	13,462,936	10,438,538
Market risk	42,359	19,266	42,359	19,266
Operational risk	616,037	530,574	616,037	530,574
Total risk-weighted assets	14,121,332	10,988,378	14,121,332	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 September 2018, RIA assets excluded from Total Capital Ratio calculation amounted to RM2,973,938,404 (31 December 2017: RM2,749,016,285).

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37 REVIEW OF PERFORMANCE OF THE BANK

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

During the 3rd quarter of 2018, the Bank registered a profit before tax of RM31.6 million as compared to the previous year's corresponding quarter of RM31.5 million, an increase of RM0.1 million or 0.03%.

This was mainly due to:

i) higher income derived from investments after netting off income attributable to depositors' funds by RM15.6 million.

The above was off-set by:

ii) higher operating expenses by RM10.5 million.

iii) higher allowances for impairment losses on financing, advances and other financing & other assets by RM4.9 million.

iv) higher zakat of RM0.1 million.

38 COMMENT ON FINANCIAL RESULTS

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

The Bank's profit before tax for 3rd quarter of 2018 stood at RM31.6 million as compared to RM53.3 million reported in the 2nd quarter of 2018, a decrease of RM21.7 million or 40.7%.

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

i) lower income derived from investments after netting off income attributable to the depositors' funds by RM5.5 million.

ii) higher allowances for impairment losses on financing, advances and other financing & other assets by RM13.1 million.

iii) higher zakat of RM3.1 million.

39 PROSPECT FOR THE CURRENT FINANCIAL YEAR

For the period ended 30 September 2018, Affin Islamic ("the Bank") has improved its revenue position by 34.0% which reflected from total income of RM290.3 million compared to the corresponding period last year, while profit before zakat and taxation was at RM126.1 million.

Prospects for the remaining 2018

Amidst a softer economic growth outlook and an increasing regulated business environment, AFFIN Islamic is confident that the domestic economy still holds much opportunity for its business growth and intends to pursue these opportunities prudently within a well-defined risk parameters and be guided by AFFIN Group's strategic plans – "AFFINITY" Program.

AFFIN Islamic's priorities are aligned with the Group's Affinity initiatives that promote profitable growth of shariah-compliant assets and operating efficiencies. The Bank is aiming to enhance its Group's Islamic financing portfolio to 40% by the year 2020 as per the BNM's 10-year Financial Sector Blueprint. With the implementation of the Priority Islamic Policy ensured that AFFIN Islamic garnered group-wide support to further tap into the faster growing segment of banking industry.

Our target segment remains on SME & Commercial and Corporate & Public Sector. The bank will continue to develop innovative product suites and strategic solutions in order to build stronger client relationship with these segments. While for Consumer business, our strategic initiatives will be towards enhancing customer experience, building infrastructure capability through digital banking platform and the development of digital banking capabilities with enhanced analytics for better customer engagement.

As an Islamic Bank, AFFIN Islamic also steadfastly initiated community engagement activities by participation in social finance through zakat/waqf and sadaqah as part of our Corporate Social Responsibility (CSR).

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40 VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

The Bank's profit before tax registered a favorable variance of RM17.3 million. The main contributing factors are follows:

Income derived from investments after netting off income attributable to the depositors' funds showed a favourable variance of RM29.3 million.

Allowances for impairment losses on financing, advances and other financing showed a favorable variance of RM5.2 million.

Other operating expenses showed an adverse variance of RM17.2 million.

41 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