

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION as at 31 December 2018

	Note	Economic Entity		The Bank	
		Current Financial Quarter 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000	Current Financial Quarter 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
ASSETS					
Cash and short-term funds		3,210,533	1,423,594	3,210,533	1,423,594
Derivative financial assets	13	2,042	2,623	2,042	2,623
Financial investments at fair value through other comprehensive income ("FVOCI")	14 (a)	2,804,257	-	2,804,257	-
Financial investments available-for-sale	14 (b)	-	2,377,724	-	2,377,724
Financing, advances and other financing	15	18,617,860	15,369,747	18,617,860	15,369,747
Other assets	16	43,194	17,833	43,194	17,833
Amount due from holding company		107,722	406,523	107,722	406,523
Amount due from joint ventures	17	31,295	32,849	31,295	32,849
Amount due from associate	18	500	500	500	500
Deferred tax assets		17,993	5,020	17,993	5,020
Statutory deposits with Bank Negara Malaysia		512,000	400,640	512,000	400,640
Investment in joint ventures		-	-	650	650
Investment in associate		750	750	750	750
Property and equipment		2,677	2,411	2,677	2,411
Intangible assets		670	-	670	-
TOTAL ASSETS		25,351,493	20,040,214	25,352,143	20,040,864
LIABILITIES AND EQUITY					
Deposits from customers	19	19,687,388	14,199,332	19,687,388	14,199,332
Investment accounts of customers	20	875	449	875	449
Deposits and placements of banks and other financial institutions	21	245,582	1,261,400	245,582	1,261,400
Investment accounts due to designated financial institutions	22	2,368,295	2,749,016	2,368,295	2,749,016
Derivative financial liabilities	23	4,289	3,258	4,289	3,258
Other liabilities	24	89,863	67,456	89,863	67,456
Provision for taxation		8,743	1,150	8,743	1,150
Subordinated term financing and medium term notes	25	1,111,231	-	1,111,231	-
TOTAL LIABILITIES		23,516,266	18,282,061	23,516,266	18,282,061
Share capital		1,060,000	1,060,000	1,060,000	1,060,000
Reserves	26	775,227	698,153	775,877	698,803
TOTAL EQUITY		1,835,227	1,758,153	1,835,877	1,758,803
TOTAL LIABILITIES AND EQUITY		25,351,493	20,040,214	25,352,143	20,040,864
COMMITMENTS AND CONTINGENCIES					
	34	5,543,823	4,734,028	5,543,823	4,734,028
Capital Adequacy					
CET1 capital ratio	37	10.869%	15.086%	10.869%	15.087%
Tier 1 capital ratio	37	12.882%	15.086%	12.882%	15.087%
Total capital ratio	37	19.438%	16.251%	19.438%	16.251%

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

UNAUDITED INCOME STATEMENTS for the financial quarter ended 31 December 2018

	Note	Individual Quarter Economic Entity		Cumulative Quarter Economic Entity	
		Current Financial Quarter 31/12/2018 RM'000	Preceding Year Corresponding Quarter 31/12/2017 RM'000	Current Financial Quarter 31/12/2018 RM'000	Preceding Year Corresponding Quarter 31/12/2017 RM'000
Income derived from investment of depositors' funds and others	27	254,321	196,007	945,482	694,666
Income derived from investment of investment account funds	28	46,302	29,344	122,023	110,519
Income derived from investment of shareholders' funds	29	24,267	20,354	91,315	71,254
Allowances for impairment losses on financing, advances and other financing	30	419	(3,633)	(19,403)	(27,099)
Allowance for impairment losses on other assets	30	-	(18,329)	(5,719)	(18,329)
Total distributable income		325,309	223,743	1,133,698	831,011
Income attributable to the depositors and others	32	(228,106)	(146,764)	(751,947)	(537,379)
Total net income		97,203	76,979	381,751	293,632
Other operating expenses	33	(59,039)	(46,227)	(223,259)	(172,630)
Profit before zakat and taxation		38,164	30,752	158,492	121,002
Zakat		-	-	(3,061)	(3,000)
Profit before taxation		38,164	30,752	155,431	118,002
Taxation		(10,410)	(7,075)	(42,989)	(28,255)
Net profit after zakat and taxation		27,754	23,677	112,442	89,747
Attributable to:					
Equity holder of the Bank		27,754	23,677	112,442	89,747
Earnings per share (sen):					
- Basic		2.6	3.2	10.6	12.2

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME***for the financial quarter ended 31 December 2018 (continued)*

	Individual Quarter Economic Entity		Cumulative Quarter Economic Entity	
	Current Financial Quarter 31/12/2018 RM'000	Preceding Year Corresponding Quarter 31/12/2017 RM'000	Current Financial Quarter 31/12/2018 RM'000	Preceding Year Corresponding Quarter 31/12/2017 RM'000
Profit after zakat and taxation	27,754	23,677	112,442	89,747
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- financial investments at FVOCI	1,147	-	12,934	-
- financial investments available-for-sale	-	(9,261)	-	14,670
Net credit impairment losses change in financial investments at FVOCI	27	-	42	-
Deferred tax on				
- financial investments at FVOCI	(275)	-	(3,104)	-
- financial investments available-for-sale	-	2,222	-	(3,521)
Other comprehensive income/(expense) for the financial year, net of tax	899	(7,039)	9,872	11,149
Total comprehensive income for the financial year	28,653	16,638	122,314	100,896
Attributable to equity holder of the Bank:				
- Total comprehensive income	28,653	16,638	122,314	100,896

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS *for the financial quarter ended 31 December 2018*

(continued)

	Note	Individual Quarter The Bank		Cumulative Quarter The Bank	
		Current Financial Quarter 31/12/2018 RM'000	Preceding Year Corresponding Quarter 31/12/2017 RM'000	Current Financial Quarter 31/12/2018 RM'000	Preceding Year Corresponding Quarter 31/12/2017 RM'000
Income derived from investment of depositors' funds and others	27	254,321	196,007	945,482	694,666
Income derived from investment of investment account funds	28	46,302	29,344	122,023	110,519
Income derived from investment of shareholders' funds	29	24,267	20,354	91,315	71,254
Allowances for credit impairment losses	30	419	(3,633)	(19,403)	(27,099)
Allowance for impairment losses on other assets	30	-	(18,329)	(5,719)	(18,329)
Total distributable income		325,309	223,743	1,133,698	831,011
Income attributable to the depositors and others	32	(228,106)	(146,764)	(751,947)	(537,379)
Total net income		97,203	76,979	381,751	293,632
Other operating expenses	33	(59,039)	(46,227)	(223,259)	(172,630)
Profit before zakat and taxation		38,164	30,752	158,492	121,002
Zakat		-	-	(3,061)	(3,000)
Profit before taxation		38,164	30,752	155,431	118,002
Taxation		(10,410)	(7,075)	(42,989)	(28,255)
Net profit after zakat and taxation		27,754	23,677	112,442	89,747
Attributable to:					
Equity holder of the Bank		27,754	23,677	112,442	89,747
Earnings per share (sen):					
- Basic		2.6	3.2	10.6	12.2

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME***for the financial quarter ended 31 December 2018 (continued)*

	Individual Quarter		Cumulative Quarter	
	The Bank		The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	27,754	23,677	112,442	89,747
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- financial investments at FVOCI	1,147	-	12,934	-
- financial investments available-for-sale	-	(9,261)	-	14,670
Net credit impairment losses change in financial investments at FVOCI	27	-	42	-
Deferred tax on				
- financial investments at FVOCI	(275)	-	(3,104)	-
- financial investments available-for-sale	-	2,222	-	(3,521)
Other comprehensive income/(expense) for the financial year, net of tax	899	(7,039)	9,872	11,149
Total comprehensive income for the financial year	28,653	16,638	122,314	100,896
Attributable to equity holder of the Bank:				
- Total comprehensive income	28,653	16,638	122,314	100,896

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
for the financial quarter ended 31 December 2018

Economic Entity	Attributable to Equity Holder of the Bank						Total
	Share capital	Statutory reserves	FVOCI revaluation reserves	AFS revaluation reserves	Regulatory reserves	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	(6,700)	6,915	(27,810)	(17,645)	(45,240)
	1,060,000	-	(6,700)	-	67,056	592,557	1,712,913
Net profit for the financial period	-	-	-	-	-	112,442	112,442
Other comprehensive income (net of tax)							
- Financial investments at FVOCI	-	-	9,872	-	-	-	9,872
Total comprehensive income	-	-	9,872	-	-	112,442	122,314
Transfer to regulatory reserves	-	-	-	-	127,328	(127,328)	-
At 31 December 2018	1,060,000	-	3,172	-	194,384	577,671	1,835,227
Economic Entity	Share capital	Statutory reserves	FVOCI revaluation reserves	AFS revaluation reserves	Regulatory reserves	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	-	-	-	89,747	89,747
Other comprehensive income (net of tax)							
- Financial investments available-for-sale	-	-	-	11,149	-	-	11,149
Total comprehensive income	-	-	-	11,149	-	89,747	100,896
Issued during the financial period	500,000	-	-	-	-	-	500,000
Transfer to retained profits	-	(305,016)	-	-	-	305,016	-
Transfer to regulatory reserves	-	-	-	-	21,688	(21,688)	-
At 31 December 2017	1,060,000	-	-	(6,915)	94,866	610,202	1,758,153

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
for the financial quarter ended 31 December 2018
(continued)

	Non-distributable				Distributable		Total
	Share capital	Statutory reserves	FVOCI revaluation reserves	AFS revaluation reserves	Regulatory reserves	Retained profits	
The Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	-	-	(6,700)	6,915	(27,810)	(17,645)	(45,240)
	1,060,000	-	(6,700)	-	67,056	593,207	1,713,563
Net profit for the financial period	-	-	-	-	-	112,442	112,442
Other comprehensive income (net of tax)							
- Financial investments at FVOCI	-	-	9,872	-	-	-	9,872
Total comprehensive income	-	-	9,872	-	-	112,442	122,314
Transfer to regulatory reserves	-	-	-	-	127,328	(127,328)	-
At 31 December 2018	1,060,000	-	3,172	-	194,384	578,321	1,835,877
The Bank	Share capital	Statutory reserves	FVOCI revaluation reserves	AFS revaluation reserves	Regulatory reserves	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	560,000	305,016	-	(18,064)	73,178	237,777	1,157,907
Net profit for the financial period	-	-	-	-	-	89,747	89,747
Other comprehensive income (net of tax)							
- Financial investments available-for-sale	-	-	-	11,149	-	-	11,149
Total comprehensive income	-	-	-	11,149	-	89,747	100,896
Issued during the financial period	500,000	-	-	-	-	-	500,000
Transfer to retained profits	-	(305,016)	-	-	-	305,016	-
Transfer to regulatory reserves	-	-	-	-	21,688	(21,688)	-
At 31 December 2017	1,060,000	-	-	(6,915)	94,866	610,852	1,758,803

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS for the financial quarter ended 31 December 2018

	Economic Entity		The Bank	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	155,431	118,002	155,431	118,002
Adjustments for items not involving the movement of cash and cash equivalents:				
Finance income and hibah from:				
- financial investments at FVOCI	(99,432)	-	(99,432)	-
- financial investments available-for-sale	-	(78,896)	-	(78,896)
- financial investments held-to-maturity	-	(4,495)	-	(4,495)
Accretion of discount less amortisation of premium:				
- financial investments at FVOCI	(7,578)	-	(7,578)	-
- financial investments available-for-sale	-	(5,101)	-	(5,101)
Gain on sale/redemption:				
- financial investments at FVOCI	(3,457)	-	(3,457)	-
- financial investments available-for-sale	-	(4,333)	-	(4,333)
Loss on unrealised foreign exchange	1,613	8,209	1,613	8,209
Depreciation of property and equipment	777	839	777	839
Property and equipment written-off	3	6	3	6
Amortisation of intangible assets	93	-	93	-
Net individual impairment	-	8,308	-	8,308
Net collective impairment	-	20,595	-	20,595
Expected credit losses ('ECL') made on:				
- financing, advances and other financing	24,457	-	24,457	-
- securities	42	-	42	-
- financing commitments and financial guarantees	(4,331)	-	(4,331)	-
Bad debt on financing written-off	592	1	592	1
Allowance for impairment losses on other assets	5,719	18,329	5,719	18,329
Finance expense - Subordinated term financing and medium term notes	11,231	-	11,231	-
Zakat	3,061	3,000	3,061	3,000
Operating profit before changes in working capital	88,221	84,464	88,221	84,464
<i>(Increase)/Decrease in operating assets:</i>				
Financing, advances and other financing	(3,316,293)	(3,483,708)	(3,316,293)	(3,483,708)
Other assets	(25,778)	(10,009)	(25,778)	(10,009)
Statutory deposits with Bank Negara Malaysia	(111,360)	(68,640)	(111,360)	(68,640)
Amount due from holding company	298,801	(406,523)	298,801	(406,523)
Amount due from joint ventures	(4,165)	(4,453)	(4,165)	(4,453)
Derivative financial instruments	1,612	8,210	1,612	8,210
<i>Increase/(Decrease) in operating liabilities:</i>				
Deposits from customers	5,488,056	3,670,634	5,488,056	3,670,634
Investment accounts of customers	426	449	426	449
Deposits and placements of banks and other financial institutions	(1,015,818)	12,407	(1,015,818)	12,407
Investment accounts due to designated financial institutions	(380,721)	638,967	(380,721)	638,967
Amount due to holding company	-	(196,828)	-	(196,828)
Other liabilities	11,109	31,711	11,109	31,711
Cash generated from operations	1,034,090	276,681	1,034,090	276,681
Zakat paid	(3,897)	(3,587)	(3,897)	(3,587)
Tax paid	(37,120)	(33,604)	(37,120)	(33,604)
Net cash generated from operating activities	993,073	239,490	993,073	239,490

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF CASH FLOWS for the financial quarter ended 31 December 2018

(continued)

	Economic Entity		The Bank	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Finance income and hibah received from:				
- financial investments at FVOCI	107,010	-	107,010	-
- financial investments available-for-sale	-	83,997	-	83,997
- financial investments held-to-maturity	-	4,495	-	4,495
Redemption of financial investments held-to-maturity	-	72,122	-	72,122
Net purchase of:				
- financial investments at FVOCI	(410,140)	-	(410,140)	-
- financial investments available-for-sale	-	(525,313)	-	(525,313)
Purchase of property and equipment	(1,392)	(832)	(1,392)	(832)
Net cash used in investing activities	(304,522)	(365,531)	(304,522)	(365,531)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of subordinated term financing and medium term notes	1,100,000	-	1,100,000	-
Issuance of new shares	-	500,000	-	500,000
Net cash generated from financing activities	1,100,000	500,000	1,100,000	500,000
Net increase in cash and cash equivalents	1,788,551	373,959	1,788,551	373,959
Effects of foreign exchange	(1,612)	(8,209)	(1,612)	(8,209)
Cash and cash equivalents at beginning of the financial year	1,423,594	1,057,844	1,423,594	1,057,844
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	3,210,533	1,423,594	3,210,533	1,423,594

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

1 BASIS OF PREPARATION

This unaudited condensed interim financial information for the 12 months ended 31 December 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 joint ventures, made up to the quarter ended 31 December 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 2018 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.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 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			carrying amount
	31 December 2017	Reclassification	Remeasurement	1 January 2018
	RM'000	RM'000	RM'000	RM'000
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)
Adjusted opening balance	15,369,747	-	(43,131)	15,326,616
Financial investments available-for-sale ("AFS")				
Opening balance	2,377,724	-	-	2,377,724
To financial investments at FVOCI-debt	-	(2,377,724)	-	(2,377,724)
Adjusted opening balance	2,377,724	(2,377,724)	-	-

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

2 ACCOUNTING POLICIES (CONTINUED)

	MFRS 139			MFRS 9
	carrying amount 31 December 2017	Reclassification	Remeasurement	carrying amount 1 January 2018
	RM'000	RM'000	RM'000	RM'000
Financial investments at FVOCI - debt				
From financial investments AFS	-	2,377,724	-	2,377,724
Adjusted opening balance	-	2,377,724	-	2,377,724
Other liabilities				
Opening balance	67,456	-	-	67,456
Remeasurement - ECL	-	-	16,463	16,463
Adjusted opening 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 FVOCI revaluation reserve, regulatory reserve and retained profits. There is no impact on other components of equity.

	Impact of 1 January 2018 RM'000
<u>FVOCI Revaluation Reserves</u>	
Closing balance under MFRS 139 (at 31 December 2017)	(6,915)
Recognition of expected credit losses under MFRS9 for debt financial investments at FVOCI	215
Opening balance under MFRS 9 (at 1 January 2018)	(6,700)
<u>Regulatory Reserves ("RR")</u>	
Closing balance under MFRS 139 (at 31 December 2017)	94,866
Transfer to retained profits	(27,810)
Opening balance under MFRS 9 (at 1 January 2018)	67,056
<u>Retained profits</u>	
Closing balance under MFRS 139 (at 31 December 2017)	610,202
Other remeasurement	(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 investments at FVOCI)	(215)
Transfer from Regulatory Reserve	27,810
Reversal of collective allowance and individual allowance under MFRS 139	81,300
Tax effect arising from MFRS9	14,354
Opening balance under MFRS 9 (at 1 January 2018)	592,557

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 2018.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

13 DERIVATIVE FINANCIAL ASSETS

	Economic Entity and The Bank			
	Current Financial Year End		Previous Financial Year End	
	31/12/2018		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				
	<u>436,525</u>	<u>2,042</u>	<u>360,254</u>	<u>2,623</u>
	436,525	2,042	360,254	2,623

14 (a) FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Year-End	Year-End
	31/12/2018	31/12/2017
	RM'000	RM'000
At fair value		
Malaysian Government treasury bills	79,728	-
Malaysian Government investment issues	861,677	-
Sukuk Perumahan Kerajaan	90,749	-
Khazanah Sukuk	163,172	-
Cagamas Sukuk	5,161	-
	<u>1,200,487</u>	-
Unquoted securities:		
Corporate Sukuk in Malaysia	1,603,770	-
	<u>2,804,257</u>	-

Upon adoption of MFRS9, the expected credit losses in relation to financial instruments at FVOCI are recorded in FVOCI reserves. Movement in allowance for impairment which reflect the expected credit losses ("ECL") model on impairment are as follows:

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Economic Entity and The Bank				
At beginning of the financial year	-	-	-	-
Effects on adoption of MFRS9	215	-	-	215
At beginning of the financial year, as restated	<u>215</u>	<u>-</u>	<u>-</u>	<u>215</u>
Financial assets derecognised during the period (other than write-offs)	(114)	-	-	(114)
New financial assets originated or purchased	13	-	-	13
Changes due to change in credit risk	143	-	-	143
At end of the financial year	<u>257</u>	<u>-</u>	<u>-</u>	<u>257</u>

Movement in the carrying amount of financial investments at FVOCI that contributed to changes in the expected credit losses:

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Economic Entity and The Bank				
2018				
At beginning of the financial year	2,377,724	-	-	2,377,724
Financial assets derecognised during the period (other than write-offs)	(596,645)	-	-	(596,645)
New financial assets originated or purchased	1,010,735	-	-	1,010,735
Other adjustments:				
- Others	12,443	-	-	12,443
At end of the financial year	<u>2,804,257</u>	<u>-</u>	<u>-</u>	<u>2,804,257</u>

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

14 (b) FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE ("AFS")

	Economic Entity and The Bank	
	Current Financial Year-End 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
At fair value		
Malaysian Government treasury bills	-	12,517
Malaysian Government investment issues	-	820,816
Sukuk Perumahan Kerajaan	-	90,231
Khazanah Sukuk	-	156,249
Cagamas Sukuk	-	5,227
	<u>-</u>	<u>1,085,040</u>
Unquoted securities:		
Corporate Sukuk in Malaysia	-	1,292,684
	<u>-</u>	<u>2,377,724</u>

15 FINANCING, ADVANCES AND OTHER FINANCING

(i) By type

	Economic Entity and The Bank	
	Current Financial Year-End 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Cash line	374,079	312,995
Term financing		
- House financing	6,434,202	4,399,777
- Hire purchase receivables	4,243,662	3,864,507
- Syndicated financing	700,118	1,065,164
- Business term financing	5,591,252	4,300,524
Bills receivables	5,150	8,228
Trust receipts	16,329	14,717
Claims on customers under acceptances credits	352,435	250,246
Staff financing (of which RM Nil to Directors)	42,224	28,931
Credit/charge card	11,408	12
Revolving credit	976,018	1,205,946
Gross financing, advances and other financing	18,746,877	15,451,047
Less:		
Allowance for impairment losses		
- Individual	-	(24,039)
- Collective	-	(57,261)
- Expected credit losses ("ECL")	(129,017)	-
Total net financing, advances and other financing	18,617,860	15,369,747

Included in business term financing as at reporting date is RM53.7 million (31 December 2017: RM53.7 million) and Nil 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.

(ii) By maturity structure

	Economic Entity and The Bank	
	Current Financial Year-End 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Maturing within one year	2,227,193	1,945,574
One year to three years	694,582	823,365
Three years to five years	1,425,456	1,613,049
Over five years	14,399,646	11,069,059
	<u>18,746,877</u>	<u>15,451,047</u>

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

15 FINANCING, ADVANCES AND OTHER FINANCING

(iii) By contract

Economic Entity and The Bank
2018
RM'000

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma Al-Bai	Murabahah	Musyarakah	Is'isna'	Others	Total
Cash line	-	-	-	317,431	-	-	56,648	374,079
Term financing								
House financing	770,496	-	-	55,368	5,608,338	-	-	6,434,202
Hire purchase receivables	-	-	4,243,662	-	-	-	-	4,243,662
Syndicated financing	-	274,002	-	426,116	-	-	-	700,118
Business term financing	130,802	905,212	-	2,859,871	808,590	881,602	5,175	5,591,252
Bills receivables	-	-	-	-	-	-	5,150	5,150
Trust receipts	-	-	-	16,329	-	-	-	16,329
Claims on customers under acceptance credits	-	-	-	352,435	-	-	-	352,435
Staff financing	5,126	-	-	29,155	7,943	-	-	42,224
Credit/charge cards	-	-	-	-	-	-	11,408	11,408
Revolving credit	-	-	-	976,018	-	-	-	976,018
Total Financing	906,424	1,179,214	4,243,662	5,032,723	6,424,871	881,602	78,381	18,746,877

Economic Entity and The Bank
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

(iv) By type of customer

	Economic Entity and The Bank	
	Current Financial Year-End 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Domestic non-banking institutions		
- Others	155,406	176,557
Domestic business enterprises		
- Small medium enterprises	2,009,531	2,456,690
- Others	4,297,466	3,173,314
Government and statutory bodies	1,064,147	1,046,324
Individuals	10,812,205	8,188,648
Other domestic entities	1,220	9,029
Foreign entities	406,902	400,485
	18,746,877	15,451,047

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

15 FINANCING, ADVANCES AND OTHER FINANCING

(v) By profit rate sensitivity

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Year-End	Year-End
	31/12/2018	31/12/2017
	RM'000	RM'000
Fixed rate		
- House financing	45,349	43,942
- Hire purchase receivables	4,243,662	3,864,507
- Other fixed rate financing	1,493,163	1,393,439
Variable rate		
- BFR plus	10,029,219	7,643,601
- Cost-plus	2,863,008	2,412,770
- Other variable rate	72,476	92,788
	18,746,877	15,451,047

(vi) By economic sectors

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Year-End	Year-End
	31/12/2018	31/12/2017
	RM'000	RM'000
Primary agriculture	924,391	333,688
Mining and quarrying	318,505	367,769
Manufacturing	567,021	414,541
Electricity, gas and water supply	509,080	112,394
Construction	546,984	859,226
Real estate	1,956,198	1,770,326
Wholesale & retail trade and restaurants & hotels	590,747	436,965
Transport, storage and communication	316,339	767,956
Finance, takaful/insurance and business services	464,736	587,765
Education, health and others	1,682,738	1,561,385
Household	10,869,949	8,238,798
Others	189	234
	18,746,877	15,451,047

(vii) By economic purpose

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Year-End	Year-End
	31/12/2018	31/12/2017
	RM'000	RM'000
Purchase of securities	325,481	282,565
Purchase of transport vehicles	4,300,093	3,934,879
Purchase of landed property of which:		
- Residential	6,570,340	4,527,444
- Non-residential	2,191,771	1,543,054
Fixed assets other than land and building	135,413	99,983
Personal use	64,577	41,200
Credit/charge card	11,408	12
Consumer durable	47	5
Construction	1,233,103	1,084,579
Working capital	3,455,407	3,544,790
Others	459,237	392,536
	18,746,877	15,451,047

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(viii) By geographical distribution

	Economic Entity and The Bank	
	Current Financial Year-End 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Perlis	192,981	202,748
Kedah	781,062	677,730
Pulau Pinang	798,332	555,878
Perak	728,637	605,837
Selangor	5,899,212	4,267,771
Wilayah Persekutuan	4,422,583	4,861,075
Negeri Sembilan	900,252	660,077
Melaka	286,179	247,677
Johor	2,190,243	1,682,220
Pahang	600,886	383,081
Terengganu	476,001	379,608
Kelantan	185,228	167,256
Sarawak	477,656	306,013
Sabah	695,052	315,865
Labuan	41,996	68,994
Outside Malaysia	70,577	69,217
	18,746,877	15,451,047

(ix) Movements of impaired financing

	Economic Entity and The Bank	
	Current Financial Year-End 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
At beginning of the financial year	142,310	97,498
Effect of adoption of MFRS 9	(593)	-
Classified as impaired	551,758	419,647
Reclassified as non-impaired	(117,229)	(337,769)
Amount recovered	(27,139)	(28,700)
Amount written-off	(18,277)	(8,366)
At end of the financial year	530,830	142,310
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing (exclude restricted investment accounts)	2.05%	1.12%
Gross financing, advances and other financing	18,746,877	15,451,047
RIA financing	(2,369,729)	(2,749,016)
	16,377,148	12,702,031
Less:		
- Individual	-	(24,039)
- Collective	-	(23,937)
- Expected credit losses ("ECL")	(129,017)	-
Total net financing, advances and other financing	16,248,131	12,654,055

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018**15 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(x) Movements in allowance for impairment on financing**

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Year-End	Year-End
	31/12/2018	31/12/2017
	RM'000	RM'000
Individual impairment		
At beginning of the financial year	24,039	18,003
Effect of adoption of MFRS 9	(24,039)	-
At beginning of the financial year, as restated	-	18,003
Allowance made during the financial year	-	16,404
Amount recovered	-	(8,096)
Unwinding of income	-	(881)
Exchange differences	-	(1,391)
At end of the financial year	-	42,042
Collective impairment		
At beginning of the financial year	57,261	44,995
Effect of adoption of MFRS 9	(57,261)	-
At beginning of the financial year, as restated	-	44,995
Net allowance made during the financial year	-	20,595
Amount written-off	-	(8,329)
At end of the financial year	-	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	Previous
	Financial	Financial
	Quarter	Year-End
	31/12/2018	31/12/2017
	RM'000	RM'000
Primary agriculture	-	75
Mining and quarrying	-	63
Manufacturing	62,739	1,092
Electricity, gas and water supply	-	235
Construction	11,946	19,609
Real estate	315,973	30,279
Wholesale & retail trade and restaurants & hotels	5,775	4,974
Transport, storage and communication	415	180
Finance, takaful/insurance and business services	1,217	956
Education, health and others	92	125
Household	132,672	84,722
	530,829	142,310

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018**15 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(xii) Impaired financing by economic purpose**

	Economic Entity and The Bank	
	Current Financial Quarter 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Purchase of securities	6	-
Purchase of transport vehicles	23,213	21,928
Purchase of landed property of which:		
- Residential	115,070	70,355
- Non-residential	210,649	5,347
Fixed assets other than land and building	62	235
Personal use	983	805
Credit/charge card	13	-
Construction	107,642	7,975
Working capital	73,108	35,583
Others	83	82
	530,829	142,310

(xiii) Impaired financing by geographical distribution

	Economic Entity and The Bank	
	Current Financial Quarter 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Perlis	2,135	2,122
Kedah	6,920	13,422
Pulau Pinang	3,274	1,612
Perak	6,604	5,771
Selangor	80,494	58,077
Wilayah Persekutuan	315,896	9,671
Negeri Sembilan	13,683	6,308
Melaka	2,184	2,077
Johor	12,982	3,824
Pahang	1,155	1,100
Terengganu	5,338	6,005
Kelantan	2,568	3,488
Sarawak	170	172
Sabah	6,860	396
Outside Malaysia	70,566	28,265
	530,829	142,310

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018**15 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(xiv) Movement in Expected Credit Losses for financing, advances and other financing**

Economic Entity and The Bank 2018	12 - Month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Individual/ Collective impairment	Total
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	RM'000	RM'000
At beginning of the financial year	-	-	-	81,300	81,300
Effect of adoption of MFRS 9	54,528	10,975	58,334	(81,300)	42,537
At beginning of the financial year, as restated	54,528	10,975	58,334	-	123,837
Total transfer between stages	8,431	4,517	(12,948)	-	-
Changes due to change in credit risk :-					
- Transfer to 12-month ECL (Stage 1)	13,357	(13,195)	(162)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(4,091)	33,102	(29,011)	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(835)	(15,390)	16,225	-	-
Financing, advances and other financing derecognised during the period (other than write-offs)	(32,808)	(2,871)	(221)	-	(35,900)
New financing, advances and other financing originated or purchased	40,327	1,130	7	-	41,464
Changes due to change in credit risk	(20,186)	(2,887)	41,966	-	18,893
Write-offs	-	-	(18,225)	-	(18,225)
Other adjustments	-	-	(1,052)	-	(1,052)
At the end of financial year	50,292	10,864	67,861	-	129,017

(xv) Movement in the gross carrying amount of financial assets that contributed to changes in the expected credit losses.

Economic Entity and The Bank 2018	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Financing, advances and other financing RM'000	Total RM'000
	At beginning of the financial year	-	-	-	15,451,047
Effect of adoption of MFRS 9	14,610,901	697,836	141,716	(15,451,047)	(594)
At beginning of the financial year, as restated	14,610,901	697,836	141,716	-	15,450,453
Total transfer between stages	(544,967)	123,672	421,295	-	-
Changes due to change in credit risk :-					
- Transfer to 12-month ECL (Stage 1)	964,015	(943,794)	(20,221)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,419,177)	1,517,144	(97,967)	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(89,805)	(449,678)	539,483	-	-
Financing, advances and other financing derecognised during the period (other than write-offs)	(7,627,952)	(166,246)	(797)	-	(7,794,995)
New financing, advances and other financing originated or purchased	10,795,632	127,752	16	-	10,923,400
Changes due to change in credit risk	256,491	(54,657)	(18,825)	-	183,009
Write-offs	-	-	(18,277)	-	(18,277)
Other adjustments	(3)	(2,411)	5,701	-	3,287
At the end of financial year	17,490,102	725,946	530,829	-	18,746,877

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

16 OTHER ASSETS

	Economic Entity and The Bank	
	Current Financial Year-End 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Other debtors	2,872	6,477
Prepayment and deposits	657	779
Clearing accounts	34,792	8,042
Foreclosed properties (a)	4,873	2,445
Others	-	90
	43,194	17,833

(a) Foreclosed properties

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

17 AMOUNT DUE FROM JOINT VENTURES

	Economic Entity and The Bank	
	31/12/2018 RM'000	31/12/2017 RM'000
Advances to joint ventures	55,343	51,178
Expected credit losses ("ECL")	(24,048)	-
Allowance for impairment loss	-	(18,329)
	31,295	32,849

Movement of expected credit losses

	Lifetime ECL credit impaired Stage 3 RM'000	Allowance for impairment loss RM'000
At beginning of the financial year	18,329	-
Charge for the year	5,719	18,329
At end of the financial year	24,048	18,329

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

18 AMOUNT DUE FROM ASSOCIATE

	Economic Entity and The Bank	
	31/12/2018 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.

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018**19 DEPOSITS FROM CUSTOMERS****(i) By type of deposit**

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Year-End	Year-End
	31/12/2018	31/12/2017
	RM'000	RM'000
Qard		
Demand deposits	2,598,371	3,071,743
Savings deposits	600,701	539,826
	<u>3,199,072</u>	<u>3,611,569</u>
Mudharabah		
General investment deposits	68,476	76,332
Tawarruq		
Murabahah term deposits	16,024,673	9,925,402
Commodity Murabahah	395,167	586,029
	<u>16,419,840</u>	<u>10,511,431</u>
	<u>19,687,388</u>	<u>14,199,332</u>

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

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	31/12/2018	31/12/2017
	RM'000	RM'000
Due within six months	8,707,686	6,995,629
Six months to one year	6,247,341	2,529,053
One year to three years	760,535	215,241
Three years to five years	377,587	261,811
	<u>16,093,149</u>	<u>10,001,734</u>

(iii) By type of customer

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Year-End	Year-End
	31/12/2018	31/12/2017
	RM'000	RM'000
Government and statutory bodies	9,628,596	5,237,179
Business enterprise	5,204,019	4,071,527
Individuals	1,887,907	1,580,143
Domestic banking institutions	5,360	4,452
Domestic non-banking financial institutions	2,633,437	2,995,415
Foreign entities	98,822	84,191
Others entities	229,247	226,425
	<u>19,687,388</u>	<u>14,199,332</u>

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

20 INVESTMENT ACCOUNTS OF CUSTOMERS

	Economic Entity and The Bank	
	Current Financial Year-End 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Mudharabah	875	449

	Economic Entity and The Bank	
	Current Financial Year-End 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Movement in investment accounts		
At beginning of the financial year	449	-
New placement during the year	1,135	870
Redemption during the year	(712)	(423)
Finance expense on RIA	69	35
Profit distributed	(66)	(33)
At end of the financial year	875	449

Profit Sharing Ratio ("PSR") and Rate of Return ("ROR")

	Economic Entity and The Bank			
	31/12/2018		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 to one year	-	-	80	6.12
One year to three years	85	7.19	-	-

21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Economic Entity and The Bank	
	Current Financial Year-End 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Qard		
Licensed banks	70,708	69,258
	70,708	69,258
Tawarruq		
Licensed banks	-	452,280
Licensed investment banks	-	101,330
Bank Negara Malaysia	-	112
Other financial institutions	174,874	638,420
	174,874	1,192,142
	245,582	1,261,400
Maturity structure of deposits are as follows:		
Due within six months	245,582	1,261,400
	245,582	1,261,400

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

22 INVESTMENT ACCOUNTS DUE FROM DESIGNATED FINANCIAL INSTITUTIONS

	Economic Entity and The Bank	
	Current Financial Quarter	Previous Financial Year-End
	31/12/2018	31/12/2017
	RM'000	RM'000
Mudharabah		
Licensed banks	2,368,295	2,749,016

	Economic Entity and The Bank	
	Current Financial Year-End	Previous Financial Year-End
	31/12/2018	31/12/2017
	RM'000	RM'000
Movement in investment accounts		
At beginning of the financial year	2,749,016	2,110,049
New placement during the year	1,286,030	1,841,284
Redemption during the year	(1,666,765)	(1,211,167)
Finance expense on RIA	116,662	108,040
Profit distributed	(118,577)	(99,190)
Exchange difference	1,929	-
At end of the financial year	2,368,295	2,749,016

Profit Sharing Ratio ("PSR") and Rate of Return ("ROR")

	Economic Entity and The Bank			
	31/12/2018		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	5.20	95	4.40
One to three months	95	5.11	95	5.08
Three to six months	98	4.41	95	5.10
Six months to one year	-	-	80	6.12
One year to three years	89	6.82	97	5.09
Three years to five years	83	4.78	86	4.11
Five years and above	93	5.13	86	4.83

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

Inclusive of RIA placed by the holding company amounting to RM2,368.3 million. These investments are used to fund certain specific financing. The RIA is a contract based on the Mudharabah principle between two parties to finance a financing where the investor (i.e. 'AFFIN Bank Berhad') solely provides capital and the business venture is managed solely by the entrepreneur (i.e. 'the Bank'). The profit of the business venture is shared between both parties based on pre-agreed ratio. Losses shall be borne by the investor.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

23 DERIVATIVE FINANCIAL LIABILITIES

	Economic Entity and The Bank			
	Current Financial Quarter 31/12/2018		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	591,701	4,289	442,334	3,258
	591,701	4,289	442,334	3,258

24 OTHER LIABILITIES

	Economic Entity and The Bank	
	Current Financial Year-End 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes	1,000	-
Margin and collateral deposits	13,828	17,092
Other creditors and accruals	8,740	3,800
Sundry creditors	32,831	19,876
Provision for zakat	910	1,745
Defined contribution plan (a)	1,337	1,257
Accrued employee benefits	3,065	2,866
Charity funds (b)	23	63
Unearned income	15,997	20,757
Financing commitments (c)	12,132	-
	89,863	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) Charity funds

	Economic Entity and The Bank	
	31/12/2018 RM'000	31/12/2017 RM'000
Sources and uses of charity funds		
At beginning of the financial year	63	90
Uses of charity funds		
- Contribution to medical aid	-	10
- Contribution to education	10	-
- Contribution to non profit organisation	-	13
- Contribution to program/event	30	4
	40	27
At end of the financial year	23	63

The source of charity fund comes from Shariah non-compliant events that involve mixed of Shariah compliant and non-Shariah compliant products and services. The charity fund was channeled to a number of charitable or public purposes for example centre of disabled children, association for less fortunate ex-government servants and module development for Islamic financial learning program.

The Bank does not charge gharamah for its financing facilities.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

24 OTHER LIABILITIES (Continued)

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

	Economic Entity and The Bank	
	31/12/2018	31/12/2017
	RM'000	RM'000
At beginning of the financial year	-	-
Effects on adoption of MFRS9	16,463	-
At beginning of the financial year, as restated	16,463	-
Net remeasurement of loss allowance	(9,293)	-
New financing commitments and financial guarantees issued during the financial year	4,962	-
At end of the financial year	12,132	-

25 SUBORDINATED TERM FINANCING AND MEDIUM TERM NOTES

	Economic Entity and The Bank	
	31/12/2018	31/12/2017
	RM'000	RM'000
(a) Medium Term Notes Tier-2 Sukuk Murabahah ('MTN')	807,748	-
(b) Additional Tier-1 Sukuk Wakalah ('AT1S')	303,483	-
	1,111,231	-

	At 1 January 2018 RM'000	Cash flow RM'000	Profit expense RM'000	At 31 December 2018 RM'000
Medium Term Notes Tier-2 Sukuk Murabahah ('MTN')	-	800,000	-	800,000
Additional Tier-1 Sukuk Wakalah ('AT1S')	-	300,000	-	300,000
Profit payable	-	-	11,231	11,231
	-	1,100,000	11,231	1,111,231

- (a) The Bank had on 23 October 2018 issued MTN Tier-2 Sukuk Murabahah of RM800.0 million each out of its approved BASEL III Compliant MTN programme of up to RM800.0 million in nominal value. The Sukuk is issued for a tenure of 10 years from the issue date on a 10-year non-callable 5-year basis, at a profit rate of 5.05%. The Sukuk is issued for the purpose of general banking business and working capital requirements of the Bank.
- (b) The Bank had on 18 October 2018 issued AT1S of RM300 million out of its approved BASEL III Compliant AT1S programme of up to RM300 million in nominal value. The AT1S was on perpetual non-callable 5-year basis, at a profit rate of 5.65%. The AT1S was issued for the purpose of general banking business and working capital requirements of the Bank.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

26 RESERVES

	Economic Entity		The Bank	
	Current Financial Quarter 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000	Current Financial Quarter 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Retained profits (a)	577,671	610,202	578,321	610,852
FVOCI revaluation reserves (b)(i)	3,172	-	3,172	-
AFS revaluation reserves (b)(ii)	-	(6,915)	-	(6,915)
Regulatory reserves (c)	194,384	94,866	194,384	94,866
	775,227	698,153	775,877	698,803

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

(b) (i) Fair value reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investment at FVOCI. 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 financial investments at FVOCI at the end of financial year is net unrealised gain of RM3,130,253 in 2018.

(ii) AFS revaluation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investment available-for-sale. The gains or losses are transferred to the income statement upon disposal or when the securities become impaired. The depositors' portion of net unrealised gains or losses on 'Available-

(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.

INCOME FROM ISLAMIC BANKING BUSINESS

	Individual Quarter		Cumulative Quarter	
	Economic Entity Current Financial Quarter 31/12/2018 RM'000	The Bank Preceding Year Corresponding Quarter 31/12/2017 RM'000	Economic Entity Current Financial Quarter 31/12/2018 RM'000	The Bank Preceding Year Corresponding Quarter 31/12/2017 RM'000
Income derived from investment of depositors' funds and others	254,321	196,007	945,482	694,666
Income derived from investment of investment account funds	46,302	29,344	122,023	110,519
Income derived from investment of shareholders' funds	24,267	20,354	91,315	71,254
Income attributable to depositors	(228,106)	(146,764)	(751,947)	(537,379)
	96,784	98,941	406,873	339,060
of which:				
Profit earned on impaired financing, advances and other financing	1,235	650	4,431	1,794

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

27 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
- General investment deposits (i)	187,631	118,762	641,793	401,451
- Other deposits (ii)	66,690	77,245	303,689	293,215
	254,321	196,007	945,482	694,666

(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
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	142,629	90,332	503,511	312,778
Financial investments at FVOCI	15,393	-	55,069	-
Financial investments available-for-sale	-	10,569	-	36,135
Financial investments held-to-maturity	-	468	-	2,058
Money at call and deposits with other financial institutions	19,718	6,724	47,018	23,471
	177,740	108,093	605,598	374,442
Accretion of discount less amortisation of premium	1,131	562	4,197	2,336
Total finance income and hibah	178,871	108,655	609,795	376,778
Other operating income				
Fee income:				
Commission	461	271	1,714	1,186
Service charges and fees	942	4,846	7,676	8,178
Guarantee fees	618	400	2,262	1,925
	2,021	5,517	11,652	11,289
Commission paid on will/wasiat	(2)	-	(10)	-
Income from financial instruments:				
Gain on arising on financial investments at FVOCI/ financial investments available-for-sale:	729	136	1,915	1,988
	729	136	1,915	1,988
Other income:				
Foreign exchange profit/(loss)				
- realised	7,553	2,806	10,180	10,586
- unrealised	(3,999)	(225)	(893)	(3,766)
Other non-operating income	2,458	1,873	9,154	4,576
	6,012	4,454	18,441	11,396
Total income derived from investment of general investment deposits	187,631	118,762	641,793	401,451

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

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

(ii) INCOME DERIVED FROM INVESTMENT OF OTHER DEPOSITS

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	49,934	58,559	238,256	228,504
Financial investments at FVOCI	5,354	-	26,058	-
Financial investments available-for-sale	-	6,866	-	26,398
Financial investments held-to-maturity	-	289	-	1,504
Money at call and deposits with other financial institutions	8,002	4,353	22,248	17,147
	63,290	70,067	286,562	273,553
Accretion of discount less amortisation of premium	386	352	1,986	1,707
Total finance income and hibah	63,676	70,419	288,548	275,260
Other operating income				
Fee income:				
Commission	157	164	811	863
Service charges and fees	118	3,405	3,632	5,951
Guarantee fees	212	236	1,070	1,401
	487	3,805	5,513	8,215
Commission paid on will/wasiat	(1)	-	(5)	-
Income from financial instruments:				
Gain on arising on financial investments at FVOCI/ financial investments available-for-sale:	287	32	906	1,447
	287	32	906	1,447
Other income:				
Foreign exchange profit/(loss)				
- realised	3,447	1,760	4,818	7,704
- unrealised	(2,044)	(36)	(423)	(2,741)
Other non-operating income	838	1,265	4,332	3,330
	2,241	2,989	8,727	8,293
Total income derived from investment of other deposits	66,690	77,245	303,689	293,215

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

28 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
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	35,564	22,240	95,732	86,116
Financial investments at FVOCI	3,855	-	10,470	-
Financial investments available-for-sale	-	2,608	-	9,949
Financial investments held-to-maturity	-	110	-	567
Money at call and deposits with other financial institutions	4,388	1,653	8,940	6,462
	43,807	26,611	115,142	103,094
Accretion of discount less amortisation of premium	287	134	798	643
Total finance income and hibah	44,094	26,745	115,940	103,737
Other operating income				
Fee income:				
Commission	117	63	326	326
Service charges and fees	336	1,291	1,459	2,248
Guarantee fees	156	91	430	529
	609	1,445	2,215	3,103
Commission paid on will/wasiat	(1)	-	(2)	-
Income from financial instruments:				
Gain on arising on financial investments at FVOCI/ financial investments available-for-sale:	166	14	364	546
	166	14	364	546
Other income:				
Foreign exchange profit/(loss)				
- realised	1,498	676	1,936	2,910
- unrealised	(688)	(18)	(170)	(1,035)
Other non-operating income	624	482	1,740	1,258
	1,434	1,140	3,506	3,133
Total income derived from investment of investment account funds	46,302	29,344	122,023	110,519

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

29 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	18,363	15,468	71,640	55,521
Financial investments at FVOCI	1,978	-	7,835	-
Financial investments available-for-sale	-	1,810	-	6,414
Financial investments held-to-maturity	-	80	-	366
Money at call and deposits with other financial institutions	2,660	1,151	6,690	4,166
	23,001	18,509	86,165	66,467
Accretion of discount less amortisation of premium	144	96	597	415
Total finance income and hibah	23,145	18,605	86,762	66,882
Commission paid on will/wasiat	-	-	(1)	-
Other operating income				
Fee income:				
Commission	59	45	244	210
Service charges and fees	98	849	1,092	1,449
Guarantee fees	79	66	322	341
	236	960	1,658	2,000
Income from financial instruments:				
Gain on arising on financial investments at FVOCI/ financial investments available-for-sale:	97	19	272	352
	97	19	272	352
Other income:				
Foreign exchange profit/(loss)				
- realised	1,060	475	1,448	1,876
- unrealised	(585)	(29)	(127)	(667)
Other non-operating income	314	324	1,303	811
	789	770	2,624	2,020
Total income derived from investment of shareholders' fund	24,267	20,354	91,315	71,254

30 ALLOWANCES FOR IMPAIRMENT LOSSES ON FINANCING, ADVANCES AND OTHER FINANCING

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Individual impairment				
- made during the financial year	-	2,528	-	16,404
- written-back during the financial year	-	(3,463)	-	(8,096)
Collective impairment				
- net allowance made during the financial year	-	5,573	-	20,595
Expected credit loss ("ECL") made/(written-back) on:				
- Financing, advances and other financing	2,188	-	24,457	-
- Securities	27	-	42	-
- Financing commitments and financial guarantees	(2,819)	-	(4,331)	-
Bad debts and financing				
- recovered	(377)	(1,005)	(1,357)	(1,805)
- written-off	562	-	592	1
	(419)	3,633	19,403	27,099

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018**31 ALLOWANCE FOR IMPAIRMENT LOSSES 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	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment for amount due from joint ventures	-	18,329	5,719	18,329

32 INCOME ATTRIBUTABLE TO DEPOSITORS

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
Quarter	Quarter	Quarter	Quarter	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah	455	475	1,987	2,076
- Non-mudharabah	176,235	104,464	565,705	363,809
Deposits and placements of banks and other financial institutions				
- Mudharabah	5,816	13,356	56,075	63,418
Finance expense-Subordinated term financing and medium term notes	11,231	-	11,231	-
Restricted investment account - Mudarabah	34,365	28,469	116,936	108,076
Others	4	-	13	-
	228,106	146,764	751,947	537,379

33 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	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	
	RM'000	RM'000	RM'000	RM'000
Personnel costs (a)	40,013	31,684	149,819	111,239
Establishment costs (b)	13,047	10,348	48,671	42,336
Marketing expenses (c)	1,481	1,515	7,030	6,080
Administrative and general expenses (d)	4,498	2,680	17,739	12,975
	59,039	46,227	223,259	172,630

(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	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonuses	31,958	23,077	118,160	83,573
Defined contribution plan ('EPF')	5,156	3,877	20,022	14,043
Voluntary separation scheme	30	1,247	-	2,247
Other personnel costs	2,869	3,483	11,637	11,376
	40,013	31,684	149,819	111,239

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

33 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
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Rental of premises	2,180	1,674	8,318	6,502
Equipment rental	48	30	128	99
Repair and maintenance	2,343	2,157	8,423	8,142
Depreciation of property and equipment	213	202	777	839
Amortisation of intangible assets	38	-	93	-
IT consultancy fees	2,826	2,029	10,236	11,339
Dataline rental	1,236	554	4,235	1,735
Security services	1,590	1,216	5,207	4,604
Electricity, water and sewerage	860	584	3,115	2,112
Licence fee	101	86	400	348
Insurance/takaful and indemnities	515	375	2,088	1,653
Other establishment costs	1,097	1,441	5,651	4,963
	13,047	10,348	48,671	42,336

(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
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Business promotion and advertisement	302	101	1,438	1,313
Entertainment	2	88	277	378
Traveling and accommodation	459	460	1,729	1,328
Commissions expenses	304	596	1,365	1,355
Brokerage expenses	243	73	1,163	1,037
Other marketing expenses	171	197	1,058	669
	1,481	1,515	7,030	6,080

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

33 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
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Telecommunication expenses	62	260	1,176	991
Auditors' remuneration	686	16	1,075	462
Professional fees	860	(694)	2,754	98
Property and equipment written-off	-	-	3	6
Mail and courier charges	517	205	966	726
Stationery and consumables	668	881	3,948	2,812
Directors' fees and allowances	(464)	867	1,055	1,786
Shariah fees	389	366	389	366
Donations	209	41	439	225
Settlement, clearing and bank charges	1,494	(271)	2,408	571
Stamp duties	-	1	2	5
Operational and litigation write-off expenses	-	(44)	-	73
GST Input tax-non recoverable	-	1,323	2,867	4,752
Other administration and general expenses	77	(271)	657	102
	4,498	2,680	17,739	12,975

34 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:

	and The Bank	
	Principal amount	Principal amount
	31/12/2018	31/12/2017
	RM'000	RM'000
Direct credit substitutes (*)	101,288	92,241
Transaction-related contingent items	281,206	293,354
Short-term self-liquidating trade related contingencies	318,969	279,532
Irrevocable commitments to extend credit:		
- maturity less than one year	1,605,783	1,583,496
- maturity more than one year	1,998,265	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	195,947	337
Foreign exchange related contracts (#):		
- less than one year	1,028,226	802,588
	5,543,823	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.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

35 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.

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Economic Entity and The Bank				
31/12/2018				
Assets				
Derivative financial assets	-	2,042	-	2,042
Financial investments at FVOCI				
- Money market instruments	-	1,200,487	-	1,200,487
- Corporate Sukuk	-	1,603,770	-	1,603,770
	-	2,806,299	-	2,806,299
Liabilities				
Derivative financial liabilities	-	4,289	-	4,289
	-	4,289	-	4,289
	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
Financial investments at available-for-sale*				
- Money market instruments	-	1,085,040	-	1,085,040
- Corporate 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.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

35 FAIR VALUE MEASUREMENTS (continued)

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

	Economic Entity and The Bank	
	Current Financial Year-End 31/12/2018 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.

Qualitative information about the fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value assets		Valuation techniques	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
	31/12/2018 RM'000	31/12/2017 RM'000			
Economic Entity and The Bank Financial investments at FVOCI/available-for-sale					
Unquoted shares	-	-	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

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

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

36 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 for Islamic Banks (Capital Components) dated 2 February 2018.

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 operates;
- 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 37 below summarises the composition of regulatory capital and the ratios of the Bank for the financial quarter ended 31 December 2018.

37 CAPITAL ADEQUACY

The capital adequacy ratios are as follows:

	Economic Entity		The Bank	
	Current Financial Quarter 31/12/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000	Current Financial Quarter 31/12/2018 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	577,671	610,202	578,321	610,852
FVOCI/AFS revaluation reserves	3,172	(6,915)	3,172	(6,915)
	1,640,843	1,663,287	1,641,493	1,663,937
Less:				
Goodwill and other intangibles	(670)	-	(670)	-
Deferred tax assets	(17,993)	(5,020)	(17,993)	(5,020)
55% of cumulative unrealised gains of FVOCI	(1,745)	-	(1,745)	-
Investment in associate/joint ventures	(750)	(600)	(1,400)	(1,120)
CET1 Capital	1,619,685	1,657,667	1,619,685	1,657,797

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

37 CAPITAL ADEQUACY (continued)

	Economic Entity		The Bank	
	Current Financial Quarter Financial 31/12/2018 RM'000	Previous Financial Year-End Financial 31/12/2017 RM'000	Current Financial Quarter Financial 31/12/2018 RM'000	Previous Financial Year-End Financial 31/12/2017 RM'000
Additional Tier 1 capital				
Qualifying capital instruments held by third parties	300,000	-	300,000	-
	300,000	-	300,000	-
Total Tier 1 capital	1,919,685	1,657,667	1,919,685	1,657,797
Subordinated medium term financing	800,000	-	800,000	-
Loss provision	177,100	128,190	177,100	128,190
Less:				
Investment in associate/joint ventures	-	(150)	-	(280)
Tier II capital	977,100	128,040	977,100	127,910
Total capital	2,896,785	1,785,707	2,896,785	1,785,707
CET1 capital ratio	10.869%	15.086%	10.869%	15.087%
Tier 1 capital ratio	12.882%	15.086%	12.882%	15.087%
Total capital ratio	19.438%	16.251%	19.438%	16.251%
CET1 capital ratio (net of proposed dividends)	10.869%	15.086%	10.869%	15.087%
Tier 1 capital ratio (net of proposed dividends)	12.882%	15.086%	12.882%	15.087%
Total capital ratio (net of proposed dividends)	19.438%	16.251%	19.438%	16.251%
Risk-weighted assets for:				
Credit risk	14,167,963	10,438,538	14,167,963	10,438,538
Market risk	98,198	19,266	98,198	19,266
Operational risk	636,209	530,574	636,209	530,574
Total risk-weighted assets	14,902,370	10,988,378	14,902,370	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 31 December 2018, RIA assets excluded from Total Capital Ratio calculation amounted to RM2,369,729,422 (31 December 2017: RM2,749,016,285).

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

38 REVIEW OF PERFORMANCE OF THE BANK

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

During the 4th quarter of 2018, the Bank registered a profit before tax of RM38.2 million as compared to the previous year's corresponding quarter of RM30.8 million, an increase of RM7.4 million or 24.03%.

This was mainly due to:

i) lower allowances for impairment losses on financing, advances and other financing & other assets by RM22.3 million.

The above was off-set by:

ii) higher operating expenses by RM12.8 million.

iii) lower income derived from investments after netting off income attributable to depositors' funds by RM2.1 million.

39 COMMENT ON FINANCIAL RESULTS

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

The Bank's profit before tax for 4th quarter of 2018 stood at RM38.2 million as compared to RM31.6 million reported in the 3rd quarter of 2018, an increase of RM6.6 million or 20.9%.

This was mainly due to:

i) lower allowances for impairment losses on financing, advances and other financing & other assets by RM12.3 million.

ii) lower Zakat expenses of RM3.1 million.

The above was off-set by:

iii) higher operating expenses by RM3.9 million.

iv) lower income derived from investments after netting off income attributable to depositors' funds by RM4.9 million.

40 PROSPECT FOR THE CURRENT FINANCIAL YEAR

The Bank is set for exciting 2019 and continue to leverage on expertise within the AFFIN Bank Group and strengthen the group synergies. The Bank's priorities will continue to focus on sustainable business growth and operating efficiencies.

In response to the current economic environment and rapid improvement in technologies, the Bank's key initiatives will be on enhancing digital capabilities to provide convenient access such as online banking as well as to expedite our service delivery.

The Bank will also continuously strengthen its collaboration with learning institution to increase our Education Financing-I portfolio and continue to grow fee-based income particularly on Ar-Rahnu and Bancatakaful. While for Business segment, the Bank is partnering with Credit Guarantee Corporation (CGC) to further expand our SMEs customer segment business.

For 2018, the Bank gross financing expanded by 21.3% mainly in Retail segment namely mortgage and auto financing. Moving forward, the Bank will also be focusing on product with better capital efficiency.

The Bank will also be focusing on its liquidity requirement by growing deposits particularly on retail segment and longer term deposits. Another area of focus will be on risk-based pricing that commensurate with the underlying risk undertaken. This approach will enable the Bank to protect its capital position and deliver sustainable returns to the shareholders.

Overall, for 2019 the Bank is committed in upgrading its go-to-market capability and operating efficiencies specifically on digital front in enriching customer experience. The Bank will continuously strive to maximize synergistic value within the Affin Bank Group and put in place more differentiated strategies to drive us to the next phase of growth and meet the ever-changing requirements.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 December 2018

41 VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

The Bank's profit before tax registered a favorable variance of RM19.2 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 RM32.4 million.

Allowances for impairment losses on financing, advances and other financing showed a favorable variance of RM14.0 million.

Other operating expenses showed an adverse variance of RM27.2 million.