

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF FINANCIAL POSITION *as at 31 March 2018***

	Note	Economic Entity		The Bank	
		Current Financial Quarter 31/3/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000	Current Financial Quarter 31/3/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
ASSETS					
Cash and short-term funds		2,680,912	1,423,594	2,680,912	1,423,594
Derivative financial assets	13	931	2,623	931	2,623
Investment securities at FVOCI	14	2,492,661	-	2,492,661	-
Financial investments available-for-sale	14	-	2,377,724	-	2,377,724
Financing, advances and other financing	15	15,653,557	15,369,747	15,653,557	15,369,747
Other assets	16	20,161	17,833	20,161	17,833
Amount due from holding company		258,073	406,523	258,073	406,523
Amount due from joint ventures	17	33,303	32,849	33,303	32,849
Amount due from associate	18	500	500	500	500
Deferred tax assets		19,007	5,020	19,007	5,020
Statutory deposits with Bank Negara Malaysia		461,000	400,640	461,000	400,640
Investment in joint ventures		-	-	650	650
Investment in associate		750	750	750	750
Property and equipment		2,423	2,411	2,423	2,411
Intangible assets		327	-	327	-
TOTAL ASSETS		21,623,605	20,040,214	21,624,255	20,040,864
LIABILITIES AND EQUITY					
Deposits from customers	19	14,336,074	14,199,332	14,336,074	14,199,332
Investment accounts of customers	20	1,456	449	1,456	449
Deposits and placements of banks and other financial institutions	21	3,419,372	1,261,400	3,419,372	1,261,400
Investment accounts due to designated financial institutions	22	1,836,884	2,749,016	1,836,884	2,749,016
Derivative financial liabilities	23	2,326	3,258	2,326	3,258
Other liabilities	24	289,499	67,456	289,499	67,456
Provision for taxation		851	1,150	851	1,150
TOTAL LIABILITIES		19,886,462	18,282,061	19,886,462	18,282,061
Share capital		1,060,000	1,060,000	1,060,000	1,060,000
Reserves	25	677,143	698,153	677,793	698,803
TOTAL EQUITY		1,737,143	1,758,153	1,737,793	1,758,803
TOTAL LIABILITIES AND EQUITY		21,623,605	20,040,214	21,624,255	20,040,864
COMMITMENTS AND CONTINGENCIES					
	32	4,373,302	4,734,028	4,373,302	4,734,028
Capital Adequacy					
CET1 capital ratio	35	13.140%	15.086%	13.140%	15.087%
Tier 1 capital ratio	35	13.140%	15.086%	13.140%	15.087%
Total capital ratio	35	14.317%	16.251%	14.317%	16.251%

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

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

	Note	Individual Quarter Economic Entity		Cumulative Quarter Economic Entity	
		Current Financial Quarter 31/03/2018 RM'000	Preceding Year Corresponding Quarter 31/3/2017 RM'000	Current Financial Quarter 31/03/2018 RM'000	Preceding Year Corresponding Quarter 31/3/2017 RM'000
Income derived from investment of depositors' funds and others	26	210,615	148,082	210,615	148,082
Income derived from investment of investment account funds	27	23,549	28,394	23,549	28,394
Income derived from investment of shareholders' funds	28	21,530	15,638	21,530	15,638
Allowances for impairment losses on financing, advances and other financing	29	(14,936)	(5,392)	(14,936)	(5,392)
Total distributable income		240,758	186,722	240,758	186,722
Income attributable to the depositors	30	(154,548)	(115,502)	(154,548)	(115,502)
Total net income		86,210	71,220	86,210	71,220
Other operating expenses	31	(53,938)	(38,470)	(53,938)	(38,470)
Profit before zakat and taxation		32,272	32,750	32,272	32,750
Zakat		-	-	-	-
Profit before taxation		32,272	32,750	32,272	32,750
Taxation		(7,682)	(8,681)	(7,682)	(8,681)
Net profit after zakat and taxation		24,590	24,069	24,590	24,069
Attributable to:					
Equity holder of the Bank		24,590	24,069	24,590	24,069
Earnings per share (sen):					
- Basic		2.3	3.7	2.3	3.7

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

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

	Individual Quarter Economic Entity		Cumulative Quarter Economic Entity	
	Current Financial Quarter 31/03/2018 RM'000	Preceding Year Corresponding Quarter 31/3/2017 RM'000	Current Financial Quarter 31/03/2018 RM'000	Preceding Year Corresponding Quarter 31/3/2017 RM'000
Profit after zakat and taxation	24,590	24,069	24,590	24,069
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- investment securities at FVOCI	(475)	-	(475)	-
- financial investments available-for-sale	-	8,714	-	8,714
Deferred tax on				
- investment securities at FVOCI	114	-	114	-
- financial investments available-for-sale	-	(2,091)	-	(2,091)
Other comprehensive income for the financial period, net of tax	(361)	6,623	(361)	6,623
Total comprehensive income for the financial period	24,229	30,692	24,229	30,692
Attributable to equity holder of the Bank:				
- Total comprehensive income	24,229	30,692	24,229	30,692

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

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

	Note	Individual Quarter The Bank		Cumulative Quarter The Bank	
		Current Financial Quarter 31/03/2018 RM'000	Preceding Year Corresponding Quarter 31/3/2017 RM'000	Current Financial Quarter 31/03/2018 RM'000	Preceding Year Corresponding Quarter 31/3/2017 RM'000
Income derived from investment of depositors' funds and others	26	210,615	148,082	210,615	148,082
Income derived from investment of investment account funds	27	23,549	28,394	23,549	28,394
Income derived from investment of shareholders' funds	28	21,530	15,638	21,530	15,638
Allowances for impairment losses on financing, advances and other financing	29	(14,936)	(5,392)	(14,936)	(5,392)
Total distributable income		240,758	186,722	240,758	186,722
Income attributable to the depositors	30	(154,548)	(115,502)	(154,548)	(115,502)
Total net income		86,210	71,220	86,210	71,220
Other operating expenses	31	(53,938)	(38,470)	(53,938)	(38,470)
Profit before zakat and taxation		32,272	32,750	32,272	32,750
Zakat		-	-	-	-
Profit before taxation		32,272	32,750	32,272	32,750
Taxation		(7,682)	(8,681)	(7,682)	(8,681)
Net profit after zakat and taxation		24,590	24,069	24,590	24,069
Attributable to:					
Equity holder of the Bank		24,590	24,069	24,590	24,069
Earnings per share (sen):					
- Basic		2.3	3.7	2.3	3.7

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

for the financial quarter ended 31 March 2018 (continued)

	Individual Quarter		Cumulative Quarter	
	The Bank		The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/03/2018	31/3/2017	31/03/2018	31/3/2017
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	24,590	24,069	24,590	24,069
Other comprehensive income:				
Items that may be reclassified subsequently to profit and loss:				
Net fair value change in				
- investment securities at FVOCI	(475)	-	(475)	-
- financial investments available-for-sale	-	8,714	-	8,714
Deferred tax on				
- investment securities at FVOCI	114	-	114	-
- financial investments available-for-sale	-	(2,091)	-	(2,091)
Other comprehensive income for the financial period, net of tax	(361)	6,623	(361)	6,623
Total comprehensive income for the financial period	24,229	30,692	24,229	30,692
Attributable to equity holder of the Bank:				
- Total comprehensive income	24,229	30,692	24,229	30,692

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

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

Economic Entity	Attributable to Equity Holder of the Bank					
	Share capital RM'000	Statutory reserves RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total 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	(19,066)	(26,388)	(45,239)
	1,060,000	-	(6,700)	75,800	583,814	1,712,914
Net profit for the financial period	-	-	-	-	24,590	24,590
Other comprehensive income (net of tax)						
- Investment securities at FVOCI	-	-	(361)	-	-	(361)
Total comprehensive income	-	-	(361)	-	24,590	24,229
Transfer to regulatory reserves	-	-	-	4,139	(4,139)	-
At 31 March 2018	1,060,000	-	(7,061)	79,939	604,265	1,737,143
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	-	-	-	-	24,069	24,069
Other comprehensive income (net of tax)						
- Financial investments available-for-sale	-	-	6,623	-	-	6,623
Total comprehensive income	-	-	6,623	-	24,069	30,692
Transfer to regulatory reserves	-	-	-	8,518	(8,518)	-
At 31 March 2017	760,000	305,016	(11,441)	81,696	252,678	1,387,949

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

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

	Non-distributable			Distributable		Total
	Share capital	Statutory reserves	FVOCI revaluation reserves	Regulatory reserves	Retained profits	
The Bank	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	-	-	215	(19,066)	(26,388)	(45,239)
	1,060,000	-	(6,700)	75,800	584,464	1,713,564
Net profit for the financial period	-	-	-	-	24,590	24,590
Other comprehensive income (net of tax)						
- Investment securities at FVOCI	-	-	(361)	-	-	(361)
Total comprehensive income	-	-	(361)	-	24,590	24,229
Transfer to regulatory reserves	-	-	-	4,139	(4,139)	-
At 31 March 2018	1,060,000	-	(7,061)	79,939	604,915	1,737,793
The Bank	Share capital	Statutory reserves	AFS revaluation reserves	Regulatory reserves	Retained profits	Total
	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	-	-	-	-	24,069	24,069
Other comprehensive income (net of tax)						
- Financial investments available-for-sale	-	-	6,623	-	-	6,623
Total comprehensive income	-	-	6,623	-	24,069	30,692
Issued during the financial period	200,000	-	-	-	-	200,000
Transfer to regulatory reserves	-	-	-	8,518	(8,518)	-
At 31 March 2017	760,000	305,016	(11,441)	81,696	253,328	1,388,599

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

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

	Economic Entity		The Bank	
	31/3/2018 RM'000	31/3/2017 RM'000	31/3/2018 RM'000	31/3/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	32,272	32,750	32,272	32,750
Adjustments for items not involving the movement of cash and cash equivalents:				
Finance income and hibah from:				
- investment securities at FVOCI	(21,451)	-	(21,451)	-
- financial investments available-for-sale	-	(17,253)	-	(17,253)
- financial investments held-to-maturity	-	(1,274)	-	(1,274)
Accretion of discount less amortisation of premium:				
- investment securities at FVOCI	(1,445)	-	(1,445)	-
- financial investments available-for-sale	-	(1,301)	-	(1,301)
Gain on sale/redemption:				
- investment securities at FVOCI	(836)	-	(836)	-
- financial investments available-for-sale	-	(1,073)	-	(1,073)
Loss on unrealised foreign exchange	761	4,808	761	4,808
Depreciation of property and equipment	184	225	184	225
Property and equipment written-off	3	1	3	1
Amortisation of intangible assets	11	-	11	-
Net individual impairment	-	1,917	-	1,917
Net collective impairment	-	3,739	-	3,739
Bad debt on financing written-off	3	-	3	-
Operating profit before changes in working capital	9,502	22,539	9,502	22,539
<i>(Increase)/Decrease in operating assets:</i>				
Financing, advances and other financing	(343,407)	(846,020)	(343,407)	(846,020)
Other assets	(2,631)	(28,934)	(2,631)	(28,934)
Statutory deposits with Bank Negara Malaysia	(60,360)	22,360	(60,360)	22,360
Amount due from holding company	148,450	-	148,450	-
Amount due from joint ventures	(454)	(2,464)	(454)	(2,464)
Derivative financial instruments	761	4,808	761	4,808
<i>Increase/(Decrease) in operating liabilities:</i>				
Deposits from customers	136,742	407,660	136,742	407,660
Investment accounts of customers	1,007	831	1,007	831
Deposits and placements of banks and other financial institutions	2,157,972	826,461	2,157,972	826,461
Investment accounts due to designated financial institutions	(912,132)	19,939	(912,132)	19,939
Amount due to holding company	-	35,784	-	35,784
Other liabilities	222,508	(11,243)	222,508	(11,243)
Cash generated from operations	1,357,958	451,721	1,357,958	451,721
Zakat paid	(466)	(156)	(466)	(156)
Tax paid	(7,500)	(9,167)	(7,500)	(9,167)
Net cash generated from operating activities	1,349,992	442,398	1,349,992	442,398

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF CASH FLOWS for the financial quarter ended 31 March 2018
(continued)

	Economic Entity		The Bank	
	31/3/2018 RM'000	31/3/2017 RM'000	31/3/2018 RM'000	31/3/2017 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Finance income and hibah received from:				
- investment securities at FVOCI				
- financial investments available-for-sale	22,896	18,554	22,896	18,554
- financial investments held-to-maturity	-	1,274	-	1,274
Redemption of financial investments held-to-maturity	-	(1,274)	-	(1,274)
Net purchase of:				
- investment securities at FVOCI	(114,575)	-	(114,575)	-
- financial investments available-for-sale	-	(77,227)	-	(77,227)
Purchase of property and equipment	(234)	(244)	(234)	(244)
Net cash used in investing activities	(91,913)	(58,917)	(91,913)	(58,917)
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	1,258,079	583,481	1,258,079	583,481
Net (decrease)/increase in foreign exchange	(761)	4,819	(761)	4,819
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	2,680,912	1,646,144	2,680,912	1,646,144

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

1 BASIS OF PREPARATION

This unaudited condensed interim financial information for the 3 months ended 31 March 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 31 March 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 interest 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 ("SPPT") 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 MARCH 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 loans for which there is objective evidence of impairment in accordance with MFRS 139, the total allowance for credit losses is expected to increase under MFRS 9 relative to the allowance for credit losses under MFRS 139.

In addition, changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month ECL) and Stage 2 (lifetime ECL) and the application of forward looking information, 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 carrying amount 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount 1 January 2018 RM'000
Financial assets				
Amortised cost				
Cash and short-term funds				
Opening balance	1,423,594			1,423,594
Remeasurement				-
Closing balance	1,423,594	-	-	1,423,594
Derivative financial assets				
Opening balance	2,623			2,623
Derivatives to FVTPL		(2,623)		(2,623)
Closing balance	2,623	(2,623)	-	-
Financial investments available-for-sale ("AFS")				
Opening balance	2,377,724			2,377,724
AFS to FVOCI instruments		(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 loss ("ECL")*			(42,537)	(42,537)
Closing balance	15,369,747	-	(43,131)	15,326,616
Other assets	17,833			17,833
Deferred tax assets				
Opening balance	5,020			5,020
Remeasurement			14,355	14,355
Closing balance	5,020	-	14,355	19,375
Statutory deposits with Bank Negara Malaysia	400,640			400,640
Amount due from holding company	406,523			406,523
Amount due from joint ventures	32,849			32,849
Amount due from associate	500			500
Investment in subsidiaries	750			750
Property and equipment	2,411			2,411
	20,040,214	(2,380,347)	(28,776)	17,631,091

* Inclusive of loan commitments' ECL.

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018**2 ACCOUNTING POLICIES (CONTINUED)****FVOCI - debt**

Investment securities - debt at FVOCI

Opening balance	-	-	-	-
From available-for-sale ("AFS")		2,377,724		2,377,724
Remeasurement				-
Total FVOCI		<u>2,377,724</u>		<u>2,377,724</u>

FVTPL

Opening balance	-	-	-	-
From amortised cost - Deposits and placements with banks and other financial institutions				-
From amortised cost - Derivatives financial assets		2,623		2,623
From available-for-sale ("AFS")				-
Total FVTPL		<u>2,623</u>		<u>2,623</u>

Other liabilities

Opening balance	67,456	-	-	67,456
Remeasurement - Off-balance sheet financing, financing commitments and financial guarantee issue			16,463	16,463
Closing balance	<u>67,456</u>		<u>16,463</u>	<u>83,919</u>

The following table shows the effects of reclassification of financial assets from MFRS 139 categories into the amortised cost category under MFRS 9.

	Impact of adopting MFRS9 at 1 January 2018 RM'000
From available-for-sale financial assets under MFRS 139	-
Fair value at 31 December 2017	-
Fair value gain that would have been recognised during 2018 in OCI if the financial assets had not been reclassified	-

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
<u>Fair value reserve</u>	
Closing balance under MFRS 139 (at 31 December 2017)	(6,915)
Reclassification of investment securities (debt and equity) from available-for-sale to FVTPL	215
Reclassification of investment securities (equity) measured at cost from held-to-maturity to FVOCI	-
Opening balance under MFRS 9 (at 1 January 2018)	<u>(6,700)</u>
<u>Regulatory Reserve at 1.2%</u>	
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)	<u>-</u>
<u>Regulatory Reserve at 1.0%</u>	
Closing balance under MFRS 139 (at 31 December 2017)	-
Transfer from retained profits	75,799
Opening balance under MFRS 9 (at 1 January 2018)	<u>75,799</u>
<u>Retained profits</u>	
Closing balance under MFRS 139 (at 31 December 2017)	610,202
Reclassification under MFRS 9	(594)
Recognition of expected credit losses under MFRS 9 (including loans/financing commitments)	(140,515)
Additional of BNM 1.0% Regulatory Reserve	(75,799)
Reversal of 1.2% Regulatory Reserve	94,866
Reversal of collective allowance and individual allowance	81,300
Deferred tax	14,354
Opening balance under MFRS 9 (at 1 January 2018)	<u>583,814</u>

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

2 ACCOUNTING POLICIES (CONTINUED)

Reconciliation of impairment allowance balance from MFRS 139 to MFRS 9

	MFRS 139			MFRS 9
	carrying amount 31 December 2017	Reclassification	Remeasurement	carrying amount 1 January 2018
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	81,300	-	42,537	123,837
- Individual and collective impairment				
Loans/financing commitments	-	-	16,463	16,463
FVTPL	-	-	-	-
FVOCI and amortised cost	-	-	215	215
	<u>81,300</u>	<u>-</u>	<u>59,215</u>	<u>140,515</u>
Deferred tax liabilities				
Opening balance	-	-	-	-
Remeasurement - deferred tax assets	-	-	-	-
Closing balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Presentation of interest 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, interest revenue calculated using the effective interest method should be separately presented as a component of revenue on the face of the income statement.

The effective interest method does not apply to derivatives and other instruments measured at FVTPL, the interest arising on such instruments should not be included in the line item of "interest 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 interest income for financial assets measured at FVTPL from "Interest Income" to "Net gain and losses on financial instruments" for the current and previous financial quarters.

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

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 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 March 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 March 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 March 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 March 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 March 2018.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

13 DERIVATIVE FINANCIAL ASSETS

	Economic Entity and The Bank			
	Current Financial Quarter		Previous Financial Year End	
	31/03/2018		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	81,996	931	360,254	2,623
	81,996	931	360,254	2,623

14 INVESTMENT SECURITIES AT FVOCI/FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Economic Entity and The Bank	
	Current Financial Quarter 31/03/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
At fair value		
Money market instruments:		
Malaysian Government treasury bills	77,752	12,517
Malaysian Government investment issues	828,387	820,816
Sukuk Perumahan Kerajaan	89,141	90,231
Khazanah Sukuk	157,475	156,249
Cagamas bond	5,136	5,227
	1,157,891	1,085,040
Unquoted securities:		
Corporate bonds/sukuk		
- in Malaysia	1,334,770	1,292,684
	2,492,661	2,377,724
Allowance for impairment losses	-	-
	2,492,661	2,377,724

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018**15 FINANCING, ADVANCES AND OTHER FINANCING****(i) By type**

	Economic Entity and The Bank	
	Current Financial Quarter 31/03/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Cash line	357,709	312,995
Term financing		
- House financing	4,969,221	4,399,777
- Hire purchase receivables	3,982,877	3,864,507
- Syndicated financing	696,583	1,065,164
- Business term financing	4,777,003	4,300,524
Bills receivables	5,655	8,228
Trust receipts	7,673	14,717
Claims on customers under acceptances credits	203,004	250,246
Staff financing (of which RM Nil to Directors)	33,904	28,931
Credit card	65	12
Revolving credits	760,059	1,205,946
Gross financing, advances and other financing	15,793,753	15,451,047
Less:		
Allowance for impairment losses		
- Individual	-	(24,039)
- Collective	-	(57,261)
- Credit impairment losses	(140,196)	-
Total net financing, advances and other financing	15,653,557	15,369,747

Included in business term financing as at reporting date is RM53.7 million (31 December 2017: RM53.7 million) and RM49.2 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.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

15 FINANCING, ADVANCES AND OTHER FINANCING

(ii) By maturity structure

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	31/03/2018	31/12/2017
	RM'000	RM'000
Maturing within one year	1,771,473	1,945,574
One year to three years	583,314	823,365
Three years to five years	1,510,650	1,613,049
Over five years	11,928,316	11,069,059
	<u>15,793,753</u>	<u>15,451,047</u>

(iii) By contract

Economic Entity and The Bank
31/3/2018
RM'000

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma Al-Bai	Murabahah	Musarakah	Istisna'	Others	Total
Cash line	-	-	-	296,488	-	-	61,221	357,709
Term financing								
House financing	824,999	-	-	21,069	4,123,153	-	-	4,969,221
Hire purchase receivables	-	-	3,982,877	-	-	-	-	3,982,877
Syndicated financing	-	294,704	-	401,879	-	-	-	696,583
Business term financing	157,417	1,050,353	-	2,324,944	582,802	655,583	5,904	4,777,003
Bills receivables	-	-	-	-	-	-	5,655	5,655
Trust receipts	-	-	-	7,673	-	-	-	7,673
Claims on customers under acceptance credits	-	-	-	203,004	-	-	-	203,004
Staff financing	5,777	-	-	22,369	5,758	-	-	33,904
Credit/charge cards	-	-	-	-	-	-	65	65
Revolving credit	-	-	-	760,059	-	-	-	760,059
Total Financing	988,193	1,345,057	3,982,877	4,037,485	4,711,713	655,583	72,845	15,793,753

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

	Al- Bai Bithaman Ajil	Ijarah	Al-Ijarah Thumma Al-Bai	Murabahah	Musarakah	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

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018**15 FINANCING, ADVANCES AND OTHER FINANCING****(iv) By type of customer**

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	31/03/2018	31/12/2017
	RM'000	RM'000
Domestic non-banking institutions		
- Others	175,225	176,557
Domestic business enterprises		
- Small medium enterprises	2,595,226	2,456,690
- Others	2,664,478	3,173,314
Government and statutory bodies	1,061,569	1,046,324
Individuals	8,902,102	8,188,648
Other domestic entities	8,850	9,029
Foreign entities	386,303	400,485
	15,793,753	15,451,047

(v) By profit rate sensitivity

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	31/03/2018	31/12/2017
	RM'000	RM'000
Fixed rate		
- House financing	44,328	43,942
- Hire purchase receivables	3,982,877	3,864,507
- Other fixed rate financing	1,375,629	1,393,439
Variable rate		
- BR and BFR	7,978,479	7,736,389
- Cost - plus	2,412,440	2,412,770
	15,793,753	15,451,047

(vi) By economic sectors

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	31/03/2018	31/12/2017
	RM'000	RM'000
Primary agriculture	349,517	333,688
Mining and quarrying	271,253	367,769
Manufacturing	348,783	414,541
Electricity, gas and water supply	190,852	112,394
Construction	983,715	859,226
Real estate	1,696,047	1,770,326
Wholesale & retail trade and restaurants & hotels	504,362	436,965
Transport, storage and communication	240,875	767,956
Finance, insurance and business activities	631,394	587,765
Education, health and others	1,622,050	1,561,385
Household	8,954,671	8,238,798
Others	234	234
	15,793,753	15,451,047

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018**15 FINANCING, ADVANCES AND OTHER FINANCING (continued)****(vii) By economic purpose**

	Economic Entity and The Bank	
	Current Financial Quarter 31/03/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Purchase of securities	273,643	282,565
Purchase of transport vehicles	4,054,274	3,934,879
Purchase of landed property of which:		
- Residential	5,112,839	4,527,444
- Non-residential	1,626,944	1,543,054
Fixed assets other than land and building	97,733	99,983
Personal use	46,353	41,200
Credit card	65	12
Consumer durable	4	5
Construction	1,038,351	1,084,579
Working capital	3,149,232	3,544,790
Others	394,315	392,536
	15,793,753	15,451,047

(viii) By geographical distribution

	Economic Entity and The Bank	
	Current Financial Quarter 31/03/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Perlis	143,167	202,748
Kedah	706,687	677,730
Pulau Pinang	629,143	555,878
Perak	629,787	605,837
Selangor	4,788,900	4,267,771
Wilayah Persekutuan	4,246,120	4,861,075
Negeri Sembilan	715,219	660,077
Melaka	257,196	247,677
Johor	1,848,435	1,682,220
Pahang	404,567	383,081
Terengganu	386,308	379,608
Kelantan	172,146	167,256
Sarawak	364,405	306,013
Sabah	368,702	315,865
Labuan	67,054	68,994
Outside Malaysia	65,917	69,217
	15,793,753	15,451,047

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(ix) Movements of impaired financing

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	31/03/2018	31/12/2017
	RM'000	RM'000
At beginning of the financial period	142,310	97,498
Effect of adoption of MFRS 9	(594)	-
Classified as impaired	42,199	419,647
Reclassified as non-impaired	(22,928)	(337,769)
Amount recovered	(3,615)	(28,700)
Amount written-off	(4)	(8,366)
At end of the financial period	157,368	142,310
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing (*)	1.13%	1.12%
* RIA financing excluded in the ratio calculation.		
Gross financing, advances and other financing	15,793,753	15,451,047
RIA financing	(1,845,059)	(2,749,016)
	13,948,694	12,702,031
Less:		
- Individual impairment allowance	-	(24,039)
- Collective impairment allowance on impaired financing	-	(23,937)
- Credit impairment losses	(74,214)	-
- Credit impairment losses on impaired financing	(66,702)	-
Total net financing, advances and other financing	13,807,778	12,654,055
Net impaired financing, advances and other financing as a percentage of net financing, advances and other financing	0.66%	0.75%

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 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
	Quarter	Year-End
	31/03/2018	31/12/2017
	RM'000	RM'000
Individual impairment		
At beginning of the financial period	24,040	18,003
Effect of adoption of MFRS 9	(24,040)	-
Allowance made during the financial period	-	16,404
Amount recovered	-	(8,096)
Unwinding of income	-	(881)
Exchange differences	-	(1,390)
At end of the financial period	-	24,040
Collective impairment		
At beginning of the financial period	57,262	44,995
Effect of adoption of MFRS 9	(57,262)	-
Allowance made during the financial period	-	20,595
Amount written-off	-	(8,328)
At end of the financial period	-	57,262
As a percentage of gross financing and advances (excluding RIA financing) less individual impairment allowance	0.00%	0.45%

(xi) Impaired financing by economic sectors

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	31/03/2018	31/12/2017
	RM'000	RM'000
Primary agriculture	-	75
Mining and quarrying	67	63
Manufacturing	1,056	1,092
Electricity, gas and water supply	237	235
Construction	20,643	19,609
Real estate	28,859	30,279
Wholesale & retail trade and restaurants & hotels	5,422	4,974
Transport, storage and communication	360	180
Finance, insurance and business activities	1,036	956
Education, health and others	64	125
Household	99,624	84,722
	157,368	142,310

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

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

	Economic Entity and The Bank	
	Current Financial Quarter 31/03/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Purchase of transport vehicles	25,796	21,928
Purchase of landed property of which:		
- Residential	82,021	70,355
- Non-residential	5,940	5,347
Fixed assets other than land and building	244	235
Personal use	770	805
Construction	7,975	7,975
Working capital	34,538	35,583
Others	84	82
	157,368	142,310

(xiii) Impaired financing by geographical distribution

	Economic Entity and The Bank	
	Current Financial Quarter 31/03/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Perlis	2,206	2,122
Kedah	14,524	13,422
Pulau Pinang	1,645	1,612
Perak	6,342	5,772
Selangor	61,792	58,077
Wilayah Persekutuan	16,642	9,671
Negeri Sembilan	9,394	6,308
Melaka	1,356	2,077
Johor	4,690	3,823
Pahang	1,434	1,100
Terengganu	6,277	6,005
Kelantan	3,566	3,488
Sarawak	334	172
Sabah	241	396
Outside Malaysia	26,925	28,265
	157,368	142,310

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

15 FINANCING, ADVANCES AND OTHER FINANCING (continued)

(xiv) Movement in Expected Credit Losses ("ECL")

	12 months ECL (Stage 1) 31/3/2018 RM'000	Lifetime ECL not Credit Impaired (Stage 2) 31/3/2018 RM'000	Lifetime ECL Credit Impaired (Stage 3) 31/3/2018 RM'000	Total 31/3/2018 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				-
Transfer to 12-month ECL (Stage 1)				-
- Changes due to change in credit risk	1,902	(1,858)	(44)	-
- Modifications to contractual cash flows of financial asset	-	-	-	-
- Changes in models/risk parameters	-	-	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2)				-
- Changes due to change in credit risk	(1,062)	7,945	(6,883)	-
- Modifications to contractual cash flows of financial asset	-	-	-	-
- Changes in models/risk parameters	-	-	-	-
Transfer to Lifetime ECL credit impaired provision (Stage 3)				-
- Changes due to change in credit risk	(1)	(535)	536	-
- Modifications to contractual cash flows of financial asset	-	-	-	-
- Changes in models/risk parameters	-	-	-	-
Loans/Financing derecognised during the period (other than write-offs)	(5,460)	(369)	(77)	(5,906)
New loans/financing originated or purchased	7,794			7,794
Changes due to change in credit risk	956	(1,322)	15,636	15,270
Modifications to contractual cash flows of financial asset	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Write-offs	-	-	(3)	(3)
Other adjustments	-	-	(796)	(796)
At the end of financial period/year	58,657	14,836	66,703	140,196

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018**16 OTHER ASSETS**

	Economic Entity and The Bank	
	Current Financial Quarter 31/03/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Other debtors	1,759	6,567
Prepayment and deposits	595	779
Clearing accounts	15,362	8,042
Foreclosed properties (a)	2,445	2,445
	20,161	17,833

(a) Foreclosed properties

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

17 AMOUNT DUE FROM JOINT VENTURES

	Economic Entity and The Bank	
	31/03/2018 RM'000	31/12/2017 RM'000
Advances to joint ventures	33,303	32,849

18 AMOUNT DUE FROM ASSOCIATE

	Economic Entity and The Bank	
	31/03/2018 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 MARCH 2018**19 DEPOSITS FROM CUSTOMERS****(i) By type of deposit**

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	31/03/2018	31/12/2017
	RM'000	RM'000
Qard		
Demand deposits	2,325,120	3,071,743
Savings deposits	563,463	539,826
	2,888,583	3,611,569
Mudharabah		
General investment deposits	76,590	76,332
Tawarruq		
Murabahah term deposits	10,249,837	9,925,402
Commodity Murabahah	1,121,064	586,029
	11,370,901	10,511,431
	14,336,074	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
	31/03/2018	31/12/2017
	RM'000	RM'000
Due within six months	6,511,545	6,995,629
Six months to one year	3,211,579	2,529,053
One year to three years	251,252	215,241
Three years to five years	352,051	261,811
	10,326,427	10,001,734

(iii) By type of customer

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	31/03/2018	31/12/2017
	RM'000	RM'000
Government and statutory bodies	4,979,971	5,237,179
Business enterprise	4,744,359	4,071,527
Individuals	1,646,932	1,580,143
Domestic banking institutions	20,481	4,452
Domestic non-banking financial institutions	2,445,299	2,995,415
Foreign entities	87,718	84,191
Others entities	411,314	226,425
	14,336,074	14,199,332

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018**20 INVESTMENT ACCOUNTS OF CUSTOMERS**

	Economic Entity and The Bank	
	Current Financial Quarter 31/03/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Mudharabah	1,456	449

	Economic Entity and The Bank	
	Current Financial Quarter 31/03/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Movement in investment accounts		
At beginning of the financial period	449	-
New placement during the period	1,135	870
Redemption during the period	(131)	(423)
Finance expense on RIA	9	35
Profit distributed	(6)	(33)
At end of the financial period	1,456	449

Profit Sharing Ratio and Rate of Return

	Economic Entity and The Bank			
	31/03/2018		31/12/2017	
	Average profit sharing ratio (PSR) %	Average rate of return (ROR) %	Average profit sharing ratio (PSR) %	Average rate of return (ROR) %
Investment accounts:				
Due within six months	-	-	80	6.12
Six months to one year	80	6.32	-	-
One year to three years	85	7.19	-	-

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

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	31/03/2018	31/12/2017
	RM'000	RM'000
Qard		
Licensed banks	65,922	69,258
	<u>65,922</u>	<u>69,258</u>
Tawarruq		
Licensed banks	1,004,489	452,280
Licensed investment banks	1,780	101,330
Bank Negara Malaysia	14,239	112
Other financial institutions	2,332,942	638,420
	<u>3,353,450</u>	<u>1,192,142</u>
	<u>3,419,372</u>	<u>1,261,400</u>
Maturity structure of deposits are as follows:		
Due within six months	3,419,372	1,261,400
	<u>3,419,372</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
	31/03/2018	31/12/2017
	RM'000	RM'000
Mudharabah		
Licensed banks	1,836,884	2,749,016
	<u>1,836,884</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	81,063	1,841,284
Redemption during the period	(973,255)	(1,211,167)
Finance expense on RIA	28,853	108,040
Profit distributed	(31,626)	(99,190)
Exchange difference	(17,167)	-
At end of the financial period	<u>1,836,884</u>	<u>2,749,016</u>

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

22 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS (continued)

Profit Sharing Ratio and Rate of Return

	Economic Entity and The Bank			
	31/03/2018		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	5.08	95	4.40
One to three months	95	5.11	95	5.08
Due within six months	95	4.96	95	5.10
Six months to one year	88	5.66	80	6.12
One year to three years	92	5.80	97	5.09
Three years to five years	82	4.94	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		Previous Financial Year End	
	31/03/2018		31/12/2017	
	Contract/notional amount	Liabilities	Contract/notional amount	Liabilities
	RM'000	RM'000	RM'000	RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	276,631	2,326	442,333	3,258
	276,631	2,326	442,333	3,258

24 OTHER LIABILITIES

	Economic Entity and The Bank	
	Current	Previous
	Financial	Financial
	Quarter	Year-End
	31/03/2018	31/12/2017
	RM'000	RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes	1,001	-
Margin and collateral deposits	17,008	17,092
Other creditors and accruals	5,866	3,800
Sundry creditors	242,563	19,876
Provision for zakat	1,279	1,745
Defined contribution plan (a)	1,303	1,257
Accrued employee benefits (b)	1,004	2,866
Charity funds	63	63
Unearned income	4,818	20,757
Expected credit losses (c)	14,594	-
	289,499	67,456

(a) Defined contribution plan

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

(b) Accrued employee benefits

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

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

24 OTHER LIABILITIES (Continued)

(c) Expected credit losses

	Economic Entity and The Bank	
	Current Financial Quarter 31/03/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
At the beginning of financial period/year	-	-
Effect of adoption of MFRS9	16,463	-
Net remeasurement of credit losses	(3,226)	-
New financing commitments and financial guarantees issued during the financial period	1,357	-
At the end of financial period/year	14,594	-

25 RESERVES

	Economic Entity		The Bank	
	Current Financial Quarter 31/03/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000	Current Financial Quarter 31/03/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
Retained profits	604,265	610,202	604,915	610,852
FVOCI/AFS revaluation reserves	(7,061)	(6,915)	(7,061)	(6,915)
Regulatory reserves	79,939	94,866	79,939	94,866
	677,143	698,153	677,793	698,803

- (a) As at 31 March 2018, the Bank has tax exempt account balance of RM38,018,355 (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) 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-for-sale' at the end of financial year is net unrealised losses of RM9,776,357 (31 December 2017: net unrealised losses of RM9,512,705).
- (c) The Bank is required to maintain in aggregate collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding financing, advances and other financing, net of individual impairment allowances.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

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
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	210,615	148,082	210,615	148,082
Income derived from investment of investment account funds	23,549	28,394	23,549	28,394
Income derived from investment of shareholders' funds	21,530	15,638	21,530	15,638
Income attributable to depositors	(154,548)	(115,502)	(154,548)	(115,502)
	101,146	76,612	101,146	76,612
of which:				
Profit earned on impaired financing, advances and other financing	689	725	689	725

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
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
- General investment deposits (i)	132,709	80,172	132,709	80,172
- Other deposits (ii)	77,906	67,910	77,906	67,910
	210,615	148,082	210,615	148,082

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

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 Current Financial Quarter 31/03/2018 RM'000	Preceding Year Corresponding Quarter 31/03/2017 RM'000	Economic Entity and The Bank Current Financial Quarter 31/03/2018 RM'000	Preceding Year Corresponding Quarter 31/03/2017 RM'000
Finance income and hibah				
Financing, advances and other financing	104,367	64,371	104,367	64,371
Investment securities at FVOCI	12,157	-	12,157	-
Financial investments available-for-sale	-	7,200	-	7,200
Financial investments held-to-maturity	-	532	-	532
Money at call and deposits with other financial institutions	8,003	3,854	8,003	3,854
	124,527	75,957	124,527	75,957
Accretion of discount less amortisation of premium	750	543	750	543
Total finance income and hibah	125,277	76,500	125,277	76,500
Other operating income				
Fee income:				
Commission	286	368	286	368
Service charges and fees	2,738	963	2,738	963
Guarantee fees	463	372	463	372
	3,487	1,703	3,487	1,703
Commission paid on will/wasiat	(3)	-	(3)	-
Income from financial instruments:				
Gain on arising on investment securities at FVOCI/ financial investments available-for-sale:				
- net gain on disposal	434	448	434	448
	434	448	434	448
Other income:				
Foreign exchange profit/(loss)				
- realised	2,057	2,885	2,057	2,885
- unrealised	(395)	(2,006)	(395)	(2,006)
Other non-operating income	1,852	642	1,852	642
	3,514	1,521	3,514	1,521
	132,709	80,172	132,709	80,172

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

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 Current Financial Quarter 31/03/2018 RM'000	Preceding Year Corresponding Quarter 31/03/2017 RM'000	Economic Entity and The Bank Current Financial Quarter 31/03/2018 RM'000	Preceding Year Corresponding Quarter 31/03/2017 RM'000
Finance income and hibah				
Financing, advances and other loans	61,268	54,527	61,268	54,527
Investment securities at FVOCI	7,137	-	7,137	-
Financial investments available-for-sale	-	6,099	-	6,099
Financial investments held-to-maturity	-	450	-	450
Money at call and deposits with other financial institutions	4,698	3,264	4,698	3,264
	73,103	64,340	73,103	64,340
Accretion of discount less amortisation of premium	440	460	440	460
Total finance income and hibah	73,543	64,800	73,543	64,800
Other operating income				
Fee income:				
Commission	168	311	168	311
Service charges and fees	1,607	816	1,607	816
Guarantee fees	272	315	272	315
	2,047	1,442	2,047	1,442
Commission paid on will/wasiat	(2)	-	(2)	-
Income from financial instruments:				
Gain on arising on investment securities at FVOCI/ financial investments available-for-sale:				
- net gain on disposal	255	379	255	379
	255	379	255	379
Other income:				
Foreign exchange profit/(loss)				
- realised	1,208	2,444	1,208	2,444
- unrealised	(232)	(1,699)	(232)	(1,699)
Other non-operating income	1,087	544	1,087	544
	2,063	1,289	2,063	1,289
	77,906	67,910	77,906	67,910

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

27 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank Current Financial Quarter 31/03/2018 RM'000	Preceding Year Corresponding Quarter 31/03/2017 RM'000	Economic Entity and The Bank Current Financial Quarter 31/03/2018 RM'000	Preceding Year Corresponding Quarter 31/03/2017 RM'000
Finance income and hibah				
Financing, advances and other loans	18,520	22,799	18,520	22,799
Investment securities at FVOCI	2,157	-	2,157	-
Financial investments available-for-sale	-	2,550	-	2,550
Financial investments held-to-maturity	-	188	-	188
Money at call and deposits with other financial institutions	1,420	1,365	1,420	1,365
	22,097	26,902	22,097	26,902
Accretion of discount less amortisation of premium	133	192	133	192
Total finance income and hibah	22,230	27,094	22,230	27,094
Other operating income				
Fee income:				
Commission	51	130	51	130
Service charges and fees	486	341	486	341
Guarantee fees	82	132	82	132
	619	603	619	603
Commission paid on will/wasiat	(1)	-	(1)	-
Income from financial instruments:				
Gain on arising on investment securities at FVOCI/ financial investments available-for-sale:				
- net gain on disposal	77	159	77	159
	77	159	77	159
Other income:				
Foreign exchange profit/(loss)				
- realised	365	1,022	365	1,022
- unrealised	(70)	(711)	(70)	(711)
Other non-operating income	329	227	329	227
	624	538	624	538
	23,549	28,394	23,549	28,394

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

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
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and other financing	16,932	12,556	16,932	12,556
Investment securities at FVOCI	1,972	-	1,972	-
Financial investments available-for-sale	-	1,404	-	1,404
Financial investments held-to-maturity	-	104	-	104
Money at call and deposits with other financial institutions	1,298	752	1,298	752
	20,202	14,816	20,202	14,816
Accretion of discount less amortisation of premium	122	106	122	106
Total finance income and hibah	20,324	14,922	20,324	14,922
Other operating income				
Fee income:				
Commission	47	72	47	72
Service charges and fees	444	188	444	188
Guarantee fees	75	72	75	72
	566	332	566	332
Income from financial instruments:				
Gain on arising on investment securities at FVOCI/ financial investments available-for-sale:				
- net gain on disposal	70	87	70	87
	70	87	70	87
Other income:				
Foreign exchange profit/(loss)				
- realised	334	563	334	563
- unrealised	(64)	(391)	(64)	(391)
Other non-operating income	300	125	300	125
	570	297	570	297
	21,530	15,638	21,530	15,638

29 ALLOWANCES FOR/(WRITE-BACK OF) 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
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
Individual impairment				
- made in the financial period	-	5,748	-	5,748
- written-back	-	(3,831)	-	(3,831)
Collective impairment				
- net allowance made in the financial period	-	3,739	-	3,739
Expected credit loss ("ECL")				
- made/(written-back) during the financial period/year				
- Financing, advances and other financing	17,158	-	17,158	-
- Commitments & contingencies	(1,869)	-	(1,869)	-
Bad debts on financing				
- recovered	(356)	(264)	(356)	(264)
- written-off	3	-	3	-
	14,936	5,392	14,936	5,392

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018**30 INCOME ATTRIBUTABLE TO DEPOSITORS**

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank	Economic Entity and The Bank	Economic Entity and The Bank	Economic Entity and The Bank
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah	514	653	514	653
- Non-mudharabah	109,302	77,177	109,302	77,177
Deposits and placements of banks and other financial institutions				
- Mudharabah	15,870	11,192	15,870	11,192
Others	-	-	-	-
Profit distributed to investment account holders	28,862	26,480	28,862	26,480
	154,548	115,502	154,548	115,502

31 OTHER OPERATING EXPENSES

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank	Economic Entity and The Bank	Economic Entity and The Bank	Economic Entity and The Bank
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs (a)	36,460	24,508	36,460	24,508
Establishment costs (b)	10,752	9,606	10,752	9,606
Marketing expenses (c)	1,972	766	1,972	766
Administrative and general expenses (d)	4,754	3,590	4,754	3,590
	53,938	38,470	53,938	38,470

(a) Personnel costs

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank	Economic Entity and The Bank	Economic Entity and The Bank	Economic Entity and The Bank
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonuses	27,405	18,714	27,405	18,714
Defined contribution plan ('EPF')	4,976	3,222	4,976	3,222
Other personnel costs	4,079	2,572	4,079	2,572
	36,460	24,508	36,460	24,508

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

31 OTHER OPERATING EXPENSES (continued)

(b) Establishment costs

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Quarter	Quarter	Quarter	Quarter
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
Rental of premises	2,060	1,701	2,060	1,701
Equipment rental	36	18	36	18
Repair and maintenance	1,431	1,481	1,431	1,481
Depreciation of property and equipment	184	225	184	225
Amortisation of intangible assets	11	-	11	-
IT consultancy fees	2,457	2,804	2,457	2,804
Dataline rental	412	292	412	292
Security services	960	1,031	960	1,031
Electricity, water and sewerage	823	469	823	469
Licence fee	113	93	113	93
Insurance/takaful and indemnities	485	433	485	433
Other establishment costs	1,780	1,059	1,780	1,059
	10,752	9,606	10,752	9,606

(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
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
Business promotion and advertisement	376	248	376	248
Entertainment	11	67	11	67
Traveling and accommodation	381	244	381	244
Commissions expenses	390	-	390	-
Brokerage expenses	339	-	339	-
Other marketing expenses	475	207	475	207
	1,972	766	1,972	766

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018**31 OTHER OPERATING EXPENSES (continued)**

(d) Administration and general expenses

	Individual Quarter		Cumulative Quarter	
	Economic Entity and The Bank		Economic Entity and The Bank	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
Quarter	Quarter	Quarter	Quarter	
31/03/2018	31/03/2017	31/03/2018	31/03/2017	
RM'000	RM'000	RM'000	RM'000	
Telecommunication expenses	353	262	353	262
Auditors' remuneration	110	112	110	112
Professional fees	1,112	327	1,112	327
Property and equipment written-off	3	1	3	1
Mail and courier charges	-	106	-	106
Stationery and consumables	860	695	860	695
Commissions expenses	-	248	-	248
Brokerage expenses	-	216	-	216
Directors' fees and allowances	348	368	348	368
Donations	10	27	10	27
Settlement, clearing and bank charges	269	276	269	276
Stamp duties	2	3	2	3
GST Input tax-non recoverable	1,244	902	1,244	902
Other administration and general expenses	443	47	443	47
	4,754	3,590	4,754	3,590

32 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are not secured over the assets of the Bank.

The commitments and contingencies consist of:

	Economic Entity and The Bank	
	Principal amount 31/03/2018 RM'000	Principal amount 31/12/2017 RM'000
Direct credit substitutes (*)	97,319	92,241
Transaction-related contingent items (*)	288,076	293,354
Short-term self-liquidating trade related contingencies	246,696	279,532
Irrevocable commitments to extend credit:		
- maturity less than one year	1,621,056	1,583,496
- maturity more than one year	1,741,999	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	14,174	25,654
Unutilised credit card lines	5,355	337
Foreign exchange related contracts (#):		
- less than one year	358,627	802,588
	4,373,302	4,734,028

* Included in direct credit substitutes as above are financial guarantee contracts of RM97.3 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 MARCH 2018**33 FAIR VALUE MEASUREMENTS**

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

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

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

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

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

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

Where fair value is determined using unquoted market price in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Economic Entity and The Bank				
31/03/2018				
Assets				
Derivative financial assets		931		931
Investment securities at fair value through other comprehensive income				
- Money market instruments	-	1,157,891	-	1,157,891
- Corporate bonds/sukuk	-	1,334,770	-	1,334,770
	-	2,493,592	-	2,493,592
Liabilities				
Derivative financial liabilities	-	2,326	-	2,326
	-	2,326	-	2,326
	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.

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

33 FAIR VALUE MEASUREMENTS (continued)

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

The Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (31 December 2016: Nil)

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

	Economic Entity and The Bank	
	Current Financial Quarter 31/03/2018 RM'000	Previous Financial Year-End 31/12/2017 RM'000
As at beginning of the financial period	-	-
Sales	-	-
Reclassify to investment in associate	-	-
As at end of the financial period	<u>-</u>	<u>-</u>

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
	31/03/2018 RM'000	31/12/2017 RM'000			
Economic Entity and The Bank					
Financial investments 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 MARCH 2018**3.4 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 36 below summarises the composition of regulatory capital and the ratios of the Bank for the financial quarter ended 30 September 2017.

35 CAPITAL ADEQUACY

The capital adequacy ratios are as follows:

	Economic Entity		The Bank	
	Current Financial Quarter	Previous Financial Year-End	Current Financial Quarter	Previous Financial Year-End
	RM'000	RM'000	RM'000	RM'000
Paid-up share capital	1,060,000	1,060,000	1,060,000	1,060,000
Statutory reserves	-	-	-	-
Retained profits	579,674	610,202	580,324	610,852
Unrealised gains and losses on AFS	(7,061)	(6,915)	(7,061)	(6,915)
	1,632,613	1,663,287	1,633,263	1,663,937
Less:				
Goodwill and other intangibles	(327)	-	(327)	-
Deferred tax assets	(19,007)	(5,020)	(19,007)	(5,020)
Investment in associate/joint ventures	(750)	(600)	(1,400)	(1,120)
CET1 Capital	1,612,529	1,657,667	1,612,529	1,657,797
Tier 1 Capital	1,612,529	1,657,667	1,612,529	1,657,797

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018**35 CAPITAL ADEQUACY (continued)**

	Economic Entity		The Bank	
	Current Financial Quarter Financial 31/03/2018 RM'000	Previous Financial Year-End Financial 31/12/2017 RM'000	Current Financial Quarter Financial 31/03/2018 RM'000	Previous Financial Year-End Financial 31/12/2017 RM'000
General provisions/collective impairment provisions [@]	144,407	33,324	144,407	33,324
Regulatory adjustments	-	94,866	-	94,866
Less:				
Investment in associate/joint ventures	-	(150)	-	(280)
Tier II capital	144,407	128,040	144,407	127,910
Total capital	1,756,936	1,785,707	1,756,936	1,785,707
CET1 capital ratio	13.140%	15.086%	13.140%	15.087%
Tier 1 capital ratio	13.140%	15.086%	13.140%	15.087%
Total capital ratio	14.317%	16.251%	14.317%	16.251%
CET1 capital ratio (net of proposed dividends)	13.140%	15.086%	13.140%	15.087%
Tier 1 capital ratio (net of proposed dividends)	13.140%	15.086%	13.140%	15.087%
Total capital ratio (net of proposed dividends)	14.317%	16.251%	14.317%	16.251%
Risk-weighted assets for:				
Credit risk	11,552,552	10,438,538	11,552,552	10,438,538
Market risk	160,292	19,266	160,292	19,266
Operational risk	559,087	530,574	559,087	530,574
Total risk-weighted assets	12,271,931	10,988,378	12,271,931	10,988,378

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

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 2017, RIA assets excluded from Total Capital Ratio calculation amounted to RM1,845,059,295 (31 December 2017: RM2,749,016,285).

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

36 REVIEW OF PERFORMANCE OF THE BANK

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

During the 1st quarter of 2018, the Bank registered a profit before tax of RM32.3 million as compared to the previous year's corresponding quarter of RM32.8 million, a decrease of RM0.5 million or 1.5%.

This was due to:

- i) higher operating expenses by RM15.5 million.
- ii) higher allowances for impairment losses on financing, advances and other financing by RM9.5 million.

The above was off-set by:

- iii) higher income derived from investments after netting off income attributable to depositors' funds by RM24.5 million.

37 COMMENT ON FINANCIAL RESULTS

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

The Bank's profit before tax for 1st quarter of 2018 stood at RM32.3 million as compared to RM30.8 million reported in the 4th quarter of 2017, an increase of RM1.5 million or 4.9%.

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

- i) higher income derived from investments after netting off income attributable to the depositors' funds by RM2.2 million.
- ii) lower allowances for impairment losses on other assets by RM18.3 million.

The above was off-set by:

- iii) higher allowances for impairment losses on financing, advances and other financing by RM11.3 million.
- iv) higher operating expenses by RM7.7 million.

38 PROSPECT FOR THE CURRENT FINANCIAL YEAR

For the period ended 31 March 2018, Affin Islamic ("the Bank") has improved its revenue position by 28.0% which reflected from total income of RM86.8 million compared to the corresponding period last year, while profit before zakat and taxation was at RM32.3 million.

Prospects for the remaining 2018

The official projection of GDP growth for 2018 has been revised between 5.5% and 6.0% (previously between 5.0% and 5.5%) which supported by expectations of better trade performance and anchored strong domestic demand. These indicators reaffirm the strength in exports and domestic activity and its momentum is expected to continue throughout 2018. The domestic financial markets have been resilient with strengthened Ringgit reflected from good economic fundamentals.

With the Malaysia's economy firmly on a steady growth, Bank Negara Malaysia has implemented normalization on monetary policy in January with 25 basis point hike in the Overnight policy Rate (OPR) to 3.25 percent. Premised on improving consumer sentiment and steady business optimism, the growth momentum in Islamic financing is expected to continue in 2018, as it accounted for 71% of the increase in banking system's financing in 2017.

The bank remains optimistic in offering broaden financing solutions to support the diverse needs of the economy in 2018. The bank continues to drive operating efficiency and productivity with the emphasis on retail, business banking particularly on Millennial and SMEs. The bank priority to focus on deposit mobilization and continue to grow the low-cost funding and investment account, as well as accelerate fee income through wealth management. The bank continuously builds digital capabilities and initiatives to explore more robust opportunities in the digital space and creating a better overall banking experience for our customer.

AFFIN Islamic Bank Berhad

(Incorporated in Malaysia)

MFRS 134 INTERIM FINANCIAL REPORTING - 31 MARCH 2018

39 VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

The Bank's profit before tax registered an adverse variance of RM4.0million. The main contributing factors are follows:

Other operating expenses

Operating costs showed an adverse variance of RM4.9 million.

Allowances for impairment losses on financing, advances and other financing

Allowances for impairment losses on financing, advances and other financing showed an adverse variance of RM6.6 million.

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

Income derived from investments after netting off income attributable to the depositors' funds showed a favourable variance of RM7.5 million.